

76
X5 m 2, N10
NS4.89 & 95
122400

FRENCH DYES & CHEMICALS

(INDIA) LIMITED

ADELPHI, 3 QUEENS ROAD, BOMBAY 1

Telephone: 23334 G.P.O BOX No 1539. Telegrams: 'FRENCHDYES'

DYES
FROM
FRANCOLOR and MULHOUSE

CHEMICALS
FROM
UGINE-AIR LIQUIDE - KUHLMANN
SAINT CLAIR - SAINT DENIS

*More than Fifty years of
National Service*

WHEAREADY
W. & CO., LTD.

LIFTING, CONVEYING AND TRANSPORTING GEAR
STEAM, WATER AND OIL METERS
FANS AND EVAPORATIVE COOLING PLANT
STEAM AND DIESEL ENGINES
TEXTILE MACHINERY AND EQUIPMENT
PACKINGS AND JOINTINGS
HIGH PRESSURE STEAM VALVES AND FITTINGS
CHAINS FOR DRIVING AND CONVEYING
SUNDRY ENGINEERING AND MILL STORES

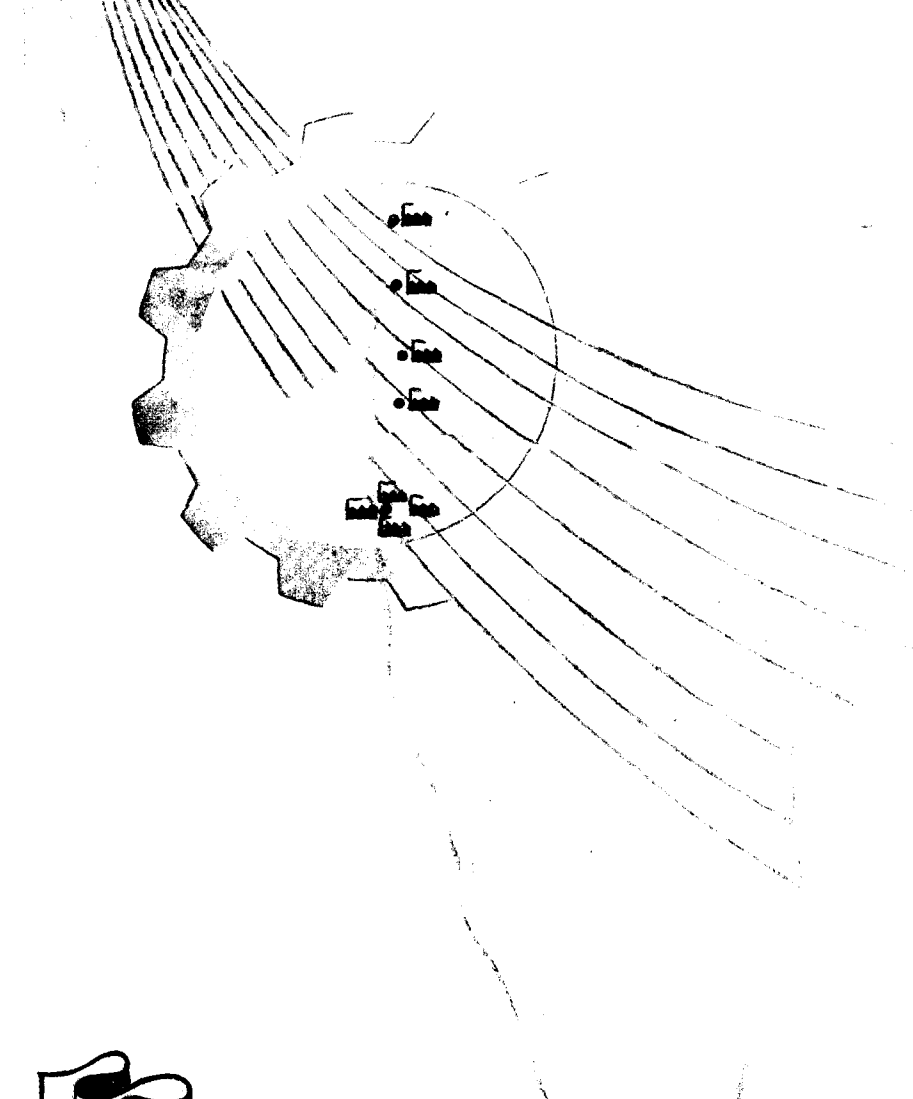
Head Office: VEER NARIMAN ROAD, BOMBAY, 1

CALCUTTA . Mercantile Buildings
MADRAS . Popham's Broadway
KANPUR . Mahatma Gandhi Road

AHMEDABAD Reid Road
COIMBATORE Jail Road
MANCHESTER . . John Dalton Street

THE

Mafatlal
GROUP of MILLS



Associated with the House of Mafatlal the above units commonly known as Mafatlal Group of Mills are equipped with most up-to-date plant comprising 3,61,644 ring spindles and 7685 looms with Dyeing, Bleaching, Printing, and Mercerising Plants and Spinning counts from 10s to 100s and Weaving Cloths of coarse and fine counts with Plain, Dobby, Jacquard, and Leno Weaves.
Also associated with this House M. S. GAGALBHAI JUTE MILLS LTD. Calcutta, are equipped with the most modern plant consisting of 12,148 spindles and 620 looms—cloth width 23-56; dyeing calendering and jute yarn dyeing.
Mafatlal's other interests include Cotton, Sugar, Insurance etc.

THE SHORROCK SPG. & MFG. CO. LTD.
AHMEDABAD
THE NEW SHORROCK SPG. & MFG. CO. LTD.
MADIAD
THE SURAT COTTON SPG. & WVG. MILLS LTD.
SURAT
THE NEW CHINA MILLS LTD.
BOMBAY
THE STANDARD MILLS CO. LTD.
BOMBAY
THE MAFATLAL FINE SPG. & MFG. CO. LTD.
NAVSARI
THE SASSOON SPG. & WVG. CO. LTD.
BOMBAY
THE NEW UNION MILLS LTD.
BOMBAY
MAHARANEE SHRI MHALSABAI COTTON MILLS
CO. LTD. DEWAS

MAFATLAL GAGALBHAI & SONS

PHONE: 30068 (5 LINES) 29, VEER NARIMAN ROAD, FORT, BOMBAY. GRAMS: 'HITSAGAR' BOMBAY

CLARIDGES PRINTING

Bridges the gap

BETWEEN
THE MANUFACTURERS
AND THE CONSUMERS

G. CLARIDGE & CO., LTD.
CAXTON PRESS
FRERE ROAD, FORT
BOMBAY. I

Telephone: 30801

Gobhai

SUGAR



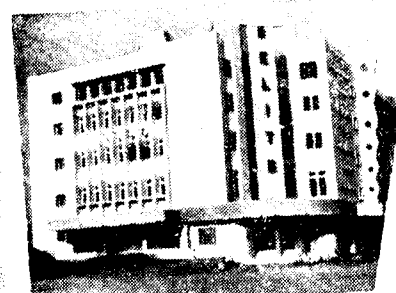
The PIONEER Sugar Factory in the Deccan
with a crushing capacity in its Factory of
1,000 TONS of CANE daily, all of which is grown
under skilled supervision on the Company's Estate

Managers:

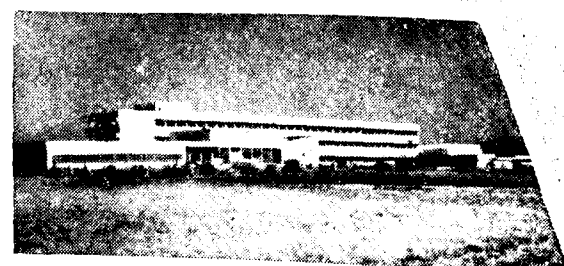
W. H. BRADY & COMPANY, LIMITED, BOMBAY



SCINDIA HOUSE, NEW DELHI
Electrical Contractors S. K. Singh & Company, New Delhi
Architects
Walter George, Esq., A.R.C.A. (London), F.R.I.B.A.



DELITE THEATRE, NEW DELHI
Electrical Contractors
Messrs. Russa Electric Works
Chandni Chowk, Delhi
Architects
Master Sathe & Bhuta, New Delhi



ENGINEERING COLLEGE, CHANDIGARH
Electrical Contractors
S. K. Singh & Company, New Delhi

*MORE
AND MORE*

*IN
DEMAND*

PARAMITE

RUBBER INSULATED CABLES

MANUFACTURED TO I.S. & B.S. SPECIFICATIONS



THE INDIAN CABLE CO., LTD.

9, HARE STREET, CALCUTTA

WORKS—TATANAGAR

BRANCHES

MADRAS . COIMBATORE

26 PC

SELLING AGENTS:

GILLANDERS ARBUTHNOT & CO. LTD.
BOMBAY . NEW DELHI . KANPUR

Messrs.

THACKERSEY MOOLJEE & COMPANY

**SIR VITHALDAS CHAMBERS, 16, APOLLO STREET
FORT, BOMBAY**

THE

HINDOOSTAN SPG. & WVG. MILLS CO., LTD.

Agents :—THACKERSEY MOOLJEE & CO.

•

THE WESTERN INDIA SPG. & MFG. CO., LTD.

Agents :—THACKERSEY MOOLJEE SONS & CO.

•

THE INDIAN MANUFACTURING CO., LTD.

Agents :—DAMODHER THACKERSEY MOOLJEE & CO.

•

THE CROWN SPG. AND MFG. CO., LTD.

Agents :—PURSHOTAM VITHALDAS & CO.

Telegrams :

“DRAGONNADE”

“LOLLARDISM”

“DISPARAGAR”

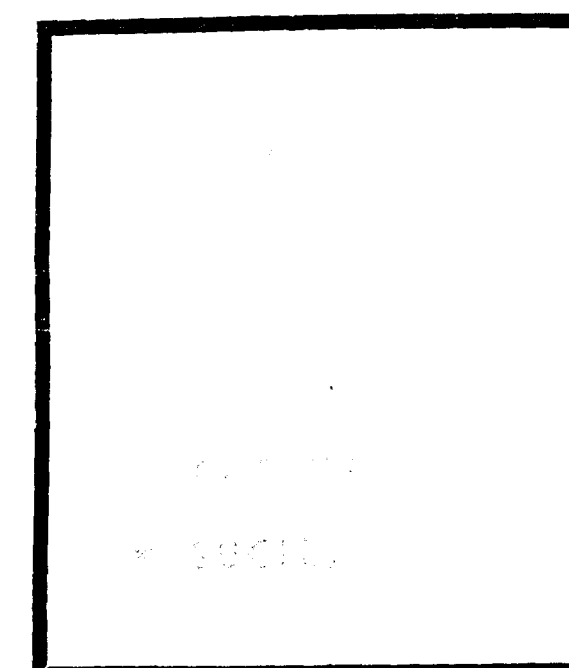
“CROWNMILL”

Telephones :

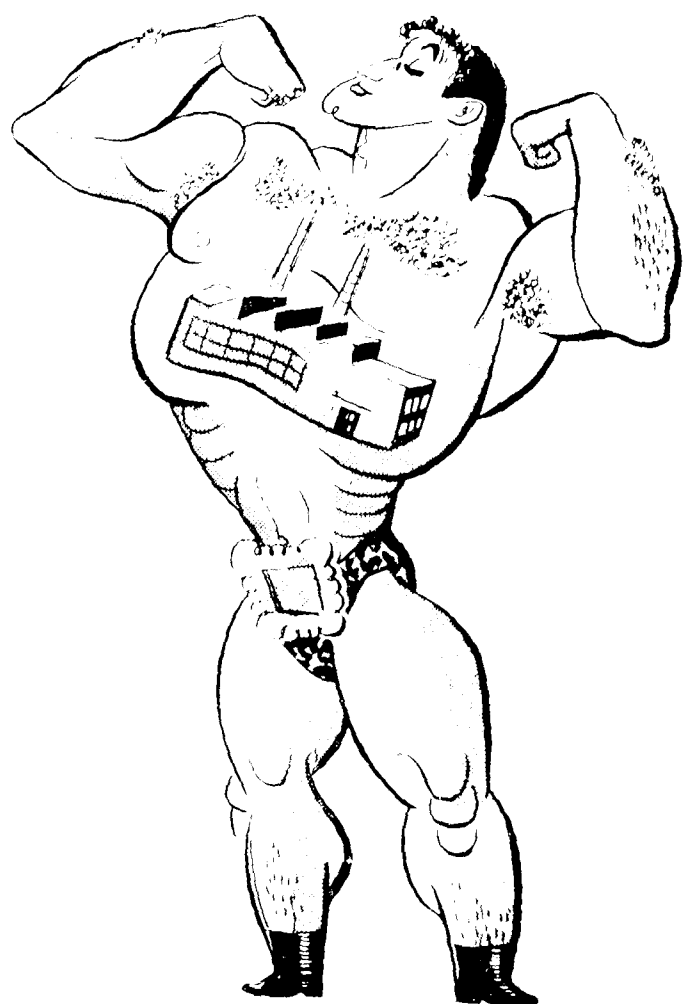
20110

AND

25153



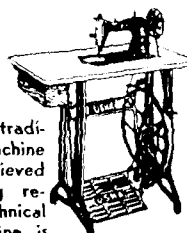
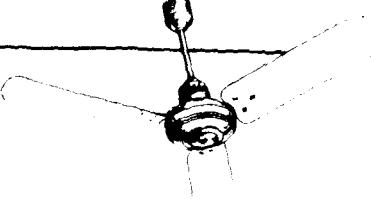
To Build a STRONG Nation



We must EXPAND our Industries

Most of our National problems, like unemployment and improving the general standard of living, are directly linked with the progress of our industries. We must expand the industries on the right lines, by producing quality goods at a reasonable price.

JEW is playing its part in the right direction. USHA Sewing Machines, USHA DeLuxe Fans and JYOTI Hurricane Lanterns are the finest examples of "Quality products at the right price."

USHA SEWING MACHINE  The fame of "USHA" tradition as the finest machine in its class is achieved through long enduring research of a highly technical staff and each machine is subjected to rigid test before it leaves the factory.	 USHA Fans add beauty and comfort to all places. They are designed to be beautiful to look at and made to give a trouble-free long service. USHA DeLuxe Fans	JYOTI Hurricane Lantern  A Hurricane Lantern that combines modern appearance with improved mechanical features, simpler construction with increased and clearer lighting, an efficient burner which gives a flawless and smokeless flame.
---	--	---

THE JAY ENGINEERING WORKS LTD. CALCUTTA
Bombay Agents: Messrs. BOMBAY PREMIER TRADING CO.
230, HORNBY ROAD, FORT, BOMBAY 1

COMMERCE

"For Commerce, though the child of Agriculture, fosters his parent
Who else must sweat and toil and gain but scanty fare."

William Blake

VOL. LXXXIX. No. 2288

BOMBAY, DECEMBER, 1954

PRICE Rs. 7/8

CONTENTS

	Page		Page
LEADING ARTICLE :		FEATURE ARTICLES—(Continued)	
1954 In Retrospect	11	Indian Silk Industry—By A. T. Janakiraman	108
FEATURE ARTICLES :		Growth of Some New Engineering Industries	111
Foreign Capital for India—By T. T. Krishnamachari	13	Industries of Rajasthan—A Brief Survey—By K. B. Dangayach	114
A Structural Basis for Second Five-year Plan—By "Thodarmal"	15	Plastics Industry in India—By R. C. Shah	116
Agriculture under Five-year Plan—By Panjabrao S. Deshmukh	18	Future of Food Supply—By P. C. Bansil	119
Work and Worship—By S. V. Ramamurti	20	Industrial Research Under C.S.I.R.—By a Special Correspondent	123
National Extension Service—By V. T. Krishnamachari	22	Trend of Base Metals—By G. D. Binani	125
India and the G.A.T.T.—By Dr. B. N. Ganguli	26	Post-war Monopoly of Pepper on Its Last Legs—By I. T. Parekh	166
The General Agreement on Trade and Tariffs—By G. O. Hoskins	30		
Flood Control in India—By Dr. Sudhir Sen	32	1954 REVIEW OF :	
Some Problems of India : Shipping—By B. P. Singh Roy	36	Trade	127
Finance for Development of Ports—By M. A. Master	39	Commodity Prices and Cost of Living	130
India's Sugar Problem—By P. A. Gopalakrishnan	42	Transport	131
Future of Tea Industry—By H. Mackay Tallack	44	World Commodity Prices	133
Role of Trade Unions in a Welfare State—By V. K. R. Menon	47	Industrial Production	134
Are Controls on Coal Industry Necessary?—By R. K. Ramadhyani	49	Iron and Steel	136
Trend of Productivity of Indian Industries—By Dr. M. M. Mehta	52	Sugar	139
Some Problems of Banks in India—By "Nataraja"	55	Coal	141
Foreign Capital and Economic Development—By Karodt A. Joseph	58	Jute	144
Income-tax Investigation Commission—By S. Vaish	63	Textiles	146
Taxing the Incomes of Banks—By R. B. Shah	66	Cotton	150
Industrial Development in Second Five-year Plan—By P. Chentsal Rao	70	Planting	153
Economic Trends in the U.S.—By Our American Correspondent	72	Insurance	156
Economic Trends in Britain—By Our London Correspondent	74	Banking and Money	157
The European Coal and Steel Community—By A Special Correspondent	75		
Infant Mortality in India, 1900-1951—By Prof. S. Chandrasekhar	78	TREND OF MARKETS IN 1954 :	
Manpower in Indian Economy—By M. S. Sreenivasan	83	Gilt-edged	159
British Steel Industry—By A Steel Correspondent	84	Stock Exchanges	160
Ceiling to Agricultural Holdings—By T. R. Sharma	86	Bullion	163
Development of Small-scale Industries—By "Apollonius"	89	Tea	164
Managing Agency System—By A Special Correspondent	91	Jute	165
Resources Raised Under the Plan Analysed—By P. A. Seshan	94	Yarn	167
Soap in the Second Five-year Plan—By A Special Correspondent	96	Cotton	168
World Supply of Oils and Fats—By A Special Correspondent	98	Foodgrains	170
World Wool Position—By A. P. Zentler	100	Oilseeds	171
Problem of Rehabilitation of Cotton Mills—By Surettam Huthesing	103	Hides and Skins	172
Lancashire Mills Fare Well, Despite Competition—By Our Manchester Correspondent	106	SOME VITAL ECONOMIC STATISTICS	a-d

SUBSCRIPTION RATES

	India	
Yearly	Rs. 55	
Half-yearly	Rs. 30	
	Including Postage	
	Abroad	
Yearly	Rs. 60	
Half-yearly	Rs. 35	
	Including Postage	
Single Copies, Re. 1/8, obtainable from all bookstalls or from the Publishers.		
Back numbers, if available, from Rs. 3 onwards.		

Company and Public Notices cannot be accepted after midday on Wednesday in each week.

Comments on the working of companies are based on such facts and figures as are available in the published reports and accounts of the companies concerned. We do not accept responsibility in respect of conclusions drawn from such sources if the information supplied should prove to have been inadequate.

No responsibility for the safety of articles, etc., can be accepted, but, if accompanied by stamped and addressed envelopes, every effort will be made to return unsuitable MSS.

The Editor does not necessarily agree with, or hold himself responsible for, the views expressed by contributors.

ADVERTISEMENT RATES

Contract and other terms on application to the Advertisement Manager.

Advertisements intended for publication in the current issue cannot be accepted after midday on Monday.

A representative will be pleased to call upon intending advertisers, on request.

All remittances, cheques, money orders, etc., should be made payable to:—

"COMMERCE" (1935), LTD., ROYAL INSURANCE BUILDINGS, VEER NARIMAN ROAD, BOMBAY, 1
Telephone : 25036, 21105 (Secretary)
Calcutta Representative : S. P. CHATTERJEE, A.L. Banerjee Street, P.O. Konnagar, Dist. Hooghly (W. Bengal).
Madras Representative : M. SUBRAMANIAN, M.A., Theosophical Society, Adyar, Madras, 20.
Telegrams : "ECREMMOC" (Private), "COMMERCE" (Press), BOMBAY.
Post Box No. 840.

ANNUAL NUMBER

	Page
A. C. E. C. India Ltd. -	121
Alembic Chemical Works Co., Ltd. -	174
Aluminium Corporation of India Ltd. -	76
Aluminium Industries Ltd. -	79
American Express Co., Inc. -	53
Anderson Wright Ltd. -	126
Andhra Bank Ltd. -	38
Andhra Cement Co., Ltd. -	68
Arathoon Ltd., A. M. -	90
Arkay Traders -	115
Aryastian Insurance Co., Ltd. -	177
Asea Electric India Ltd. -	67
Ashok Motors Ltd. -	69
Asok Textiles Ltd. -	110
Associated Electrical Industries (India) Ltd. -	51
Atul Products Ltd. -	122
Australia and New Zealand Bank Ltd. -	126
Babcock & Wilcox of India Ltd. -	119
Banco di Roma -	121
Bank of Baroda Ltd. -	138
Bank of India Ltd. -	138
Bank of Madras Ltd. -	134
Bank of Maharashtra Ltd. -	122
Bank of New India Ltd. -	116
Bank of New South Wales -	137
Bank of Rajasthan Ltd. -	99
Bata Shoe Co., Ltd. -	117
Batliboi & Co. -	54
Behar Firebrick and Potteries Ltd. -	19
Belapur Co., Ltd. -	53
Bengal Coal Co., Ltd. -	53
Bharat Fire and General Insurance Ltd. -	148
Binny & Co., Ltd. -	48
Bird & Co., Ltd. -	59
Bombay Co., Ltd. -	101
Bombay Fire and General Insurance Co., Ltd. -	97
Bombay State Co-operative Bank Ltd. -	71
Brady & Co., Ltd., W. H. -	2
British India Corporation Ltd. -	73
British India General Insurance Co., Ltd. -	99
British Insulated Cables Ltd. -	79
Burma Lime and Chemical Co., Ltd. -	175
Calcutta Insurance Ltd. -	124
Caltech (India) Ltd. -	21
Cambata Industries Ltd. -	135
Canara Industrial and Banking Syndicate Ltd. -	43
Cement Marketing Company of India Ltd. -	137
Central Bank of India Ltd. -	147
Central Distributing Corporation -	64
Central Railway -	97
Chartered Bank of India, Australia and China -	116
Chimanlal Desai & Co. -	4
Chimanlal Paper Co. -	46
Claridge & Co., Ltd., G. -	109
Commonwealth Assurance Co., Ltd. -	113
Concord of India Insurance Co., Ltd. -	138
Cooper Engineering Ltd. -	110
Dalmia Cement (Bharat) Ltd. -	152
Dewan Bahadur Ramgopal Mills Ltd. -	60
Dhole & Co. -	176
Diamelin Research Laboratory -	85
Diamond Products Ltd. -	23
Dunlop Rubber Co. (India) Ltd. -	180
East India Paint and Chemical Works -	180
Eastern Accumulator Company -	81
Employers' Liability Assurance Corporation Ltd. -	1
French Dyes and Chemicals (India) Ltd. -	81
French Government Tourist Office -	88
Fuji Bank Ltd. -	103
Garlick & Co., Ltd. -	151
General Assurance Society Ltd. -	135
Gill & Co., Ltd. -	151
Gladstone Lyall & Co., Ltd. -	38
Government of Madras -	176
Greaves Cotton and Crompton Parkinson Ltd. -	104
Greentone Corporation (India) -	104
Gwalior Rayon Silk Manufacturing (Wvg.) Co., Ltd. -	178
Habib Bank Ltd. -	57
Hercules Insurance Co., Ltd. -	101
Hind Cycles Ltd. -	174
Hindustan Construction Co., Ltd. -	105
Hindustan Motors Ltd. -	141
Hindusthan Co-operative Insurance Society Ltd. -	77
Hindusthan General Insurance Society Ltd. -	53
Hollerich (India) Ltd. -	174
Hongkong and Shanghai Banking Corporation -	38
Hukumchand Jute Mills Ltd. -	126
Hyderabad State Bank -	59
Imperial Bank of India -	148
Imperial Chemical Industries (India) Ltd. -	75
India Cement Ltd. -	62
India Electric Works Ltd. -	140
India Machinery Co., Ltd. -	35
India Steamship Co., Ltd. -	152
India Sugars and Refineries Ltd. -	118
India Tyre and Rubber Co. (India) Ltd. -	40
India United Mills Ltd. -	177
Indian Aluminium Co., Ltd. -	143
Indian Bank Ltd. -	6
Indian Cable Co., Ltd. -	93
Indian Copper Corporation Ltd. -	129
Indian Copper Castings Ltd. -	61
Indian Overseas Sales Association (Bombay) -	71
Indian Paper Sales Industries Ltd. -	154
Indian Telephone Industries Ltd. -	57
Indian Wild Barfield Co., Ltd. -	137
Indore Malwa United Mills Ltd. -	137
Industrial and Engineering Apparatus Co., Ltd. -	132
Ishikawajima Heavy Industries Co., Ltd. -	8
Jay Engineering Works Ltd. -	147
Jeewanlal (1929) Ltd. -	149
Jehangir Vakil Mills Co., Ltd. -	149

	Page
J. K. Industries -	41
John Fleming & Co., Ltd. -	65
Jupiter General Insurance Co., Ltd. -	175
Karamchand Thapar and Brothers -	179
K. C. P. Ltd. -	143
Kemp & Co., Ltd. -	82
Khatau Makanji Spinning and Weaving Co., Ltd. -	180
Killick Industries Ltd. -	95
Kirloskar Electric Co., Ltd. -	124
Kirpani & Co., Ltd. -	111
Kurshiki Rayon Co., Ltd. -	129
Lakshmi Insurance Co., Ltd. -	105
Laxmi Bank Ltd. -	109
Lever Brothers (India) Ltd. -	45
Lily Biscuit Co., Ltd. -	138
Lipton Ltd. -	152
Lloyds Bank Ltd. -	113
Lyndon Chemical Industries Ltd. -	154
Machinery Manufacturers Corporation Ltd. -	117
Macneil & Barry Ltd. -	175
Madras State Handloom Weavers Co-operative Society Ltd. -	37
Madura Mills Co., Ltd. -	2
Mafatala Gagalbhai and Sons -	2
Maharashtra Sugar Mills Ltd. -	81
Martin Burn Ltd. -	25
Mazagon Dock Ltd. -	65
McLeod & Co., Ltd. -	118
Mercantile Bank of India Ltd. -	67
Metal Box Company of India Ltd. -	82
Metal Distributors Ltd. -	122
Metropolitan Insurance Co., Ltd. -	151
Mettur Chemical and Industrial Corporation Ltd. -	102
Morarjee Goudas Spinning and Weaving Co., Ltd. -	110
Mysore Lamp Works Ltd. -	151
Mysore Sugar Co., Ltd. -	105
National Bank of India Ltd. -	147
National Conduits Ltd. -	177
National Insulated Cable Company of India Ltd. -	62
National Rayon Corporation Ltd. -	138
New Asiatic Insurance Co., Ltd. -	112
New Guardian of India Life Insurance Co., Ltd. -	85
New India Assurance Co., Ltd. -	143
Neptune Assurance Co., Ltd. -	132
Nigata Engineering Co., Ltd. -	82
Nippon Kangyo Bank Ltd. -	115
Norinco Ltd. -	16
North British and Mercantile Insurance Co., Ltd. -	34
Ogale Glass Works Ltd. -	113
Orient Textile Engineers -	174
Oriental Government Security Life Assurance Co., Ltd. -	173
Osmanshahi Mills Ltd. -	87
Palai Central Bank Ltd. -	91
Palazzini, L. -	109
Parry & Co., Ltd. -	148
Patanwalla E. S. -	29
Peirce Leslie & Co., Ltd. -	95
Philips Electrical Co. (India) Ltd. -	61
Plywood Manufacturers' Association of India -	124
Plywood Products -	92
Podar Mills Ltd. -	54
Praga Toots Corporation Ltd. -	121
Premier Automobiles Ltd. -	93
Punjab National Bank Ltd. -	154
Ram Kumar Agarwala and Bros. -	126
Ramrith Yogashram -	70
Ravalgaon Sugar Farm Ltd. -	37
Rayalaseema Mills Ltd. -	176
Ruby General Insurance Co., Ltd. -	33
Sahu Jain Ltd. -	35
S. G. R. Industries Ltd. -	143
Shalimar Paint Colour and Varnish Co., Ltd. -	173
Shelat Brothers -	65
Shree Niwas Cotton Mills Ltd. -	102
Singareni Collieries Co., Ltd. -	154
SKF Ball Bearing Co., Ltd. -	179
South India Insurance Co., Ltd. -	137
South Indian Bank Ltd. -	117
Spencer & Co., Ltd. -	106
Sri Krishna Spinning and Weaving Mills Ltd. -	112
Sree Meenakshi Mills Co., Ltd. -	81
Standard Motor Products of India Ltd. -	38
Stoneware Pipes (Madras) Ltd. -	126
Stewarts and Lloyds of India Ltd. -	59
Sumitomo Bank Ltd. -	102
Swadeshi Cotton Mills Co., Ltd. -	176
Tata Industries Ltd. -	102
Thackersey Mooljee & Co., Ltd. -	7
Thomas & Co., Ltd., A. V. -	147
Tokai Bank Ltd. -	132
Trans World Airlines -	115
Union Bank of India Ltd. -	129
United Bank of India Ltd. -	151
United Commercial Bank Ltd. -	73
United India Fire and General Insurance Co., Ltd. -	102
United India Life Assurance Co., Ltd. -	176
Vasanta Mills Ltd. -	46
Vithal Purushottam and Sons Ltd. -	135
Vizagapatam Sugar and Refinery Ltd. -	179
Volcas Ltd. -	99
Walchandnagar Industries Ltd. -	124
West End Watch Co. -	15
Western Construction and Welding Co., Ltd. -	69
Western India Tanneries Ltd. -	178
Williamson Magor & Co., Ltd. -	85
Yawata Iron and Steel Co., Ltd. -	135

1954 In Retrospect

THIS has been a really good year for the world, in general, and India, in particular. The year has seen several heartening achievements to its credit in the economic and the political fields alike and is ending, as it began, on a note of optimism. With the growing realisation among the Governments that a new world war, in which the deadly atomic and nuclear weapons are sure to be used, would mean virtual destruction of humanity, the chances of averting the Armageddon are distinctly brighter than ever before. Several conflicts which had been upsetting political stability and hindering economic progress in the Middle East and South-East Asia were settled during the year. Typical of these are the Anglo-Egyptian conflict over the Suez Canal Zone, the Anglo-Iranian oil dispute and the Indo-China war. In Europe, the quarrel between Italy and Yugoslavia over Trieste was brought to a happy close. Greater understanding was reached among the West European nations. Western Germany gained its independence, becoming a free partner in the North Atlantic Treaty Organisation. The relations between Communist countries and Western Democracies are still strained, but the prospects of an amicable settlement are better than they were at the commencement of the year. The truce in Korea lasts, though peace is yet to come. In fine, the number of small fires, which had been raging for some years in several parts of the world and any one of which might have led to a world-wide conflagration at any time, has been extinguished. Even the cold war is waning, yielding place to a keen desire for co-existence. Nearer home, India's relations with its neighbours, as well as the leading world powers, have improved perceptibly. It is no exaggeration to say that in 1954 India's international goodwill gained appreciably. It is true that there has been no material change in its relationship with Pakistan. But, even here, the outlook is more promising; at least one major dispute, the canal waters, is on the way to solution, thanks to the mediation of the World Bank.

World Economy

If 1953 was a year of relative stability in the economic sphere, 1954 was one of progress, definite and tangible. There was a high level of economic activity throughout the world. Production was up almost everywhere and so also the international exchange of goods. Several countries in the free world endeavoured to expand their trade with the countries constituting the Communist group. The world markets showed a high degree of stability, with prices of several important commodities ruling at levels relatively higher than in the previous year, much to the astonishment of those economists who had predicted a severe slump. The Financial Times index number of world commodity prices (base: 1st July 1952=100), which had declined from 94.02 at the close of 1952 to 86.24 by the middle of December, 1953, was standing higher at 91.14 on 17th December, 1954; a month before, it was higher still at 92.34. Prices of individual commodities, of course, varied according to changes in demand and supply. But, generally speaking, prices of industrial raw materials were higher. These included lead, zinc, copper, tin, nickel, jute, cotton, and rubber. The prices of beverage commodities—tea, coffee and cocoa—for which demand was strong in all countries

also ruled high, though, towards the close, the trend of coffee and cocoa was slightly downward. As against this, prices of foodgrains, vegetable oils, sugar and wool were lower than in 1953, due not so much to a fall in demand as to a substantial increase in supplies. On the whole, prices were stabilised at somewhat higher levels, despite increases in production. This was a distinct sign of increased strength in world economy.

Notable Feature

An outstanding feature of world economic trends in 1954 was the buoyancy of non-dollar economies, despite a sizable decline in industrial production in the United States. Over the 12 months to mid-1954, U.S. industrial production fell by 10 per cent, but this had no adverse effect on the Sterling Area. Western Europe and other associated countries in the free world. On the contrary, production in these countries continued to rise. Again, while the U.S. showed only an unimpressive, though welcome, rise in industrial production in the latter half of 1954, Western Europe and the Sterling Area registered a further perceptible advance. The indices of industrial activity in the U.K. and Continent during the greater part of the year, it may be noted here, were running some six to seven per cent. ahead of the corresponding figures for 1953. World trade, as already stated, expanded, instead of contracting, as it used to whenever a recession in the U.S. took place. The balance of payments of many non-dollar countries improved to such an extent that they were able to relax their restrictions on dollar expenditure substantially. Many countries gradually removed quotas and other direct restrictions on imports of dollar goods. This development has belied the apprehensions, once widely expressed, that even a moderate recession in the U.S. economy would create balance of payments troubles for other countries and generate deflationary pressures in the free world markets. It is a striking proof of the real progress that has been made by non-dollar countries in reducing their dependence on the U.S.

The main reason for the stability of world markets, despite the recession

in the U.S., was the solid and steady growth in the real income of Europe. The slack caused by events in the U.S. was taken up by Europe and the Sterling Area. Countries which sold less raw materials to the U.S. sold more to Britain, Germany and other non-dollar countries. This, of course, meant their giving up the craze for U.S. dollars and readiness on their part to keep their foreign balances in sterling and other European currencies. They, however, did not mind doing this, for the strength of sterling, into which other European currencies were freely convertible, had increased and Britain had taken many notable steps in the direction of convertibility, including extension of the area in which sterling is currently used in international trade, the re-opening of the London gold market and the Liverpool cotton futures market and a considerable relaxation in the licensing of imports entering Britain. Another reason for the decline in the pressure for U.S. dollars was the improvement in the competitive capacity of European countries in relation to the U.S. in regard to producer goods and capital equipment. Countries like India, which needed these goods for implementing schemes of industrial expansion, were in a position to get a better deal in Western Europe, particularly from W. Germany, than in the U.S.

South-East Asia

South-East Asia, as represented by the Colombo Plan countries, was much better off during the year under review than in the preceding year. No up-to-date statistical data are available to support this statement, but its accuracy will be evident from the trend of commodity markets, to which a reference has already been made. The trend may not have been uniform for all the countries in this region, as such depends upon the commodities which occupy a predominant position in their respective economies. Taken as a whole, the picture of South-East Asia today is healthier than a year before. The decline in prices of rice, vegetable oils, sugar, spices and forest produce has been offset, to a considerable extent, by a rise in prices of tea, coffee, rubber, metals, and shellac. Again, an increase in production of these goods has cushioned the adverse effect on national incomes of a fall in prices of some of the commodities. Another saving feature has been the fact that the fall in prices of foodgrains and vegetable oils has helped bring down

the cost of living of the common man, with the result that, while money incomes may have fallen, the lot of the common man must have been a little better. This is further evident from the increase in imports of essential consumer goods into this region.

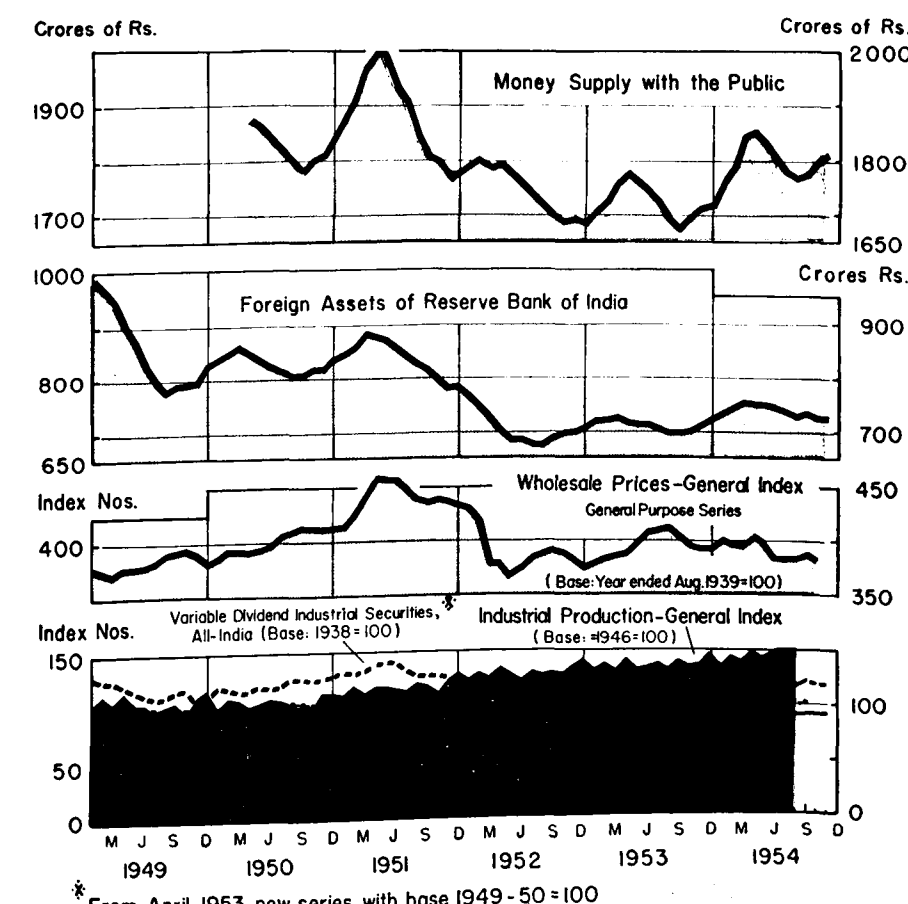
There was also a considerable increase in investment in this area and imports of essential capital goods from abroad were fairly well maintained. The rate of investment, however, was well below what it should have been, considering the rapid growth of population. It is obvious that the cost of economic development of this area, in terms of finance, is so high that external assistance is of crucial importance for solving the rival claims of more employment and higher standards of living on the pool of available domestic resources. Fortunately for them, the countries that are in a position to lend a helping hand are more willing to do so than they were until recently and it is up to the statesmen of this underdeveloped region to harness this goodwill judiciously and tactfully for the benefit of their teeming millions.

India

It was stated at the outset that 1954 was a good year, particularly for India. There is no exaggeration in that statement, for, barring from the point of view of fresh employment, which is essentially a long-term problem, the nation's economy became strong and healthy in every other respect. Industrial production kept up the upward trend noticed in the previous three years and so did agricultural production. Although the trade deficit widened a little, the overall balance of payments position continued to be comfortable. On the financial front, the budget gap was greater than in the preceding year and Governmental expenditure on development was higher. Many controls were abolished, giving a large measure of freedom to trade. The last vestiges of food rationing, introduced some ten years ago, were removed and the ration cards were consigned to the scrap heap. Notwithstanding all this, there were no signs of inflation, as the supply of goods and services expanded so perceptibly as to neutralise the effects of whatever deficit financing there was. On the other hand, prices of many commodities tended to fall, with the result that the purchasing power of the rupee within the country was somewhat higher than in 1953 and the common man received considerable relief in his cost of living. Even the external purchasing power of the rupee improved in terms of U.S. dollars, thanks to the strength of sterling. Thus, the country's economic base became stronger, enabling it to think of further development on bold lines. Politically, too, the country was fortunate during the year now drawing to a close. There was no deterioration in the stability that had been achieved through hard work in the earlier years of our independence. People were peaceful and followed democratic methods for seeking redress of their grievances. Law and order were well maintained, though crime was rather on the high side, especially in the principal cities, due partly to the growing number of idle hands and partly to the over-anxiety of Governments to raise the society morally through such dubious reforms as prohibition.

After remaining sluggish in the initial months of the year, industrial production looked up in the beginning of the second quarter and moved forward from June onwards. The general index of production (1946=100) stood at a high level of 149.3 in July, 1954, as against 133.2 in January, 1954 and 136 in July, 1953. In August, 1954, the latest month for which statistics are avail-

MAIN ECONOMIC INDICATORS



able, it was a shade lower at 147.5 but very much higher than 131 in the corresponding month of the previous year. The average for the first eight months of 1954 worked out to 147.7, as against 133.5 for the same period in 1953 and 128.9 for the whole of 1952. As compared with 1948, the rise in the level of industrial output was as high as 32.4 per cent. The pace of expansion which had slowed down in 1953 recovered in the year under review and was greater especially after May. Thus, the average index for the first eight months of 1954 was up by nine points, whereas, in 1953, it rose by no more than six points. Not all the industries, of course, recorded expansion. Some declined, while many expanded. Actual production figures are available for the first nine months of the year. The aggregate production during this period, as compared with that in the same period of 1953, discloses an increase of 15.5 per cent. in steel, 18.6 per cent. in cement, 4.3 per cent. in paper, 3.7 per cent. in yarn, 2.2 per cent. in mill-made cloth and 2.3 per cent. in jute. The coal industry experienced static conditions, the production registering actually a slight fall of about 1 per cent. Prominent among the industries to register a fall were matches 17.8 per cent., sugar 27.8 per cent., salt 161 per cent. Among the other industries, some chemical, engineering and construction units were active and expanded their output sizably.

Reasons for Rise

A fuller account of industrial production and the reasons for the variations are given elsewhere in this issue. Suffice it to mention here that the principal causes for the rise in production were (a) the sympathetic attitude of the Government, (b) ready availability of raw materials, (c) relaxation of irksome official controls, (d) absence of any major industrial strife, (e) favourable international economic conditions which facilitated exports, as also of imports of certain essential materials not available in the country, and (f) expansion in domestic demand for both consumer and durable goods following increase in developmental expenditure and maintenance of existing employment without any appreciable fall in wages. The decline in the output of sugar was due to inadequate supply of sugarcane to factories which in turn was due to high prices of *gur* (unrefined brown sugar, a cottage industry product), which attracted a good part of the cane that would have otherwise gone to sugar factories, and to a slight decline in the output of sugarcane itself owing to adverse weather conditions. The fall in production of salt was a sequel to transport difficulties and the unusually heavy monsoon.

Keen competition from fast expanding subsidised cottage units and difficulty in obtaining suitable types of softwood were responsible for the sizable drop in production of matches. In fact, the great patronage extended by the Government to cottage and small-scale industries was a factor that retarded expansion of certain large-scale organised industries engaged in consumer goods. Cotton textiles, sugar, soap and oil-crushing are some of the industries thus affected. The Government is deliberately following a policy of fostering these cottage units in the fond hope of providing more opportunities for fruitful employment, even if it means stagnation, if not diminution, in the output of large-scale industries. This policy has been gradually pushing the Government more and more into an awkward situation from which it will be politically impossible for it to get out later and for which the society will have to pay dearly. When a Government starts placing a premium

on inefficiency, just because it finds it inconvenient to organise the un-economic units of production into economic units, it is in the same position of a person who takes to drugs in order to keep up his morale and finally becomes an addict. Unless the Government wakes up in time and organises the small-scale and cottage industries on lines which will enable them to stand on their own feet without any artificial props, all talk of doubling the standard of living of the people in a period of 10 or 15 years will be just moonshine.

Industrial Relations

In the field of industrial relations, there were no major strikes and the position was fairly comfortable. Nor was any new legislation of far-reaching character introduced. There was, however, a distinct setback to the "Giri approach," the keynote of which is that employer-employee disputes should be settled through mutual discussion and understanding, without resort to industrial tribunals. Indeed, Mr. Giri, who strove hard in vain to put employer-employee relations on lines more or less similar to those obtaining in the U.K., where trade unionism is highly developed, had himself to leave the Government out of sheer exasperation. The country has now relapsed into the unhappy position that used to prevail before the appearance of Mr. Giri on the scene. The industrial tribunals and compulsory adjudication hold the field again, assuring lucrative employment to lawyers, who were once worried over the prospect of industrial courts being wound-up, and providing scope for professional politicians to rule the trade unions. The peace that prevails on this front is artificial and, therefore, uncertain. Evidence of this was recently provided by the threatened strike of bank employees, insurance clerks and petrol workers.

Published statistics reveal that the number of industrial disputes during January-September, 1954, was higher at 801, as against 723 in the corresponding period of 1953, though the number of workers involved was less at 343,396, as against 421,029. The number of man-days lost was also greater at 2,548,788, as compared with 2,159,999. Although these figures suggest an increase in industrial strife, the effect of it on the economy was not seriously felt, apparently because it must have occurred in less important industries and/or in some of the smaller units of the major industries. It must, however, be mentioned that, in one sector at least, labour trouble was acutely felt; this was in the major ports, Bombay and Calcutta. Here, the trouble took the shape of both strikes and "go slow" tactics seriously affecting the earnings of shipping companies. The year saw no abatement of the rivalry among the political parties and individual labour leaders to get control of industrial workers, a feature which has bedevilled trade unionism in this country for several years now. This trend has been particularly strong in West Bengal and the colliery areas.

Agriculture

The credit for the most heartening development of the year once again goes to agriculture. There was an all-round increase in production of both food and cash crops in the 1953-54 season, carrying them to levels which far exceeded the targets fixed under the Five-year Plan for being reached in 1955-56. In foodgrains, the country achieved a large measure of self-sufficiency, believed to be an impossibility three years before. Indeed, India was even able to export some quantities of rice and resume its export trade in wheat flour. Production of foodgrains, including grams and pulses, during the 1953-54 crop year re-

corded an impressive rise of eight million tons, from 58 million tons in 1952-53 to 66 million tons. This large crop was harvested over an area of 261 million acres, the area devoted in the previous year being 251.84 million acres. The output of cereals alone rose by 7 million tons from 49.1 million tons to 56.13 million tons, the area under these crops being 203.15 million acres and 210.37 million acres, respectively. The following table will show at a glance the performance of the principal foodgrains:

(In million tons)					
	1952-53	1953-54	% change in yield	% change in area	
Rice	22.50	27.08	+20.3	+3.3	
Wheat	7.35	7.79	+5.5	+7.4	
Jowar	7.20	7.69	+5.6	+0.9	
Bajra	3.15	4.25	+35.1	+2.5	
Barley	2.85	2.72	-4.0	+2.2	
Millet	2.32	2.55	+1.0	+0.1	
Jagi	1.24	1.56	+25.8	+0.7	
Small millets	1.01	2.18	+14.6	+5.1	
Total cereals	49.10	56.13	+14.3	+3.5	
Gram and other pulses	0.00	0.89	+0.2	+3.8	

As will be seen from the above table, the increase in yield in the case of a number of crops was higher than the rise in acreage devoted to them, such being quite marked in rice, jowar, bajra, ragi and pulses. This is the second year in which this welcome trend has occurred so prominently and is an unmistakable sign of India's steady progress in increasing the yield per acre. The causes for the rise in production are five, namely, (1) favourable weather, (2) adoption of improved methods of production such as application of chemical manures, better cultural practices and use of good seeds, (3) provision of more irrigation facilities, (4) concentration on plant protection methods, and (5) freedom from vexatious official controls.

Permanent Gain

With the increase in production of foodgrains registered during 1953-54, the expansion that has taken place in the first three years of the Five-year Plan is as much as 12 million tons, 4.4 million tons more than the target envisaged for 1955-56. While weather has undoubtedly played a prominent part in achieving this increase, the other factors enumerated above have also a large share to their credit. It will be interesting to note here that, during the last three years, as many as 8.8 million acres have been brought under cultivation under minor irrigation works and 2.8 million acres under major irrigation projects, or a total of 11.6 million acres. In view of this, the Planning Commission feels that at least 50 per cent. of the 12 million tons increase in production represents a permanent gain which will be retained in an average year.

Excepting raw jute and sugarcane, other principal cash crops—cotton, oilseeds and tobacco—and plantation products—tea, coffee and rubber—too registered perceptible increases as was done by foodgrains. This improvement in agricultural production had a healthy effect on India's balance of payments position. It enabled the country to step up its exports and to reduce imports of raw materials. Higher production of food and cotton, for instance, enabled a large saving in foreign exchange by reducing imports of these, while that of tea and oilseeds helped the expansion of exports. Again, the rise in production of cotton facilitated exports of cloth. Further, the larger domestic production of food and raw materials and the high prices secured by tea made it possible for India to import the goods necessary for strengthening and expanding its productive capacity. The valuable part played by agriculture in toning up the country's economy during the current year will thus be clear. Equally clear will be the thesis that an expanding agriculture is a prerequisite for expanding India's industrial structure. Em-

phasis will, therefore, have to be made on strengthening agriculture in the second Five-year Plan also.

Once again, the fear that the implementation of the Five-year Plan will result in a large dose of inflation has not materialised. During the twelve months ended November, 1954, note circulation was higher by Rs. 65 crores and Scheduled banks' deposits by Rs. 66 crores and their advances by Rs. 45 crores. These increases are not out of proportion to the rise in production; if anything, the money supply and bank credit have not kept pace with the expansion in the supply of goods. This will be clear from the fact that the index number of wholesale prices of all commodities (base: August 1939=100) in the week ended 11th December, 1954, was lower at 368.8, as against 387 a year before; in fact, it was the lowest for the past two years. Another point to be noted, in this connection, is that, by about mid-December, 1954, India's foreign assets were about Rs. 10 crores higher at Rs. 732.55 crores than those a year before. If these financial statistics, when viewed in the context of the Five-year Plan, prove anything, it is that it was not the lack of financial resources but administrative and technical deficiencies that stood in the way of creating more employment. Another conclusion that emerges is that the impressive rise in production that has accompanied the relatively modest investment of capital is due not so much to the creation of fresh productive capacity on any large-scale as to the increased or intensive utilisation of the existing capacity. In saying this, our desire is not to belittle the achievements that stand to the credit of both the public and the private sectors, but only to emphasise the fact that more could have been achieved in both the sectors.

Wanted—Sound Policy

To sum up, at no time in recent years was India's general health so sound as it is at present. There is, of course, no denying the fact that the progress so far made is not sufficient to make any perceptible improvement in the proverbially low living standards of the people. But, at the same time, it must be recognised that, despite the rapid rate at which population has increased since 1938, the administration has succeeded in restoring the pre-war level of consumption of food, cloth and other essentials. This is no mean achievement, for which a large measure of credit goes to those who are now at the helm of power. The economic base has been broadened and strengthened to undertake a bold scheme of expansion. The international economic and political situation, too, is favourable for fulfilling this task. What is required is the adoption of a sound economic policy by the authorities a policy under which inefficiency and indolence will be punished, hard work will be appreciated, inventiveness and enterprise will be rewarded and sanctity of private property honoured. The aim of the State should be to help and encourage private initiative and enterprise to do the job of economic development rather than itself undertake the responsibility. But certain developments that have taken place in recent weeks, such as the declaration of socialist democracy as India's goal, the move to nationalise the biggest commercial bank, the Imperial Bank of India, along with some ten other small and medium-sized banks, and the vacillation over the issue of modernisation of industries, raise doubts whether the authorities will follow such a realistic policy. It is, however, to be hoped that the new year will bring with it better economic wisdom to them.

THE role of foreign capital in India's industrial development has been a live question for a number of years past. The fact that the Prime Minister made a special statement about it in 1949 indicates that the Government of India set a value on foreign capital providing a certain amount of stimulus to India's industrial development. The position remains the same so far as the Government of India is concerned. There have been many statements subsequently on the terms of entry of foreign capital. I have myself made this clear on more than one occasion. In the light of all that has been stated on this question, the two articles that appeared in *Commerce* in October, 1954, are of great relevance.

I do not know if it is desirable to elaborate the statements that have been made on foreign capital further. The Central Advisory Council of Industries at a meeting held last year, was definitely of the view that new pronouncements of policy regarding foreign capital by Government and others concerned were unnecessary and the matter might be left as it was. It seems hardly likely, however, that either the *Foreign Press* or the *Indian Press* or for that matter industrialists and publicists in India would agree to allow this question to be left alone.

There has been a spate of advice and unfavourable criticism regarding the climate for foreign capital in India, arising out of the preparation for the formation of the Industrial Credit and Finance Corporation and the participation in its capital of British and American investors. While the emergence of this institution is supposed to represent the interest of foreign capital in Indian industry, the occasion has been taken advantage of by some of the foreign journals to indicate that the climate of opinion in India both in Government and private sectors is still not such as would encourage the free inflow of foreign capital.

WHY FOREIGN CAPITAL NECESSARY

It is worthwhile restating why we have been anxious for the participation of foreign capital in our industry. Any inflow of foreign capital has the immediate effect of strengthening our foreign resources. Secondly, we are aware that our industrial development is hampered by the inadequacy of capital formation within the country and to the extent that we can use foreign capital to help the progress of industrial development, the inflationary pressures that are generated by our recourse to deficit financing to counterbalance lack of capital formation would be avoided. The third and the most important consideration, perhaps, is that, with foreign capital, we generally get the technical know-how for the lack of which in starting industries on our own we are likely to waste a considerable amount of our resources and also produce an inferior article at an uneconomic price.

As against these factors, it cannot be denied that there is a fairly strong feeling amongst certain sections in the country against the inflow of foreign capital into the country. The opposition comes from different quarters for totally different reasons. There are people who, largely for historical reasons, identify foreign capital with foreign domination. In doing so, they forget the fact that we are an independent country and it is the primary duty of Government not to compromise its position of independence by allowing foreign capital to enter on such terms as are

FOREIGN CAPITAL FOR INDIA

By T. T. Krishnamachari

MINISTER FOR COMMERCE AND INDUSTRY, GOVERNMENT OF INDIA

likely to impair our own freedom of action. Secondly, there are those who oppose it because of their antipathy towards certain countries from which investment as a rule has been forthcoming or is likely to be forthcoming. There is a third class, composed largely of Indian industrialists, who are opposed to the entry of foreign capital because that flow restricts, in their opinion, the scope for development for such capital as they possess, and also because it encourages competition for them in selling what they now produce.

OFFICIAL VIEW

The official view of Government has hitherto been that we should welcome foreign capital in selected fields where it is likely to prove to be of maximum benefit to the economy of the country. In these approved fields, foreign capital has been assured non-discriminatory treatment and a fair deal. As a corollary, Government expects from firms which are under foreign control not only obedience to the laws of the country but also compliance with and co-operation in the general economic policies that are pursued by Government.

It must be stated that, in the pursuit of this policy, Government all along have not adopted any rigid yardstick. I have said so often on the floor of the House. As we do not strictly adhere to any particular proportion of foreign and Indian capital, each case is decided on its merits. While normally Government's preference would be for a majority of Indian capital in any new concern, there are very many circumstances which make it necessary to waive this condition. I did say categorically once in Parliament that, if it was a question of industrialisation with foreign capital or no industrialisation, I would much rather prefer to have industrialisation with foreign capital.

In the application of Government's discretion in the matter of entry of foreign capital, I believe Government can take pride in that they have often obtained for the Indian partner in any enterprise a much better deal than he would have obtained by himself. Oftentimes, the Indian partner who enters into a scheme of collaboration with a foreign industrialist is in a position of disadvantage, for, amongst other reasons, his bargaining power is not very great and within my knowledge, in several instances, Government's interference and the conditions that Government impose have got a better deal for the Indian collaborator with a foreign industrialist than would otherwise have been possible.

LIBERAL POLICY IS JUSTIFIED

It is not easy to define the categories of industries into which foreign capital has been allowed and will be allowed in the future. If, however, the rate of inflow had been considerable, there would have been justification for Government's policy in regard to the entry of foreign capital to be somewhat selective. But, when this does not obtain in any measure, the policy has to be somewhat liberal. By and large, the bulk of foreign participation has been in what might be called the producer goods industries. There are a few cases, where foreign capital has been

allowed to participate in consumer goods industries, and these few have provoked a large quantum of opposition.

Years back, when I had an opportunity of asking for the views of an eminent foreign economist on this question, he told me that it would be much better for India to insist on holding a larger share in the capital in key industries and to leave a certain amount of freedom for foreign enterprise to enter the field of consumer goods industries. This suggestion was supported on two grounds: one was that strategic industries and key industries should be largely owned by nationals and the nationals should have a predominant voice in the running of these industries. The second was that the profit margins in key industries would not be sufficient to attract venture capital from abroad, whereas, in consumer industries, there would be no need for any determination of the profit margins as such determination can be left to market forces, having in view the fact that India is a price market and would, therefore, inhibit any high profits being made in consumer goods industries. Academically speaking, I think it is a correct view. But, as a practical proposition, with the prejudice that obtains in the country in certain quarters against foreign consumer industries and the political influence of pressure groups being still powerful, it remains to be seen whether, in any large-scale movement for industrialisation, such a proposition could be attempted even with certain modifications.

SUCCESS ASSESSED

I would like to make an attempt to assess how far our policies have been successful in attracting foreign capital. At the outset, it is necessary to refer to the general misconceptions which seem to exist regarding the flow of foreign investment into the country. Many members of Parliament, as well as those outside, seem to be under the impression that, through their investments, the foreigners are not only continuing their hold over the economic life of the country but are actually strengthening it. The facts, however, do not seem to support this view. But, at the same time, any superficial assessment of the remittances abroad of capital since August, 1947, and the inflow would also give a totally erroneous impression.

An assessment has been made by the Reserve Bank of India of India's foreign liabilities and assets as on the 30th June, 1948. For any investigation, this is a good starting point, but a mere assessment of the position of foreign capital in India by the published returns available would be an imperfect one for the reason that much of the capital movements take place through branches and subsidiaries of foreign firms and companies in India. These are estimated to be somewhere about 275 units. No clear picture can be obtained of the money that has flown through these branches. There are also cases of people who are not residents owning shares and debentures in Indian joint stock companies, both old and new, besides the new companies which have been floated with foreign capital. A

precise assessment of the increase of foreign holdings in the capital structure of joint stock companies in India is difficult. One case where there has been a marked increase in foreign capital is the petroleum industry and the establishment of two new refineries which should account for a substantial portion of the addition in the shape of foreign capital.

OUTFLOW OF CAPITAL

On the other hand, Indian capital, for various reasons, has, during the last six or seven years, been more concerned in purchasing interests or parts thereof in British concerns in India, than in engaging itself in new ventures. It is, again, difficult to say how much these purchases amount to, though the outflow for this period is very large, the estimate being about Rs. 120 crores. How much of this outflow represents transfer of capital as such, and how much of it would be transfer of miscellaneous funds is again difficult to say. It might be that, taking all estimates into consideration, the net inflow of foreign capital is higher than the net outflow, but it has to be borne all the time in mind that the bulk of any net surplus that might exist comes by way of investment in petroleum industry and the best that we can say at the moment about the capital inflow is that the inflow more or less balances the outflow, excluding investment in petroleum. Another factor of the situation is, on the basis of such figures as we have in regard to foreign investment, that disinvestment reached the peak in 1949 and had tended to fall off thereafter considerably.

The decline in the rate of disinvestment is, however, not an accident. It coincides with the climate of opinion in foreign countries regarding investment in India. Of late, there have been indications that the British have been watching rather carefully the attempts that continental enterprises are making for collaboration with Indian enterprise in setting up new industries in India. Published literature about India in the U.K. emphasises the favourable aspects in regard to investment in industry in India. The U.S. Government has recently produced a book on "Investment in India" which contains adequate information about the scope of investment and details and regulations governing investment in the country and it highlights the statements made, from time to time, by Government spokesmen that, once an industry is allowed to come in, apart from the conditions imposed at the time of entry, no discrimination is made as between Indian-owned and foreign-owned industry.

INSTANCES OF SUCCESSES

The finalisation of the agreement between the Government and the I.C.I. in regard to the production of explosives, a scheme which previously had met with many difficulties, is an important pointer in regard to this change in outlook. Very recently, the Indian Government has had some degree of success in utilising foreign capital and foreign 'know-how' for our industrial development. India has been importing crores worth of dyestuffs every year and no foreign firm was in the past prepared to collaborate in the production of this article. One or two attempts made in the direction in past years had failed. In the last few months, however, agreements have been finalised between Indian firms and firms in the U.K. and U.S.A. for the production of certain dyes and other proposals are coming up to Government for

collaboration in this field from firms in European countries. There seems to be little doubt that India has now begun to attract foreign capital in the fields where we want them most, namely, where the use of foreign technique and 'know-how' are essential for speedy development.

I do not propose here to say much about the Industrial Credit and Finance Corporation which, in itself, is perhaps the first great step in Indo-U.K.-U.S.A. participation to stimulate industrialisation in India. It would suffice here for me to say that the credit for the genesis of the idea must rest with certain friends of this country abroad who not merely thought of this idea, but also took a great deal of initiative and trouble in seeing it through.

What has been said about major projects apply equally to smaller projects as well. A large number of items seemingly small had played an important role in our economic life and foreign collaboration has contributed to their speedy progress—for example—in bicycles, Diesel engines, etc., not to speak of automobiles.

INDIA SAFE FOR INVESTMENT

We might as well take credit for the contribution that the Government of India has made towards such collaboration as has been possible. The economic and political stability of the country which have been achieved after hard struggle is the one important factor that makes industrialists and investors in many countries feel that India is safe for industrial investment. The rise in the standard of living and the solution of our food problem achieved during the last 18 months have added to that feeling of confidence in India's future. A friend who recently came back from Japan, after attending the Pacific Relations Conference, brought the impression that in the gathering there was a feeling that India had conquered her troubles and was well set on its way to progress.

Even Government's activities in regard to assessing the proportion of Indians employed in higher grades in foreign firms in India, calling for details like remittance of funds, royalties paid, etc., though such actions caused a flutter initially, are now realised as moves which are imperative for any National Government to take and there have been genuine offers from the better class foreign firms for co-operation towards implementing the Government's policy in the matter of Indianisation. These steps have not caused any concern in foreign circles. On the other hand, a feeling appears to be growing that the Indian Government would play fair with all people who will observe the rules of the game.

While foreign capital is welcome in the industrial sector, Government do not favour any expansion of the existing foreign influence in the commercial and trading sectors. I have made this clear on more than one occasion. But it does not mean that no new comer from foreign countries will be permitted in this field in future. Regulation of entry in this field is necessary and, with our desire to expand our trade with countries overseas, we cannot afford to bang the door altogether. Reciprocity will guide the Government's policy in future in this regard and we cannot forget that the Indian trader abroad is also being squeezed out by the upsurge of commercial nationalism in many countries. Even so, it might, perhaps, be of some interest to assess the strength of foreign influence in certain types

of business in India in fields other than industry. I do not propose to make more than a brief survey of the situation.

BANKING

Foreign banks in India are largely Exchange banks. While it is true that these banks are here either for profitable investments or for making money out of financing foreign trade, they, by and large, have displayed no colour bias. Much as we might dislike it, a very large volume of Indian business men still go to these banks in preference to purely Indian concerns, as business can be done by them with these banks purely on the basis of what is mutually advantageous without any backing of any other type of influence. The fact remains that they are out here to do business and would, therefore, be willing to help any resident within reason. It must be said that their presence in India is useful and their influence salutary.

INSURANCE

In the insurance field, the foreigner still dominates in the matter of general insurance. In the matter of life insurance, foreign firms obtain business by good service and prompt settlement of claims. But the business they get is only a small portion of the total business obtained by Indian life offices.

The position in regard to general insurance that now obtains is because of the advantageous position occupied by the foreign-controlled interests in India in the banking, industrial, commercial and shipping fields. Practically, every bank, every industrial and commercial house, and sometimes shipping companies also act as branches or agents of foreign insurance companies. The portfolios they have at their command are always used in diverting business into foreign insurance channels. It does not seem that any conscious or planned step is being taken to divert this business. With an Insurance Act which goes into the minutest details even in the matter of payment of commission to the various tiers of agents, it seems strange that legislation has not been contemplated to divorce the business of insurance from other types of business. It is also true that reinsurance goes to foreign concerns and this will obtain so long as we do not have an Indian organisation to undertake this work.

SHIPPING

In shipping, the bulk of overseas shipping business goes to foreigners. This is due very largely to the fact that we have been speaking so much about strengthening Indian shipping and doing so little about it. Indian shipping companies have not made as much progress as they ought to have. Whatever progress they have made is well below the target fixed.

Want of shipping facilities affect India's trade in several directions, particularly with South-East Asia, where we are losing considerable amount of business because of lack of shipping facilities. Ceylon tea has a grip over the Australian market, mainly because Ceylon can ship tea to Australia almost every week while it is difficult to get a ship to Australia from the eastern ports of India once a month.

Great damage is done to our trade by the reason of the fact that the agents of foreign steamship companies are also exporters and, as exporters, they are competitors to Indian interests. It is said that, very often, Indian exporting firms are

ruined, because of the advantageous position held by their competitors as shippers. It is true that, if any one consignment of an Indian shipper is shut out on the usual plea of lack of space, that particular Indian shipper's business is ruined at least for one year.

While shipping freight rates are determined at the international level, such determination is always loaded against the interests of India's trade. Oftentimes, steamer freights between Calcutta and Rangoon, and Madras and Rangoon compare unfavourably with steamer freights from Tilbury to Rangoon. Indian cement is unable to compete in the Middle East ports because of the higher rates of freight from India to the Middle East ports than what obtain from the European ports to the Middle East. The why and wherefore of such a discriminatory freight structure is easy to understand but is difficult to remedy. I am not sure that at any time any kind of understanding is attempted with foreign shipping for the purpose of putting Indian trade on the map. In trying to build up our own shipping, we should not lose sight of the fact that shipping is a means to an end, namely, that it is intended to improve the position of our trade.

IMPORT BUSINESS

By and large, the import business for a period of years before the war had been progressively going out of European hands and passing more and more to Indian hands. During the war, partly owing to war-time restrictions, many who were in this business were ousted, while this period also drew in many speculators into this field. The structure of the Government Commercial Departments during war-time had helped to strengthen the position of European firms in India. The crystallisation of quotas so obtained is being operated to their advantage. Along with this, there is a new tendency on the part of European and Indian manufacturers to set up their own distribution organisations and for foreign firms, as far as possible, to divert their business into the hands of foreign companies in India.

EXPORT BUSINESS

In regard to export business, the stranglehold of foreigners is stronger. There are about four firms which command about a third of the trade in export of oils and oilseeds. Tea, jute, and hides and skins are three particular items the export of which is dominated by foreign interests. It is difficult to effect a change in the contours of this trade by governmental interference. One method of loosening the stranglehold over our export business is to progressively minimise the practice of sending consignments abroad. A committee is now examining this question in regard to tea. The evil is greater in regard to hides and skins. Since we have no monopoly in any commodity, whatever changes we want to effect will have to be effected gradually over a period of time.

DISTRIBUTIVE TRADES

As I have said above, there is a pronounced tendency for the manufacturing concerns to have their own distributing agencies. This system is particularly emphasised in regard to foreign subsidiaries in India. Foreign interests handle the business of distribution through a subsidiary in India and get from the Indian market a price that it can bear irrespective of the cost of the article and

allocate the profits so earned between the Indian company and the foreign company in the manner most advantageous to them. Nevertheless, any drastic change in the distributive system ultimately affects the consumer. In the post-war period, the distribution of fertilisers was taken out from one concern which was operating on a monopoly basis, with the net result that the distribution was not given to bona fide traders but to persons with prestige and influence who, however, had no business organisation and, at one time, the price of sulphate of ammonia which cost about Rs. 17 to Rs. 18 per cwt. was selling at Rs. 40 per cwt. in many places in India.

FOREIGN BRANCHES AND SUBSIDIARIES

This takes me on to the question of foreign branches and subsidiaries in India. In fact, very little information is available in regard to the operations of these concerns; for, if any new industry is to be started, it will have to obtain permission from Government. If any new company is to be floated with foreign participation, Government comes into the picture. There is nothing to prevent anybody from setting up as a foreign subsidiary for trading purposes for which no licence is required. Even in regard to companies incorporated in India with an element of foreign capital, we can get very little information in regard to their transactions so long as they conform to the bare requirements of the law whatever they might be. The Government of India have been insisting recently on progressively opening up the capital of foreign subsidiaries for Indian participation. It looks paradoxical at a time when we want foreign capital to compel certain individual concerns to repatriate a portion of their capital from India. This has been commented on unfavourably in the foreign Press. Nonetheless, the move has been initiated after considerable thought. While no percentages of Indian capital is insisted upon, all that is attempted is the acceptance of the principle that progressively more and more Indian capital will be allowed to participate.

To conclude, I would like to point out to the foreign investor that India has an enormous potentiality for industrial development. It would be advantageous to him to participate in that development. We on our part are desirous of obtaining foreign co-operation in our endeavour to industrialise the country and no worthwhile proposition of such co-operation would be rejected. We are willing to afford non-discriminatory treatment to foreign collaborators subject only to the conditions agreed upon at the time of entry. To the Indian industrialist primarily and to the politician and public men I would like to utter a word of warning. It is wrong to assume that foreign capital is waiting at our doorstep. It is not. India is not particularly attractive to venture capital, as, for the several reasons stated above, high profits are not possible even if permitted by Government. Besides, our tax structure, good so far as it goes, follows the pattern of the industrially developed countries and offers no special inducements. All that we have to offer are vast opportunities for industrial expansion and a potentially vast home market, that in a reasonably stable economy, and if we supplement it by the promise of a fair deal, we might be able to attract such foreign capital as is willing to take a long-range view of its own interests.—All Rights Reserved.

A STRUCTURAL BASIS FOR SECOND FIVE-YEAR PLAN

By "Thodarmal"

THE second Five-year Plan, which is now being shaped, will have to adjust its organisation and structure to the changed environment of economic conditions which now prevail and the experience obtained in the working of the first Five-year Plan. As regards the first, there is, at present, no background of inflation, as was the case when the first Five-year Plan was drafted. The flow of international capital, both institutional and private, is now taking place on a better scale than in 1950 and the availability of both real capital and materials is in a much better shape than in 1950. Both in Europe and America, production is at a high level and the disposal of commodities needed for development is beginning to assume the proportions of a problem for these countries. At home, production in agriculture and industry is in far better shape as compared with 1950, thus providing a wider scope for expansion investment. Thus, the basis for planning the second Five-year Plan is much more favourable both within and outside the economy and it will continue to remain so, assuming that war is not likely to intervene.

As regards experience gained from the first Five-year Plan, the following major points perhaps may be made:

Although shortage of resources appeared to be the major problem for the plan in 1950, it has been noticed in practice that it was rather the shortage of executive ability and difficulty of co-ordinating planned activity that have emerged as the main problem. In the States, particularly, available finance has not been used and the execution of projects has remained considerably behind schedule. Deficit finance, so far as any rate, has not been a problem, as was imagined at one stage. Indeed, during the first three years of the Five-year Plan, there has been no significant measure of deficit financing at all. External capital such as was available, both in the shape of our own resources as well as resources available from other sources, could not be absorbed up to the size originally anticipated while making the plans. In fact, the current outlook suggested that, if plans at home had moved forward more rapidly, it might not be impossible to obtain more external capital from one source or another. Thus, the emphasis in the second Five-year Plan will have to shift, in part, from finance and lack of resources to organisational and executive aspects of planning. Attention will, therefore, have to be devoted more extensively to overcoming these limitations and in creating broadly, both in the public and private sectors, an institutional framework that will be able to achieve the planned objectives much more effectively than has been possible so far.

LACK OF ADMINISTRATORS

On the side of administration, the first and foremost need is obviously to improve the size and structure of the machinery of planning. First and foremost is the limitation that there is no machinery in the form of expert administrators of adequate size for the job and a structure of statistical enquiry that can cope with the requirements of work of this order. Secondly, the nature of co-ordination in the making of plan-

ned decisions as between the Centre and the States requires to be centralised to a greater degree than is the case at present. Both in the preparation of projects and, later, in their execution, the performance of States has been far more disappointing than was thought of at one time and, in many cases, the delays in the execution of plans by the States have been due to the intervention of political considerations in economic decisions. This is one of the points which is bound to remain as an essential weakness in planning on the basis of democracy and no amount of sound economic planning at the level of principles is likely to be successful, unless the manner in which the Centre and the States arrive at decisions for planning and execute them is improved considerably. Thirdly, parliamentary scrutiny of administrative acts for economic planning must be such as to distinguish between errors of judgment and errors of motivation and should be governed by a more positive attitude of appreciating and rewarding merit rather than investigating error and punishing the negligent. The latter is important but the former is vastly more important. The administration, to be successful, has to impart to itself a system of business-like consultation and the capacity for work on a spirit of teamwork rather than on the basis of departmental responsibilities and the issuing of orders by superior officers. This latter kind of system which is the one we have at present creates an atmosphere in which each one wishes to transfer responsibility to

someone else and therefore cannot be expected to function efficiently in the discharge of economic duties of this magnitude.

India's economic planning is described as something different from economic planning on an authoritarian basis because of its democratic foundation. While this is one important distinction, it is also for the time being its major limitation on effectiveness and ingenuity needed for making the administration competent to carry out the planned programmes. For this purpose, a wider search for more practical talent from fields outside the Government is necessary.

NOTHING TO BE ASHAMED OF

All this is not to suggest that we need be ashamed of the results achieved by our plans in the first Five-year period. As compared with many other countries in the underdeveloped category, India's achievements have been both vast and conspicuous. This is a happy thing in itself; but we have also constantly to keep in mind the urgency with which improvement has to be effected and also with the possible comparisons which will necessarily be made of achievements produced under other systems of economic development. On the basis of the second comparison and ignoring the political aspects of totalitarian system, our achievements are, perhaps, not as creditable as they would be in relation to the first criterion.

On the financial side, it would, perhaps, be correct to say that we should proceed forward more boldly

with the application of deficit finance for purposes of development, provided that the overall emphasis in the utilisation of finances still remains in favour of stimulating production. In fact, except probably in Latin America, there are few other countries in the world whose experience can be drawn upon to give us very clear guidance on the merits and demerits of deficit financing in the development of resources. That is why even the International Monetary Fund report could speak only in terms of ifs and buts on this subject on which a clear guidance was sought from the Fund experts by the Government of India. Such experience as we ourselves have had during the last few years would probably suggest that, in the Indian economy, a given deficit does not produce the same order of inflationary consequences as it might in economies where money acts much more rapidly and effectively on the exchanges. Moreover, the productive response in industry and more especially in agriculture, has had such encouraging results that the flow of goods themselves will provide, if similar results were sustained, during the next few years even a larger degree of deficit covered with the help of the central bank's credit.

In fact a larger dose of deficit finance seems necessary both to provide a market through additional purchasing power for some of the latent industrial and agricultural expansion but also for absorbing external capital on a larger scale than has been possible in the first Five-year Plan. During the first three years, at any rate, we have not only failed to utilise the measure of assistance available to us through U.S. aid and the Colombo Plan aid and so on as rapidly as it became available, but we have not even been able to utilise our own accumulated sterling balances. The reasons for this failure have to be looked into carefully, because we are all anxious to bring about expansion as rapidly as possible. The reasons for our inability to use available finances indicate the disappointing organisational structure which forms the basis of our plans.

EXTERNAL ECONOMIC POLICY

During the second Plan period, our external economic policy should be oriented to making a larger inflow of capital assistance possible both for the public and private sectors. The United States at present is gearing its policy to making possible a larger measure of economic aid to South-East Asia and possibly without linking economic aid with political or military alliances and it will be possible, with a certain amount of skill in negotiation, to plan and arrange for a flow of assistance for a longer period than one year so as to enable a better budgetary calculation at home. Similarly, we should investigate every prospect for a more effective utilisation of the agricultural surpluses that are available in the United States and which would be available more easily for purposes of economic aid in one form or another. By concentrating too heavily on the domestic aspects of problems, we have not explored sufficiently the opportunities that lie along these avenues for moving forward the development programme on longer and firmer strides.

9 a.m.
and time for Office!



When there's a busy day ahead the loss of even a few minutes may upset your entire timetable. A really accurate watch is indispensable in the conduct of business affairs. You cannot do better than to choose a "West End" model.

THEMIS
Everbright Steel ... Rs. 162
Rolled Gold ... Rs. 176
THEMIS CENTRE-SECOND
Everbright Steel ... Rs. 176
Rolled Gold ... Rs. 187



Whatever price you pay, a "West End" Watch gives you top value-for-money. Whichever model you select from the extensive range available, you are sure of good looks and reliable performance. "West End" Watches are famous throughout India for their sterling service under varied and trying conditions.

WEST END
WATCH CO.
Bombay - Calcutta

As regards the general philosophy of economic development, the place of State enterprise having been more or less recognised, it would be unnecessary to talk too frequently about the relative merits and demerits of State vs. private enterprise or the insistent need for isms—even if it be only socialism. What is necessary is to do the jobs and for that it is not necessary to hold discourses on the philosophy of planning. In fact, the running of commercial enterprises as State projects could be as liable to failures as those in private enterprise and if we recognise that the consequences for failure of public enterprise will fall more directly on the public than failures in the field of private enterprise, we shall cultivate a better perspective in regard to State-directed economic activity. While it is important to safeguard social objectives and it is necessary to make private enterprise to behave with greater morality towards the public, the only way to achieve this may not be for the State to encroach indiscriminately upon fields in which private initiative may be more appropriate. In regard to private enterprise (as in regard to administrative efficiency), there is need to discover amongst private business men the better class business men and encourage them appropriately than to be continually watching for bad business men and punishing them. In other words, both in public enterprise and private enterprise, an attitude of encouraging the good people would be far more productive of results than an attitude of punishing the wicked for their faults. Indeed, in the administration of this country, there is far too much emphasis on catching the guilty and punishing them than discovering merit and rewarding it.

POSITIVE APPROACH WANTED

This negative policy has to give way, therefore, to the more positive approach in the field of both public and private enterprise. Financial and commercial policies, whether in the realm of taxation or tariffs or industrial controls, will have to be orientated to this approach rather than to the approach of constantly restricting, interfering and regulating activities which have to proceed on their own initiative largely in an atmosphere of relative freedom. A half-way house to regimentation may largely produce results which are neither good nor bad as seems to be the case at present. In our attitude towards private enterprise in this country, we seem to have succeeded in producing an atmosphere which alienates the sympathy for development even of some of the ablest of our industrialists. Surely, this is not a happy basis for any rapid development based on democracy. The logical consequences of such an attitude might be to end up in large encroachments on the field of private enterprise by public corporations which may be no less wasteful or corrupt than the firms or enterprises they are supposed to displace.

INSTITUTIONAL FRAMEWORK

Apart from changes in the machinery of economic planning, it is also necessary to equip the economy with a framework of institutions which will enable the country to carry a greater load of economic activity implied in planning. By and large the economic and social institutions of India have developed as part of a much simpler economy than the

one into which we are hoping to grow. For instance, the bulk of our banking system has grown in the traditions of the nineteenth century British banking with emphasis on short-term commercial credit as the main plank of its activity. It is not calculated to encourage either long-term investment or extensive financing of consumer expenditures, both of which constitute important aspects of banking activity, e.g., in the United States. In this latter country, institutions of banking have been adapted to facilitate activity both in industry and other forms of economic development (housing finance, for example) and also for a great deal of investment in consumer finance. It is true that, in India, we do not have the volume of savings which are available to the United States to sustain a similar volume of banking activity. But, even in a country like India, banking should be in a position to provide credit, creating credit if necessary, for men who have reasonable incomes, for the purchase of a house or furniture or for similar productive economic activity on a much vaster scale than they do at present. The purchase of appliances, cars, and other durable instruments of production would then be made easy for most people who have the means to amortise such investment out of their current incomes. There are multitudes of people in India who live in rented houses during most of their active life and hope to build a house only when they are near the period of their retirement and there should be means provided by the banking system with which such people could build or equip a house not at the end but at the beginning of their careers. Expansion of credit within controlled limits in such cases

need not be inflationary and a great volume of economic activity in the United States would not have been possible but for the bold and enterprising attitude of the banking community in such matters as consumer finance. Here is a line of activity for the private entrepreneur in India who complains of lack of new lines of activity. It must, however, be added that, in the initial stages of such development, it would be useful for the Government to support and encourage institutional developments of this kind.

LAW AND PROCEDURES RESTRICTIVE

Similarly, other auxiliary facilities, such as the insurance of bank deposits by the Federal Government, the right to recover consumer property promptly and without too much litigation in the event of failure to honour a loan obligation, quick and efficient systems of accounting and bookkeeping in banking and insurance companies, all these provide a basis for a large volume of activity in the United States. In India, on the other hand, the existing framework of laws and procedures has the effect not of facilitating quick action and large turnover but for inhibiting them. It is important for the growth of a large volume of economic activity that the institutional framework within which that activity takes place is such that it enables a large flow of activity without loss of time and friction. There is need, therefore, to orient our banking and insurance systems somewhat on the patterns of American institutions with due modifications and caution that might be necessary to suit local requirements if the system is to sustain greater activity.

Similar consideration is also due to the seemingly minor but vastly

important reforms such as the introduction of a decimal system of currency and the standardisation of rates and measures, the maximum possible uniformity in systems of sales taxation, the more important labour laws and so on. In respect of all these matters, the existing pattern in India has the effect of inhibiting activity rather than accelerating it. Separately, the influence of each one of them might be small, but, collectively, they exert a vast inhibitory pressure. Whatever be the shape of the economy that we may have in mind, a great deal of economic activity in this country will continue to be governed by market priorities, and so long as that remains the case, the need for building up an apparatus of modern and rationalised economic institutions and marketing and banking facilities deserves far more attention than has so far been given to them in India.

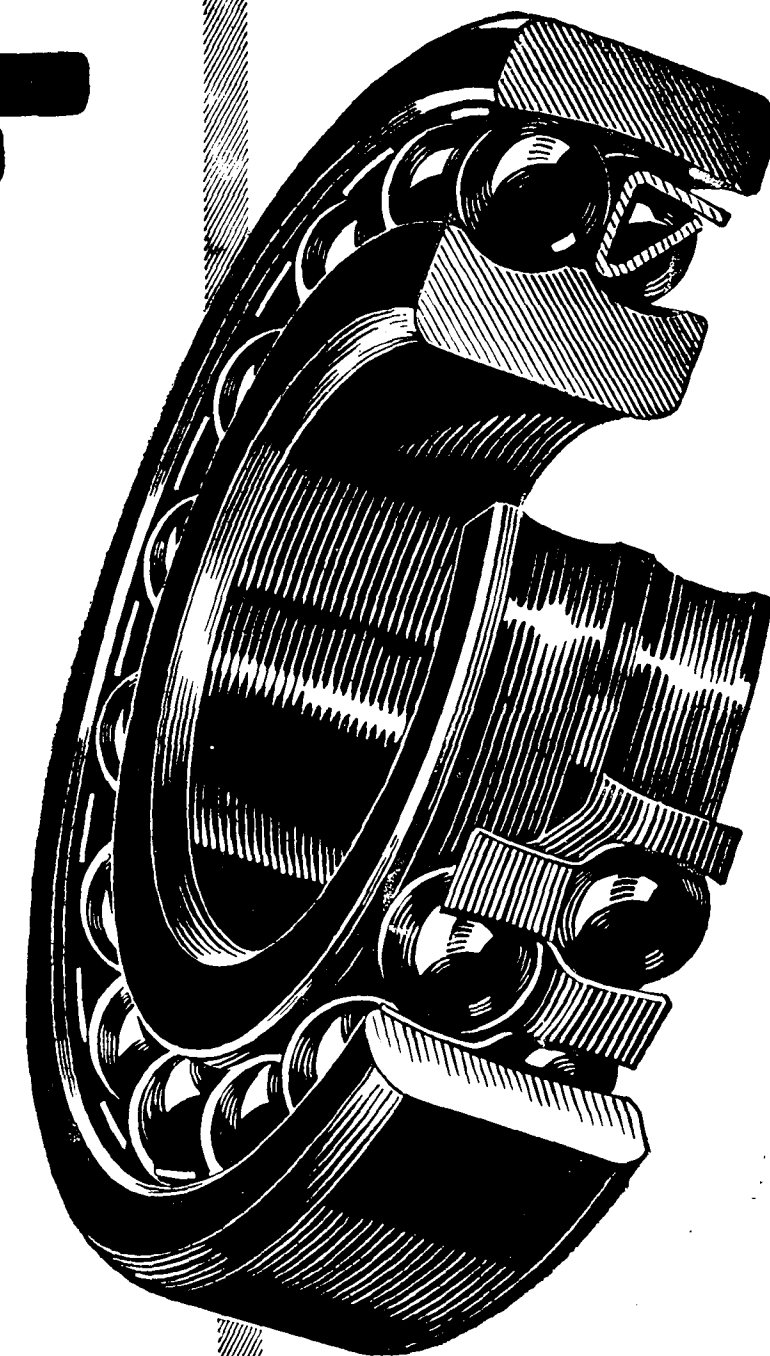
AGRICULTURE

In regard to agriculture, while land reform constitutes a priority, a lot more could be done in other ways to stimulate agricultural development. A more bold programme of providing medium and long-term credit for agricultural production even by the extension of central bank credit (again within limits and with a due system of supervision for its proper use) may not produce dangerous consequences to the economy and may, indeed, result in a lot more wholesome improvement of agricultural production. In such matters, of course, it is not always possible to quantify the volume of credit expansion that may be needed but several more crores annually could safely be ploughed into the more prosperous sections of Indian agriculture on the basis of created credit if necessary, in order to enlarge productive agricultural investment. A much larger expenditure on public highways and rural communications may produce many wholesome changes in economic activity in the rural areas. There is, above all, the utmost need for lightening the burden of taxation on the smaller land owners both to restore fair play in comparison with the taxation of urban incomes and also for stimulating consumption and savings in the wider sector of the country's life. This is also the most convenient way of providing a basis for absorbing the greater volume of production which economic planning produces. A lot more production of electricity, or cloth, or bicycles may not be useful at all until the small landowner is able to buy them more extensively and he will not be able to do so as long as the present system of land taxation deprives him of a large part of his net income. While the stimulation of incomes is important, the removal of undue burdens on income, even on existing incomes from agriculture, will itself provide a stimulus to economic activity.

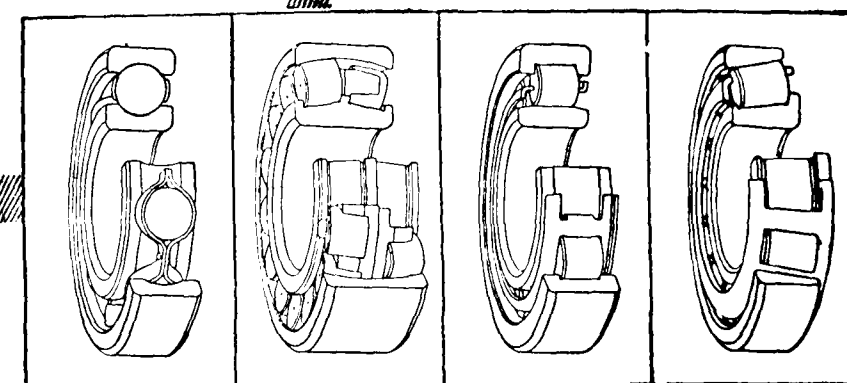
In brief, as the volume of economic activity grows, the framework of banking and financial institutions, of currency and weights and measures, the system of taxation and tariffs, of commercial law and its administration will all have to be examined from the point of view of their encouraging or inhibitory effects on the nature of economic activity, since appropriate reconstruction of these instruments itself constitutes an important aspect of planning. These are matters to which we have given too little attention so far, while these are precisely the fields in which there is a lot that we can learn from the experience of other countries without having to wait and experiment for an enormous length of time. Yet, in our economic planning, we have hardly succeeded in giving any worthwhile attention to some of these simple but highly important structural changes.—All Rights Reserved.

SKF

**Manufacturing
the most
comprehensive
range of ball and
roller bearings...**



In every division of India's industry—in heavy steel plants, in large textile mills, and in small workshops—wherever Ball and Roller Bearings can make operations smoother and production cheaper, there you will find SKF. SKF has its own organisation in India with a technical staff always at hand to help you select the most suitable and economical bearings from a range so complete that the correct bearing-type for any application can be supplied and installed.



QUALITY BEARINGS FOR LASTING SERVICE

THE SKF BALL BEARING COMPANY LTD.

BOMBAY P.O. BOX 71 • CALCUTTA P.O. BOX 588 • MADRAS P.O. BOX 66

NORTH BRITISH AND MERCANTILE

INSURANCE CO., LTD.

(INCORPORATED IN GREAT BRITAIN)



**Established in 1809
and for over 140 Years a
GOOD COMPANY
for All Classes of
INSURANCE**



Branch Office:

"Macmillan Building," 276, Dr. Dadabhai Naoroji Rd.
BOMBAY

AGRICULTURE UNDER FIVE-YEAR PLAN

PROGRAMMES FOR INCREASING PRODUCTION HAVE TAKEN FIRM ROOT

By Dr. Panjabrao S. Deshmukh

MINISTER FOR AGRICULTURE, GOVERNMENT OF INDIA

THE central objective of planning in India is to raise the standard of living of the people and to open out to them opportunities for a richer and more varied life. Agriculture being the mainstay of life for about 70 per cent. of the population and the source of many vital products, the Five-year Plan gives a high priority to its development.

Without substantial increase in agricultural production, it will be difficult to raise and sustain a higher tempo of development in other spheres. Food and raw materials are the wherewithals of further development and raising of their production is of fundamental importance from the point of view of national economy. About 17 per cent. of the expenditure in the Plan is earmarked for agriculture and community development and another 21 per cent. for multi-purpose and irrigation projects.

The Plan envisages an increase to the extent of 7.6 million tons in the production of foodgrains, 7.0 lakh tons in sugar, 4 lakh tons in oilseeds, 12.6 lakh bales in cotton and 20.9 lakh bales in jute. The targets of increased production of these commodities are expected to make good the shortages in food and raw materials created by the Partition as well as to meet the requirements of our growing population.

The achievement of the above targets required not only an extension of cultivation to new areas and introduction of technological improvements, but also called for the adoption of measures which would improve the psychology of the cultivator, give him an added feeling of security and create in him an incentive and determination to improve his agricultural standards and efficiency.

Thus, along with emphasis on improved tillage consisting of better seeds, better cultivation methods, better fertilisers and a more plentiful and assured supply of water, importance is also attached to the improvement of the patterns of land ownership and distribution, reform of tenancy systems, organisation of co-operative action and development of suitable links between the cultivator, on the one hand, and sources of supply, research centres, and marketing organisations, on the other.

Land Reforms

Already in a number of States, steps have been taken for the abolition of intermediaries' rights in land, imposition of limits on holdings subject to agricultural efficiency, consolidation of fragmented plots, fixation of fair and reasonable rents, protection of rights and interests of tenants in land, grant of facilities to the tenants to buy lands cultivated by them, and grant of lands to the landless.

To encourage the growth of co-operative action, special concessions in the allotment of loans, agricultural lands and agricultural requisites are being given to the co-operative societies in a number of States. The Central Government has set up a central committee for co-operative training for formulating plans and for organising and directing arrangements for the training of the co-operative personnel. Special attention is being paid to the development of extension services in the various States. A scheme estimated to cost Rs. 3.7 crores has been launched by the Central Government

to improve training facilities for the village level workers.

In the physical and technological spheres, the need for keeping adequate areas under forests and pastures and the difficulties involved in the reclamation operations act as limiting factors to the extension of cultivation to new areas. Thus, only a limited reliance is put on this method.

Intensive Cultivation

A major part of the increase in production is sought to be achieved by more intensive cultivation of the existing areas. Accordingly, under the Plan, programmes of irrigation have been assigned a high priority. A sum of Rs. 469 crores has been earmarked for multi-purpose irrigation projects and another Rs. 45 crores for minor irrigation works, tube-wells projects, etc. Besides, under the G.M.F. and Community Projects programmes also some minor irrigation schemes are undertaken.

Provision has also been made for propagating the use of better manures and fertilisers, better seeds and plant protection practices. The success of the new techniques is already an accomplished fact and the overall effect is so striking and obvious that there is no doubt that the object of increasing production is being steadily attained.

Land Reclamation

Taking first the measures for the expansion of cultivation to new areas, in the first three years of the Plan, about 806,000 acres of waste lands in the four States of U.P., Madhya Pradesh, Madhya Bharat and Bhopal have been reclaimed by the Central Tractor Organisation, as against the five-year target of 1.4 million acres. During the same period, the State tractor organisations have reclaimed an area of 421,000 acres in U.P., Madras and Madhya Pradesh, while 2.5 million acres have benefited from various schemes of contour bunding, soil conservation, drainage, etc., which are in operation in different States.

The pace of progress by the State units could be faster but for certain drawbacks under which they are labouring. For example, the State units are not yet properly organised and most of them are either incurring losses or are quoting rates which are not attractive to cultivators.

Minor Irrigation

Measures for the improvement of irrigation facilities consist of minor irrigation works, tube-wells projects and major irrigation works. In the case of minor irrigation works, about 79 per cent. of the target had been achieved up to 1953-54. As against 11.2 million acres programmed for the Plan period, 8.8 million acres have been brought under cultivation during the last three years, as a result of construction and repairs of various minor irrigation works like wells, pumping installations, dams, channels, tanks, etc.

Further a programme is also in hand under the U.S. Technical Co-operation Programme for the construction of 2,650 tube-wells and drilling of 350 exploratory tube-wells. Under it, 1,100 tube-wells have been drilled and 668 completed during the last three years. The Site Selection Committee for exploratory tube-wells has visited four States in the country and orders for equipment have been placed. Besides the T.C.A. projects, State Governments, such as

those of U.P., Bihar and Bombay, have large programmes of their own for the departmental construction of tube-wells, and some of them have also been assisting private parties and co-operative societies with loans and grants for tube-well construction. The co-operative societies in U.P., for example, have completed 232 tube-wells in the first three years of the Plan. In Bihar and P.E.S.U., private parties have constructed 36 and 72 tube-wells, respectively.

The programme of major irrigation works in the Five-year Plan forms part of a long-term objective, namely, the doubling, in a period of 15 to 20 years, of the area under irrigation. As a result of the completion of the larger irrigation schemes in the Plan, more than 2.8 million acres have already been brought or are being brought under additional irrigation.

Greater Fertiliser Use

The efforts to encourage the production and use of better manures and fertilisers are also bearing fruit. The production of compost from night-soil and other refuse in the urban areas has been increasing from year to year. It has gone up from 14.03 lakhs (a lakh=100,000) tons in 1950-51 to 18.50 lakh tons in 1953-54. In rural areas, particularly in the Community Projects and National Extension Blocks, composting of farmyard manures and other waste materials is becoming increasingly popular. Nearly two to four lakh compost pits were dug in areas covered by Community Projects during the period of 18 months. Besides, schemes have also been initiated in a number of States for using underground sewage water and by-products of slaughter-houses, particularly blood meal, for manurial purposes.

As a result of their growing popularity, chemical fertilisers, which had to be stocked once, are now in short supply. The progress is specially marked in the case of ammonium sulphate. Against about 2.7 lakh tons used in 1950, the consumption in 1953 is estimated to have gone up to 4.2 lakh tons. The demand for 1954 is still larger and imports to the extent of one lakh tons have been planned to meet the increased requirements. There is no doubt that the target of 6.1 lakh tons set in the Plan for 1955-56 will be realised, if adequate supplies can be arranged.

Experiments have also been undertaken to find out the suitability of other fertilisers under Indian conditions. The Central Government have under the T.C.A. Programme obtained about 14,000 tons of new fertilisers such as urea and ammonium nitrate for experimental purposes. However, the consumption of phosphatic fertilisers which ranges from 30,000 to 40,000 tons has not kept pace with the increases recorded in the use of nitrogenous fertilisers.

The use of improved seeds has also been steadily increasing every year and almost all the States have a programme for the distribution of improved seeds. About two lakh tons of improved paddy, wheat and other foodgrains seeds were distributed during the last three years. The area covered aggregated 22 million acres or 8.4 per cent. of the total area under foodgrains.

The importance of adequate measures of plant protection cannot be overemphasised. Most of the

Part 'A' and Part 'B' States are now maintaining Plant Protection Organisations and a certain amount of equipment for meeting day-to-day requirements. Steps are, however, being taken to set up a central pool of plant protection apparatus, pesticides and other equipment, so that the States may supplement their resources by borrowing from the pool in time of emergency.

The methods of locust control have been modernised and new techniques have been evolved. The use of hand-operated dusting and spraying machines has been reinforced by power-operated machines mounted on jeeps and trucks. Besides, aerial dusting and spraying have also been employed since 1951 to supplement operations. The measure of success achieved may be judged by the fact that, in spite of widespread and heavy breeding, no large-scale swarms have developed in India since 1952 and swarms mostly came from Arabian countries via West Pakistan.

Preventing Soil Erosion

Mention may also be made here of the measures being taken to prevent soil erosion. A Central Soil Conservation Board was set up by the Central Government in 1953 to organise, co-ordinate and initiate research in soil conservation, to assist the States and river valley authorities in drawing up schemes of soil conservation, to arrange for the training of technical personnel and to recommend financial assistance for schemes of State and river valley authorities.

The Board has already decided to start seven regional training, research and demonstration centres and has also approved seven schemes of the State Governments for execution in 1954-55. The Board is taking steps also to mobilise the Kutch desert and coastal sands and for the afforestation of the U.P. and Rajasthan border. Also, 17 States of the country have organised Land Utilisation and Soil Conservation Boards.

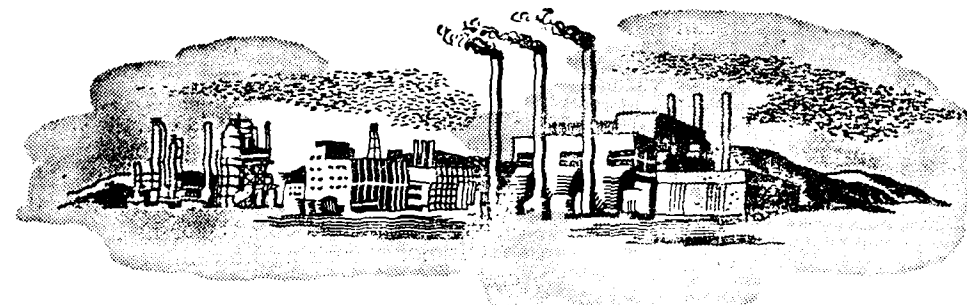
Plan Targets Exceeded

The increase in acreage and production which has occurred in recent years shows the effectiveness with which the above measures are being implemented. The area under major agricultural crops has gradually increased from 287 million acres in 1950-51 to 310 million acres in 1953-54. The latter figure exceeds the planned target for 1955-56 by 12.9 million acres. A part of the increased production is due to favourable weather conditions, but there is no doubt that but for the planned efforts for more intensive cultivation of land the increase in output would have been much lower.

The production of foodgrains in the country has steadily gone up since the introduction of the Plan and in the third year of the Plan has exceeded the target laid down for the year 1955-56. Output during 1953-54 has aggregated 66.0 million tons, thereby showing an increase of about 12 million tons over the base year 1949-50. The achievement in 1953-54 is 4.4 million tons higher than the target envisaged for the year 1955-56.

The Planning Commission is of the view that, out of the total increased production of foodgrains, something like five to six million tons represent a more or less permanent gain which will be retained in an "average" year.

The highest increase in production (3.8 million tons) has occurred in the



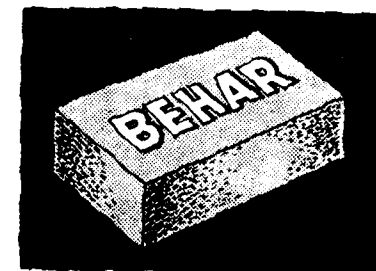
'BEHAR' - the dependable name
in fireclay refractories

For over 30 years 'BEHAR' FIRECLAY REFRACTORIES of every variety and description are being successfully used by leading Iron and Steel Works, Cement and Glass factories, Sugar and Cotton Mills and other users throughout the Country.

Extensive use of 'BEHAR' FIREBRICKS over years have proved their superior quality, high refractory value and strong resistance to slag penetration, spalling and abrasion. That is why the name 'BEHAR' today stands as the symbol of quality and dependability in FIRECLAY REFRACTORIES



SMRITI BF.1-E



**BEHAR FIREBRICKS
& POTTERIES LTD.**

22, STRAND ROAD, CALCUTTA-1.
PHONE - BANK - 5952 • GRAM - BANCO.
WORKS - MUGMA (DIST. MANBHUM)
PHONE - BARAKAR - 41 • GRAM - FIREBRICKS.

north-west region. The output has gone up by 2.6 million tons in the central region and 1.8 million tons in the eastern region.

All Major Cereals Show Increase

The increase in the total output of foodgrains is shared by all the major cereals. The targets for 1955-56 have been exceeded in the case of coarse grains and gram and pulses, while rice output has almost touched the five-year target.

The increases in the production of principal cereals and the targets of additional production for the five-year period are as under:

	(In million tons)	Additional production in 1953-54 over 1950-51	Target of additional production laid down for the 5-year period in the Plan
Rice	...	3.91	4.0
Wheat	...	1.50	2.0
Other cereals	...	4.70	0.6
Grams and pulses	...	1.86	1.0
Total	...	11.97	7.6

In the case of oilseeds also, production during 1953-54 has exceeded the five-year target. In the Plan, an additional production of 4 lakh tons is envisaged. The output of 5.59 million tons obtained during 1953-54 has exceeded the target by 1 lakh tons. The question of raising the Plan target is now under consideration.

The achievements in case of cotton are also quite encouraging. There has been a gradual increase in cotton production, and 80 per cent. of the target has been achieved during 1953-54. The output during that year amounted to 3.94 million bales, as against 2.91 million bales in 1950-51. Not only there is an increase in the overall production of cotton, the share and output of long-staple varieties has also been going up from year to year. Between the base year 1950-51 and 1953-54, the area under long-staple varieties increased from 3.4 million acres to 6.0 million acres (that is, by 77 per cent).

Jute and Sugarcane

The output of jute and sugarcane has shown an erratic trend. In the first year of the Plan period, mainly as a result of high prices, sugarcane acreage and production increased considerably, so much so that the production of crystal sugar reached an all-time record of 15 lakh tons. The production of jute also increased by about 13 to 14 lakh bales during the first two years of the Plan. However, adverse weather conditions in the growing areas and the fall in prices since the end of the Korean War have caused a setback in the pace of progress.

Fully aware of the need for increasing the output of jute and sugarcane in the country, the Central and State Governments and the Commodity Committees concerned are trying to grapple with the situation. In 1953, the Central Ministry of Food and Agriculture appointed an expert Committee for improving the quality of jute and reducing its cost of production. In order to implement the suggestions of the Committee, the amount provided in the Plan has been raised from Rs 50 lakhs to Rs. 80 lakhs. To give a fillip to the production of sugarcane, a scheme for supply of ammonium sulphate to the cultivators against payments to be made after harvesting is being introduced in the major sugar-growing States.

Easing Supply Position

Increases in agricultural production in the country have led to an easing of the supply position, decline in prices and saving of foreign exchange. The easing of the food situation has permitted the controls,

which it was thought would have to be retained throughout the period of the Plan, to be gradually relaxed, and, with the lifting of restrictions in respect of rice in July last, to be practically dispensed with altogether. In respect of wheat, there are still some restrictions on inter-zonal and inter-State movement over a small area; otherwise all controls have been lifted and the procurement of wheat and coarse grains has been completely given up.

Thus, after a period of more than 10 years, the irksome system of food controls has disappeared and austerity measures have been abandoned. The consumer can now buy large quantities of foodgrains and also has a wider choice of varieties. The improved supply of oilseeds has led to a considerable fall in the prices of oilseeds and oils—a distinct advantage to the consumer and also to the *vanaspathi* industry.

Foreign Exchange Savings

The savings resulting in foreign exchange, as a result of reduced dependence on imports, are a valuable gain to the country. The foreign exchange released as a result of reduction in imports can be used for accelerating the pace of economic development in other spheres. For example, as against a quantity of 4.7 million tons of foodgrains imported during 1951, the imports during 1953 were only of the order of two million tons. Thus, there was a saving of foreign exchange to the extent of Rs. 130 crores from reduction in the value of foodgrains imports in one year alone. The savings resulting from reduced imports of cotton come to Rs. 48 crores during 1953, as compared to imports in the year 1951.

Aided by favourable monsoon, the programmes for increasing agricultural production have taken firm root. Effective demonstration of these programmes in the earlier stage has given a fillip to their adoption at an accelerated rate during 1953-54 and the current year. The increasing facilities made available are already affording more opportunities to the tiller of land to turn to more remunerative crops. Thus, better varieties are replacing the indigenous varieties at a more rapid pace in the expectation of better price and higher net returns.

Planning for Increased Standards

Under the first Five-year Plan, the objective has been to overcome the shortages in food and raw materials and ensure a certain level of consumption of essential commodities which, in some cases, approximately only to the pre-war levels. The increase in production at the end of the Plan period will still be short of our requirements, if the balanced diet as laid down by the Nutrition Advisory Committee is to be provided. The next step is to plan for increased consumption standards of not merely cereals but of all protective foods, so that the standard of living of the people may be increased. Similarly, it is necessary to increase the production of commercial crops like cotton and oilseeds to meet the growing demand in the country as well as for purposes of export.

In fact, under the second Five-year Plan, production of all important agricultural commodities will have to be raised further by the maximum possible use of manures and fertilisers, provision of improved cultural practices. While no doubt greater importance will have to be given to the development of industry under the second Five-year Plan than in the first, the emphasis on agriculture will still have to continue.—All Rights Reserved.

WORK AND WORSHIP INDIA RECEIVES FRESH IMPETUS IN LIFE

By S. V. Ramamurty, I.C.S. (Retd.)

THE culture of India has, in recent times, tended to throw emphasis on worship rather than work. This has found expression in the temples of Vishnu, where, of his two spouses, Lakshmi and Bhudevi, the former has monopolised the attention and affection of devotees as compared with Bhudevi. Indeed, while Bhudevi has not been deposed from her rightful position as a spouse of Vishnu, the recognition she receives is in the main formal. Not for her are rich silks and jewels. A fragment of a garment, often spared by the priest's wife, is considered enough for her.

It is not surprising how this concrete treatment of Bhudevi is a reflection of a mental attitude towards the Earth and her children. Progress in India in the heyday of her civilisation was many-sided. Seers and saints, artists and philosophers helped in the development of India intellectually and culturally. Kings and ministers, craftsmen and cultivators helped her in economic and social development. The inner and outer life of man received balanced attention. Then came an overemphasis on inner as against outer life, on the unseen as against the seen, on the abstract as against the concrete. More and more abstract religion thrust concrete religion into the shade, so much so that intelligent men have tended to think that religion which is concrete is not pure religion. They have overlooked the truth that religion is as wide as all reality, that the service of man and mother Earth is not any the less in validity and value than the worship of God.

Rural Slum

The outer world of matter and man was called Maya and treated as unreal, instead of being a different level of reality from the inner world of spirit. This exposed India to the onset of practically more vigorous people from Central Asia and from Europe. While spirituality was sought to be conserved in the shells of men's intellects, the physical life of men became more and more anæmic. The great natural resources of India in men, materials and resources began to be neglected. Agriculture in India which has a longer tradition and history than in most other countries, except China, has fallen into sloth and distress. Indian arts and crafts which held the admiration of the world, fell into poor competition with the machine-made goods from the scientific West. India, indeed, became a rural slum, embodying the worst in agriculture and industry.

But her very adversity has woken up India. India, like China, has lived for several thousand years. Her vitality has been tested by time to be sound. Now and then both India and China in their growth have been hampered by periods of disorder. In China, such disorder has been primarily social. In India, such disorder has been primarily moral. Some 30 years ago, I asked some Chinese what was the matter with China which led to martial law in China somewhere or other every day. They said they had men, materials and resources. All that they needed was a leader and they were confident he would come. Chiang-kai Shek came and unified China. Then Mao Tse Tung has come and he too has unified China. Life on the social and economic side has received primary attention in China, where Buddhism lays stress on life in this world, ignoring but not denying the unseen in life.

In India, we regard the seen life as having its roots in the unseen

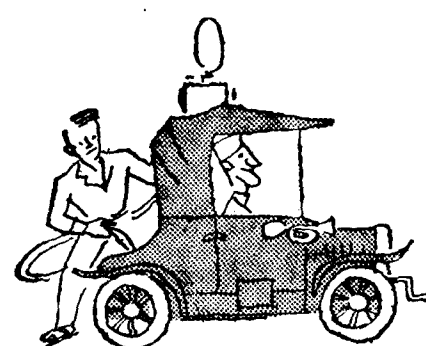
life. To restore order and progress in Indian life, we need not only social and economic development but also intellectual and cultural development and these various phases of life draw sustenance from the life of spirit. We need two kinds of leaders—moral and cultural leaders and social and economic leaders. India, too, like China, is shaking off disorders in her life by the achievement of leadership—on the one hand of Gandhiji and on the other of Pandit Nehru. The former has emphasised the way of worship, love and non-violence towards fellowmen and attention to the still small voice of God in man. The latter has emphasised the way of hard work, planned development of material and human resources and the policy of co-existence and non-interference with other nations. It is remarkable how complementary Gandhiji and Pandit Nehru are in their outlook and ideals and how together they integrate once more the comprehensive life which India has designed and sought all through her history.

Quality of Man

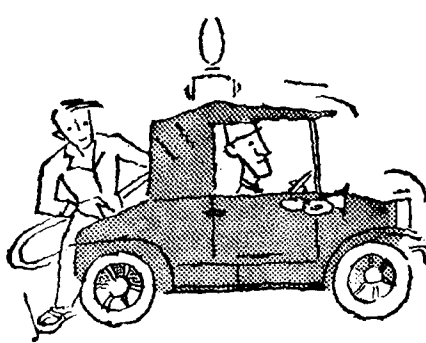
In the *Bhagavad Gita*, Sri Krishna has promised that when there is *adharma* in the world he will come again. The periods of disorder in India being primarily moral, there is need in India to re-establish moral order, which, in India, is based on the concept of *dharma*. *Dharma* is both right and duty. It is the expression of one's innate quality. On the Hindu view, the basic quality of man is of spirit. In expressing his quality, man follows the freedom of spirit which, on the one hand, is individual but is, on the other, also universal. Through *dharma*, humanity is joined together in love and non-violence. *Dharma* expresses itself practically in selfless service and a dedicated life. Gandhiji is of the promise of Sri Krishna and has largely helped to knit and strengthen the moral life of India through the chastening of individual character. There is hardly a department of life to which his attention has not been turned—the life of the lowly and depressed, the life of the poor and suppressed, the interests of women by the side of more insistent demands of men. All this has laid the foundation for the reconstruction of Indian life.

Pandit Nehru has taken the task of such fresh construction. He has to hand all the resources of science and organisation which the world has made available to India through the accidental and, perhaps, not so accidental rule of Britain over India. An intensive infusion of new and efficient methods of work has made India ready for the big thoughts and big deeds which Pandit Nehru has planned for India in the first Five-year Plan to be succeeded by other such Plans. He is insistent that such work should be done not only with a feeling of adventure but also a sense of dedication so that the human, as well as divine, needs of man are both served. Those of us who have had an inside knowledge of the working of the Plan such as it has been my privilege to acquire are aware of the steady revolution that is taking place in the activities of men and women that bids fair in a period, perhaps, of 25 years to enable India to achieve the same success in economic and social development relatively to her scale of objectives that the U.S.A. or the U.S.S.R. have achieved in similar periods.

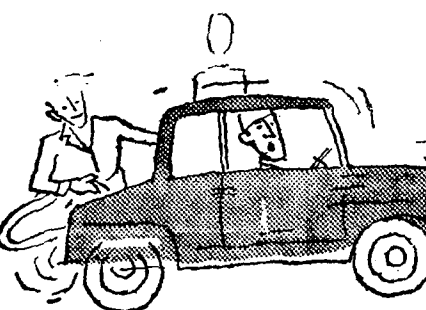
(Continued on page 68)



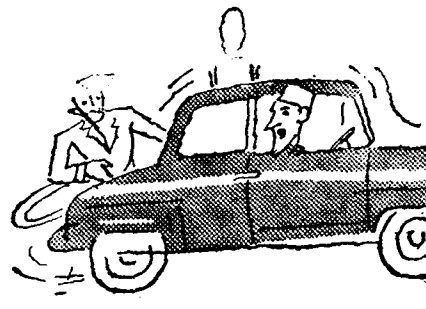
YOUR CAR



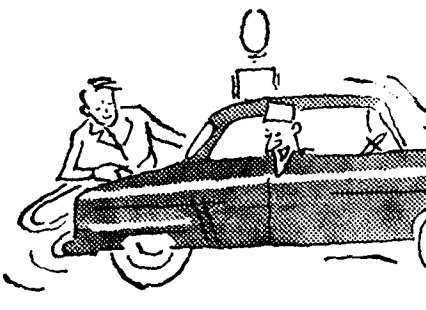
WILL NOTICE



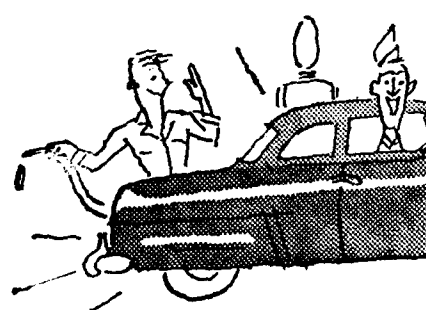
THE CHANGE



WITH

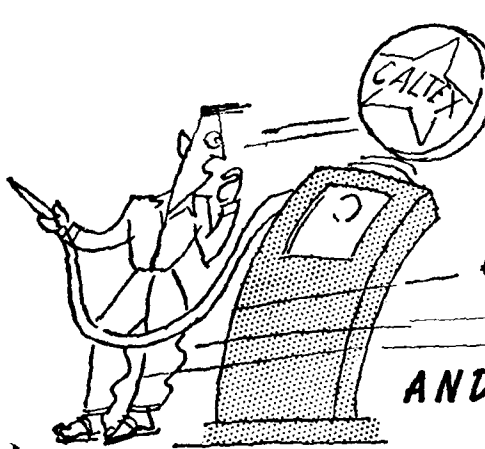


NEW
POWER-
ADVANCED



CALTEX
IC-PLUS

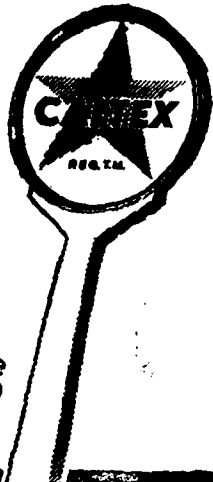
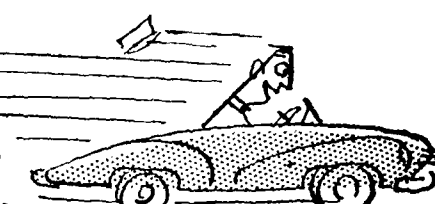
NEW POWER-ADVANCED CALTEX IC-PLUS



PACKS POWER

—Get a Tankful TODAY

AND TRAVEL THE CALTEX WAY



POWER-
ADVANCED
CALTEX IC-PLUS
PETROL

LITERALLY

adds horsepower
to your car

CALTEX POWER-ADVANCED PETROL WITH IGNITION CONTROL COMPOUND (NEW ADDITIVE ACHIEVEMENT BY THE ETHYL CORPORATION) GIVES PERFORMANCE ABILITY YOU HAVE NEVER EXPERIENCED BEFORE WITH ANY PETROL.

The new Power-Advanced Caltex petrol gives you these advantages.

- Added power you can feel.
- Higher anti-knock.
- Swifter acceleration.
- Easier starting.
- A healthier, cleaner engine.
- Longer plug life.
- More miles per gallon.
- A sweeter-running motor.

NATIONAL EXTENSION SERVICE

HUMAN APPROACH TO SOLUTION OF INDIA'S RURAL PROBLEM

By V. T. Krishnamachari

DEPUTY CHAIRMAN, PLANNING COMMISSION

THE Prime Minister, while presenting the report of the Planning Commission to Parliament, explained that India's Five-year Plan should not be regarded as consisting of a series of projects and works recommended for execution all over the country. He went on to say: "It is something much vaster... the mighty scene of a nation building itself, all of us working together to make a new India, not abstractedly for a nation, but for the 360 million people." Everywhere in the country, there are now new hopes and aspirations; rural India is seeking to build up a new life for itself. The National Extension and Community Projects movements are designed to assist the nation in these efforts. The transformation implied in this new pattern of rural society is revolutionary. The recent Mission on Community Organisation and Development in South and South-East Asia, organised by the United Nations, while referring to the Community Projects and National Extension Service movement in India, remarked: "Because of their magnitude and even more because the guiding principle is participation of the people in their own improvement, we regard the community programmes in India as the most significant experiment in economic development and social improvements in Asia at the present time."

NOT A NEW CONCEPT

The basic idea underlying the National Extension movement—namely, intensive development which aims at reaching every family in the countryside and at securing co-ordinated development of rural life as a whole—is not a new concept. It has been tried in the past. One can refer to such efforts as those of the constructive workers trained by Mahatma Gandhi, or Poet Tagore at Sriniketan, or Mr. Spencer Hatch of the Y.M.C.A. at Martandam, under the comprehensive rural reconstruction scheme in the former Baroda State, experiments conducted by Mr. F. L. Brayne in Gurgaon District in the Punjab, and in more recent times, the Sarvodaya scheme in Bombay, and the Firkha Development scheme in Madras. The Grow-more-food campaign, launched by the Government of India, was also an effort in this direction, although it suffered from the limitation of its original objective merely to increase food production. After a careful review of these efforts, the G.M.F. Committee made important proposals which were endorsed by the Planning Commission and the Government of India. First, the Committee recommended that there should be organised a National Extension movement covering the entire country within a period of seven or eight years. Secondly, it worked out the pattern of the official and non-official organisation at all levels—the State, district, sub-division and village—best suited to meet the needs of this new policy—the Welfare State in action. Thirdly, it recommended Central aid to the establishment of the service in States.

Following these recommendations, it was decided, in consultation with the State Governments, in May, 1952, to launch the Community Development Programme. This was inaugurated in 55 project areas all over India on 2nd October, 1952. More Community Projects were launched in 1953 in two successive instalments and now there are 220 development blocks covering about

23,650 villages, with a population of 21.5 millions.

The Community Projects involve intensive operations spread over a period of three years, but improvement in rural life is a permanent process. For this reason and based on the recommendations of the Grow-More-Food Enquiry Committee and the Planning Commission, the Government of India decided, early in 1953, on the introduction of National Extension Service. It was proposed to cover a total of 120,000 villages, comprising nearly one-fourth of the rural population within the period of the Plan. The National Extension Service was inaugurated all over India on 2nd October, 1953, a year after the inauguration of the Community Development Programme. As a first instalment, 237 blocks were allotted for the year 1953-54.

INTER-RELATION

It is necessary to explain the interrelation between the Community Development Programme and the National Extension Service. The movements have identical aims. The N.E.S. is a permanent organisation and will cover the whole country. It provides the basic organisation—official and non-official—and a minimum financial provision for development. Further funds will be found from the Central Government's assistance to States for different kinds of development and the States' own allotments under different heads. N.E.S. blocks, in which successful results have been achieved with the maximum popular co-operation, are selected for intensive development for a period of three years. These are called "Community Projects." In these, the works' programme is more comprehensive. How many N.E.S. blocks can be taken up every year for such temporary intensive development will depend on the available financial resources and local support and enthusiasm.

The total programme for the Plan period is to undertake 1,200 blocks under the National Extension Service. Out of these, 700 blocks, consisting of about 70,000 villages and a population of 40 million, will receive attention under the intensive development programme. The remaining 500 blocks consisting of about 50,000 villages and a population of 35 million will come under the working of the extension service. It is expected that by the end of the second Five-year Plan, the entire country would be covered by the National Extension Service.

The aim of National Extension Service is not merely to provide for ample food, clothing, shelter, health and recreational facilities in the village. All these are there. But more important than all this material improvement is the realisation that what is required is a change in the mental outlook of the people, instilling in them of an ambition for higher standards of life and the will and the determination to work for such standards. This is essentially a human problem—how to change the outlook of the 70 million families living in the countryside, arouse enthusiasm in them for new knowledge and new ways of life and fill them with the ambition and the will to live a better life. This is, indeed, one of the most difficult problems that ever faced a nation in the history of the world.

In the past, Government's efforts to bring about improvement in rural

areas have been directed through fairly well organised Development Departments—Agriculture, Animal Husbandry, Co-operation, Health, Education, etc. These, however, worked independently of one another, following their own programme and without a sense of common objectives. Each department approached the villager through its own hierarchy and the weakest link in each of these departments was usually the last official, who had to be in touch with the villager. This official was, in most cases, inadequately trained and incapable of providing guidance to the villager. The area covered by him was so vast that a villager hardly felt his presence. The activities of these departments were also not linked up with those of revenue officers which touched village life at many points, or with the local bodies which, under the law, were responsible for some of the welfare services in the rural areas like communications and water-supplies. The result of all this was that there were no concerted efforts to improve all sides of village life, to change the outlook of the farmer and to mobilise local initiative and resources for the betterment of rural conditions.

ORGANISATION

Much thought had in the past been given to the kind of organisation which required to be set up to meet the many-sided needs of the villager. As early as 1926, the Royal Commission on Agriculture commended the system of Village Guides devised by Mr. F. L. Brayne for his Gurgaon experiment.

The Fiscal Commission set up by the Government of India in 1949 had observed:

"In our view, the greatest need at present in India is an extension service with the object of bridging the gap between research and the practices of producers, similar to those which have been found so valuable in the U.K., the U.S.A., etc. What we have in mind is an Extension Officer, with the necessary staff, for a group of 40 or 50 villages working on a demonstration farm. The officer will be the agent of all the Development Departments in the implementation of the schemes of improvement for the villages in the centre and the guide and friend of the farmers in the area and in close contact with them."

The concept of rural extension service briefly referred to in the Fiscal Commission's report was further developed by the Grow-More-Food Enquiry Committee which reported to the Government in June, 1952. The Committee said that it was necessary to set up an organisation for intensive rural work which would reach every farmer and assist in the co-ordinated development of rural life as a whole similar in conception to the "extension" or "advisory" services in the U.S.A., the U.K. and elsewhere. The functions of such an extension service have been very well summarised in the following extract from the report on extension of the meeting of the F.A.O. held in August, 1949:

"Extension or Advisory services and other allied services have the following indispensable functions for instructing farm people in agriculture and domestic science and in agricultural affairs; bringing them the latest results of research in these fields, on quality and cost as well as on the quantity of production, and teaching them improved techniques of farming and rural living; calling the attention of research institutions to the agricultural and home problems that require study; and providing opportunities for farm people to meet together for the purpose of learning from each other and developing leadership in agricultural affairs."

The Grow-More-Food Enquiry Committee recommended that, for the Extension Organisation, the taluka or tehsil—the lowest administrative unit—consisting of 100 to 120 villages would constitute a convenient development block in charge of a Development Officer or Extension Officer. The Sub-Divisional Officer or Revenue Divisional Officer would have to be relieved of his other duties by a special Assistant appointed for the purpose so that he may perform the functions of the Extension Officer in his area. The Extension Officer at the block level will have to be assisted by Technical Officers dealing with agriculture, animal husbandry and co-operation. This organisation will function as a team, constantly consulting one another and exchanging experience. The organisation will establish the closest contacts with agriculturists and be their friends and guide. Below the Block level there would be—

(1) A group of villages 5 to 10 in number, with a population ranging from 5,000 to 8,000, and

(2) the village itself.

To sum up, the Grow-More-Food Enquiry Committee, which examined the economic aspects of village life in great detail, observed that all aspects of rural life were interrelated and that no lasting results could be achieved if the individual aspect of it were dealt with in isolation. This, however, does not mean that particular problems should not be given prominence, but the plans for them should form parts of and be integrated with those for achieving the wider aims. The N.E.S. movement aims at placing this ideal—of bringing about an appreciable improvement in all aspects of rural life and making it fuller and richer—before the country and ensuring that the energies of the entire administrative machinery of the States and the best unofficial leadership are directed to plans for awakening mass enthusiasm and enlisting the active interest and support of the millions of families living in the countryside in the immense task of bettering their own conditions.

BASIC PRINCIPLES

The basic principles on which the movement lays stress are:

(a) The motive force for improvement should come from the people themselves. Self-help is at the root of all reform, the State assisting with supplies and services and credit. The vast unutilised energy lying dormant in the countryside should be harnessed for constructive work, every family devoting its time not only for carrying out its own programmes but also for the benefit of the community.

(b) The co-operative principle should be applied in its infinitely varying forms, for solving all problems of rural life.

These are the basic features of the new pattern of rural society. It is that of millions of families of farm owners, organising themselves in co-operatives of different kinds and taking decision as free agents, practising scientific agriculture on the largest scale possible and finding supplementary occupations in a variety of decentralised cottage and small-scale industries—while the State assists by organising research, supplies and services and credit. The basic considerations are not merely economic; there are non-material values and social gains which are equally important.

In what directions does the movement seek to bring about a change of outlook? The first direction is



BRINGING PRESSURE TO BEAR IN THE RIGHT PLACES

A frail and unstable substance in nature, rubber has been transformed by human ingenuity into a versatile raw material with a thousand uses in the home and industry. A major part in this development has been played by the tyre industry, whose foundations were laid by Dunlop in 1888. Since then, the company has constantly searched for new ways of getting more out of rubber, making it do more for mankind. This exceptional fund of knowledge and experience is the secret of Dunlop leadership over the years. It is this assurance of quality which distinguishes Dunlop Hose, recently added to the

manufacturing range to serve the expanding needs of India's agriculture and industry as the Five Year Plan becomes a reality. The Dunlop range of braided hoses made in long lengths by the lead-press method includes types capable of withstanding very high pressures, which have until now been imported. Already on active service at dam sites and mines, in fields and in factories, Dunlop Hose is helping to extend India's economic independence in yet another direction. Once again, Dunlop are bringing pressure to bear in the right places—as they have been doing since the world's first pneumatic tyre was made to contain air under pressure.



DUNLOP Hose

ANOTHER ASPECT OF DUNLOP ENTERPRISE

increased employment and increased production. This follows from what is recognised to be the greatest evil in rural life, namely, the enormous volume of unemployment, or what may be called under-employment that grips the countryside. Side by side with this unemployment, there is the fact that we have "subsistence" agriculture, that is, the land does not produce a fraction of what it could produce if existing scientific knowledge is applied. So the two most prominent evils—they are really connected—are under-employment and under-production. The first direction in which we must change the outlook of the rural population is in regard to these two evils. They are due basically to the same reasons and are two aspects of the same problem. Despite much inherited skill and experience, the farmers' productivity is low on account of factors such as failure to use scientific methods and conserve the available resources, lack of credit, lack of irrigation facilities, etc. Intensive agriculture by bringing modern scientific methods to the door of the agriculturists would bring about greater production and fuller employment and with it wider opportunities for subsidiary and cottage industries.

CO-OPERATION

The second main direction of the programme is the need for organising the community for co-operative endeavour. It is only as a result of the community helping itself that improvement on the scale required can be brought about. It is in the application of co-operative principles that solutions can be found for all the problems facing the countryside. The aim should be to see that there is at least one multi-purpose society in every village or group of villages on which practically every agriculturist family is represented.

The scope for the application of the co-operative principle is unlimited. To take an example: good seeds, fertilisers, etc., are to be supplied for increased production. The question immediately arises of short-term credit. Without such credit, the ideal of every family having a scheme of improvement for which it works cannot be realised. Though co-operative societies have been functioning in India for nearly 50 years, it has been found that, after all these years, even in areas where co-operation is best developed, only 30 per cent. of the families engaged in agriculture are eligible for obtaining credit on terms on which co-operative societies can offer it to them. In other words, only 50 per cent. of the people are "credit-worthy." The problem, therefore, is one of making the remaining 70 per cent. "credit-worthy." This can only be done by joint efforts to improve production and other conditions in the villages through co-operative endeavour. In the initial stages, the aim should be to provide credit under proper supervision to cultivators who could be relied upon to make efforts towards increased production. In other words, the emphasis will have to be on the credit-worthy uses rather than credit-worthy persons.

The Grow-More-Food Enquiry Committee has given a number of examples in which the co-operative principles can be applied. These can be profitably followed.

The third direction is the need for community effort for works of common benefit to the community. The village needs roads, tanks, and so on. It is necessary that the villagers should feel that all these needs can be satisfied by their joint efforts. The Government can assist with grants and loans to a certain extent and also with technical advice and guidance, but the main effort would be theirs.

This applies also to the more permanent improvements that are needed for the community, as schools, health centres and so on. Here again, the need for utilising a portion of the vast unutilised energy in the countryside for the benefit of the community should be inculcated. These activities pertain to creation of social amenities in the villages. In addition to creating these social amenities in the village, there is a permanent aspect of the problem and that is the need for continued maintenance of these works. In the past, silt clearance in a village pond was considered obligatory as a matter of custom. It is no longer considered as an important aspect of village life today. The villagers should feel it to be their duty to maintain all works of permanent utility by community effort.

To sum up, the three main directions in which the change in outlook is needed and is to be worked for are:

First, increased employment and increased production by the application of scientific methods of agriculture, including horticulture, animal husbandry, fisheries, etc., and the establishment of subsidiary and cottage industries;

Secondly, self-help and self-reliance and the largest possible extension of the principle of co-operation; and,

Thirdly, the need for devoting a portion of the vast unutilised time and energy in the countryside for the benefit of the community.

ADMINISTRATIVE ORGANISATION

Recommendations regarding the organisational pattern for the implementation of the programme were made in Chapter VI of the G.M.F. Enquiry Committee Report and by the Planning Commission in Chapter VII of the First Five-year Plan. In every State, under this pattern, there is a State Development Committee, consisting of the Chief Minister and the Ministers in charge of Development Departments for laying down general principles of policy regarding the implementation of the National Extension Service programme. The Development Commissioner in the State is the Secretary of this Committee. At the official level, the Development Commissioner is, for purposes of co-ordination, the leader of the team, consisting of the Heads of Departments or Secretaries to Government in the various Development Departments. He is to act as the co-ordinating officer for all these departments, in order to ensure that the work in the different Development Departments proceeds along the lines indicated in the overall plan of the State. He is not the head of an independent Development Department of his own, but is to regard himself, for the purpose of ensuring co-ordination, as the head of a team consisting of Heads of all the Development Departments.

In view of the difficult nature of the work with which the Development Commissioner is entrusted, it has been found necessary for him to be a very senior officer in the State. In some States, the Chief Secretary himself exercises these functions. In other States, these activities have been entrusted to a very senior official of the rank of Additional Chief Secretary. To achieve co-ordination at the District, Sub-Divisional and Block levels, functions similar to those of the Development Commissioners have been entrusted to the Collector, Sub-Divisional Officer and the Block Development Officer, respectively. The technical officials, belonging to different Development Departments, are subject to the supervision, for purposes of co-ordination, of the General Administrative Officer of the appropriate level, namely, a Block Development Officer at the Block

level, the Sub-Divisional Officer at the Sub-Division and the District Officer at the District level. The multi-purpose Village Level Worker or *Gram Sewak*, which is the last link in this administrative chain, is treated as a part of the District Administration. He is, however, to receive instructions and guidance in technical matters from the Technical Officers at the various levels.

The significant thing about the administrative arrangements indicated above is that it aims at the transformation of the existing general administrative cadres of Government into Welfare cadres rather than the establishment of a separate Welfare Cadre distinct from the normal machinery of the Government. This implies that the machinery which was at one time devised to look after the functions of revenue collection and maintenance of law and order is being changed into a Welfare Administration and the resources of all the Development Departments of Government are being utilised to the maximum advantage for a concerted attack on the problem of rural development.

CONTENTS OF N.E.S.

The programme aims at the provision of the minimum staff needed for an all-round development in our rural areas. There is financial provision for a small works programme serving as the nucleus, around which the staff would be engaged in their various activities. The financial provision made in the programme itself is small and it is intended that this should be supplemented by additional resources made available from the development programme financed by the State Government singly or by the State and the Central Government jointly. The State Governments have been told that all development programmes should be concentrated in these areas in a liberal measure. There is also a provision for loans in the scheme itself—medium-term for minor irrigation schemes and short-term for providing credit facilities to the villager. The estimated expenditure of a Development Block is of the order of Rs. 7.5 lakhs for a period of three years. The staff consists of one Block Development Officer, three Extension Officers (for Agriculture, animal husbandry, co-operatives and *panchayats*), two Social Education Organisers (one man and one woman), one Overseer and 10 Village Level Workers. This staff is inclusive of the existing staff of the various Development Departments in the area which would be absorbed in the N.E.S. organisation with such training and orientation as may be necessary.

PEOPLE'S PARTICIPATION

Alongside the administrative organisation, the N.E.S. programme aims at the closest co-operation with the best non-official leadership at every stage. In essence the N.E.S. organisation is both official and non-official; both have to work together. Development programmes are drawn up after the fullest discussions with the people and their representatives at various levels. At the village level, the legally constituted *panchayat* is always utilised in the planning as well as the implementation of the programme. In areas where such *panchayats* do not exist or are ineffective, efforts are being made to encourage the growth of *ad hoc* non-statutory village development councils called variously as the *Gram Vikash Mandals*, *Gram Mangal Samitis*, *Gram Sewak Sanghams*, etc. Through these bodies effective participation of the people in the planning and the implementation of the Plan is secured.

Plans drawn up by these village institutions are considered by Advisory Committees at the Block level, consisting of representatives of

village committees, the members of the local Legislature and Parliament, representatives of co-operative societies, progressive farmers, etc. The Development programmes of the Block drawn up by the Block Advisory Committees are then integrated into the District Plan by a District Development Committee, consisting of the prominent non-officials as well as the heads of various technical departments at the District level. Thus, at every stage, the official and the non-official organisations are working side by side for evolving and implementing the programme. The whole movement is based on self-help. The active interest and support of the people has, therefore, to be enlisted in the task of bettering their own condition. In order to facilitate the introduction of the new order of things, the Central Government is assisting the State Governments with grants of half the additional cost of setting up extension staffs and also to make every effort to find, by the end of the Plan period, short-term credits of Rs. 100 crores a year, medium-term credit of Rs. 25 crores a year and long-term credit of Rs. 5 crores a year through the co-operative movement and other agencies.

TRAINING OF EXTENSION STAFF

As stated earlier, extension is a continuous process designed to make the rural people aware of their problems and indicating to them ways and means by which they can solve them. It involves not only education of the rural people in determining their problems and methods of solving them but also inspiring them towards positive action in doing so. It is, therefore, of the highest importance that, for this task, personnel of the right type are obtained, who will take to their work with zeal and enthusiasm. The qualities required are not only ability to acquire knowledge but also dedication to the task of serving the rural people and the development of a will to find solutions for their problems. The crux of the programme, which is more a human problem than anything else, is the method of approach to the villager. The Planning Commission, in its report, laid great emphasis on the training of extension workers.

There are at present 34 centres all over the country for the training of village level workers. Persons who are to be the village level workers are selected with great care. The primary qualification is experience of rural life and interest in it. They are to have training for at least one year in basic agriculture, after matriculation. At these Extension Training Centres, they receive a further training in extension methods over a period of six months in the various facets of rural life, namely, agriculture, animal husbandry, rural health, sanitation, social education, cottage industries, etc.

Training courses have also been arranged for extension and orientation training for the various subject-matter specialists and the administrative officers. As far as possible, nobody is commissioned to the extension work, unless he has had an adequate orientation to the subject.

It cannot be stressed too strongly that rural development is essentially a human problem. The success of the programme is to be judged by the extent to which it succeeds in producing the change in outlook in these directions. The basis which should be applied in evaluating the work are: Has every family got a plan of improvement for which it puts forth its best effort and utilises improved techniques, seeds and manures and fertilisers, etc., and has it also got subsidiary occupations for the period for which it is not engaged in agriculture? Has every family in the area become creditworthy and is every family represented on its own

(Continued on page 112)

MARTIN BURN LIMITED

Head Office: 12, Mission Row, Calcutta 1

Phones: BANK 3461/3475 (15 lines)

Grams: "MARTINBURN" Calcutta

BRANCHES

DELHI
Bombay Life Building,
Connaught Circus,
New Delhi, 1.
PHONE: 48174.
GRAMS: "MARTINBURN."

BOMBAY
Esplanade House,
Waudby Road, Bombay, 1.
PHONE: 30470.
GRAMS: "MARTINBURN."

KANPUR
Westcott Building,
The Mall, Kanpur.
PHONE: 2867.
GRAMS: "MARTINBURN."

MANAGING AGENTS

Agra Electric Supply Co., Ltd.
Arrah-Sasaram Light Rly. Co., Ltd.
Bareilly Electricity Supply Co., Ltd.
Benares Electric Light & Power Co., Ltd.
Burn & Co., Ltd.
Chaparmukh-Silghat Rly. Co., Ltd.
Futwah-Islampur Light Rly. Co., Ltd.

Hooghly Docking & Engineering Co., Ltd.
Howrah-Amta Light Rly. Co., Ltd.
Howrah-Sheakhalla Light Rly. Co., Ltd.
Indian Iron & Steel Co., Ltd.
Indian Standard Wagon Co., Ltd.
Jubbulpore Electric Supply Co., Ltd.
Robert Hudson (India) Ltd.

Saugor Electricity Supply Co., Ltd.
Shahdara (Delhi)-Saharanpur Light Rly. Co., Ltd.
Sone Valley Portland Cement Co., Ltd.
United Provinces Electric Supply Co., Ltd.
Upper Ganges Valley Electric Supply Co., Ltd.
Upper Jumna Valley Electricity Supply Co., Ltd.

MANAGERS AND AGENTS

The Fyzabad Electric License, 1933.

The Jaunpur Electric License, 1934.

AGENCIES AND STOCKISTS

Agnew & Son Pty. Ltd., W. A. L., Australia.
Armco Ltd., U.S.A. & Australia.
Associated Portland Cement Manufacturers Ltd., London.
Atkinson & Sons Ltd., Octavius, Harrogate.
Balfour & Co., Ltd., Arthur, Sheffield.
Baylie & Co., Ltd., E., Stourbridge.
Beckett & Anderson Ltd., Glasgow.
Bedford & Sons, John, Sheffield.
Bergus Co., Ltd., The, Glasgow.
British Jeffrey-Diamond Ltd.
Burley & Sons, R., Glasgow.
Case Co. (Inc.), J. I.
Charles Morrison Compositions Co., Ltd.
Conveyancer Fork Trucks Ltd.
Davey, Paxman & Co., Ltd., Colchester.
Davis & Sons, John (Derby), Ltd.
Detrick, M. H., & Co., Ltd., England.
Drag Scraper & Engineering Co., Ltd.
Elastic Rail Spike Co., Ltd.
Ferrolite Products Ltd., Calcutta.
Flintkote Co., The, Los Angeles & U.K.
Govan Shafting & Eng. Co., Ltd., Scotland.

Hardypick Ltd., Sheffield.
Hayes Track Appliance Co., U.S.A.
Industrial & Mining Supplies Co., Ltd., London.
International Fibre Board Ltd., Canada.
Jeffrey Manufacturing Co., The, Ohio.
John Thompson Beacon Windows Ltd.
K. & L. Steelfounders & Engineers Ltd.
Kadar Rubber Manufacturing Co., Ltd., Calcutta.
Kerner-Greenwood & Co., Ltd., U.K.
Lincoln Electric Co., U.S.A. and Australia.
Lowmoor Best Yorkshire Iron Ltd.
Luke & Spencer Ltd., Altrincham.
Lundy Fence Co., Ltd., Canada.
Parsons & Co., Ltd., C. A., Electrical and Mechanical Engineers, Newcastle-upon-Tyne.
Parsons Chain Co., Ltd., Stourport-on-Severn.
Pass & Co., Ltd., E., Denton, Lancs.
Penberthy Injector Co., The, U.S.A.
Philblack Ltd., Avonmouth.
Phillips Chemical Co., New York.
Plenty & Son Ltd., Newbury.
Prior Stokers Ltd., London.

Rabone & Sons, Ltd., J., Birmingham.
Radio Lamp Works Ltd., Bombay.
Reynolds & Co., Ltd., A.
Ruston & Hornsby, Ltd., Lincoln.
Sankey Joseph & Bros.
Security Patent Anchor Co., Ltd.
Sidegrove Steel Piling Supply Co., Ltd., London.
Siebe, Gorman & Co., Ltd., London.
Skelton & Co., Ltd., R. A.
Standard Telephones & Cables Ltd.
Steel Company of Scotland Ltd., Glasgow.
Sternol Ltd., London.
Tata Iron & Steel Co., Ltd.
Tecalmit (India) Ltd.
Tylors of London Ltd., London.
Vanderbilt Export Corporation, U.S.A.
Vaughan Crane Co., Ltd., Manchester.
Volspray Ltd., London.
Walterisation Co., Ltd.
Westwood Dawes & Co., Ltd., Stourbridge.
Wrights Ropes Ltd., Birmingham.

London Office:

MARTIN BURN LIMITED (LONDON AGENCY), MARTIN BURN HOUSE
71, QUEEN STREET, LONDON, E. C. 4.

PHONES: CITY 6704; CENTRAL 5553/4.

GRAMS: "DITCHER" London.

VERY broadly speaking, the G.A.T.T. is an international code of commercial conduct which provides for non-discrimination in trade, limits the kinds of restrictions which a nation may apply to imports and binds the import tariffs on selected items of imports at particular levels on the basis of reciprocal concessions. The experience of pre-war bilateral tariff negotiations was not a happy one. Bilateralism in trade was in essence discriminatory. It generated international ill-will. It was a menace to weaker economies and an instrument of economic aggression in the hands of stronger nations. It was realised after the war that lowering of tariffs by a process of multilateral tariff negotiations, as under G.A.T.T., not only established the humane principle of non-discrimination and equality of treatment as the only sensible basis of the most-favoured-nation clause, but it also suited the convenience of a dominant trading nation like the U.S.A.

The first stage in the G.A.T.T. sessions was for each nation to negotiate with every other nation bilaterally on the tariffs of principal interest in the trade between them. But the results were not finalised and signed until all the negotiated schedules had been completed and incorporated into a single document. A country like the U.S.A. could, therefore, seek tariff concessions from more than one country in return for concessions of interest to all of them. And since tariff concessions given by other pairs of countries were generalised, the U.S.A. could assess the value of indirect concessions incidentally acquired before it signed the "General Agreement." This procedure obviated the problem of withholding tariff concessions, in order to preserve bargaining power for later negotiations and to avoid giving fortuitous benefits to non-co-operating countries—a problem which had bedevilled the U.S.A.'s bilateral tariff negotiations before the war. Multilateralism and non-discrimination in trade and tariff negotiations was thus an operationally sound policy. Besides, it also accorded with the idealistic spirit of the times which had given birth to the United Nations.

EXCEPTIONS

Non-discrimination in trade can become a valuable right, provided nations accept a corresponding obligation. In abstract terms that obligation was stated to be one of moving in the direction of curbing governmental interference in international trade and evolving "rules of the game" which give freer play to market forces. Fortunately, for countries which do not believe in the abstract virtue of curbing governmental interference in trade, this abstract obligation was qualified by several exceptions. These exceptions were designed not only in the interests of underdeveloped primary producing countries and war-damaged industrial countries facing serious balance of payments deficits in terms of dollars, but also, paradoxically enough, in the interests of the security of the United States economy itself.

The former category of countries which formed the vast majority of the "contracting parties" faced two separate sets of problems, namely, (1) reconstruction of war-damaged economies in highly industrialised countries and economic development in underdeveloped, primary producing countries, and (2) the post-war balance of payments deficit. These two sets of problems were clearly intermixed and were not unrelated to each other. The G.A.T.T. recognised the right of each nation to subsidise new industries. But, obviously, the absolute right to build up new industries by means of produc-

INDIA AND THE G.A.T.T.

By Dr. B. N. Ganguli

PROFESSOR OF INTERNATIONAL TRADE, DELHI SCHOOL OF ECONOMICS, UNIVERSITY OF DELHI

tion subsidies could only be enjoyed by a country like the U.S. A country, where it had not included a commodity in the trade agreement, could also subsidise its production by means of a new tariff or by raising the existing tariff. But such restrictive measures as import quotas and mixing regulations were not to be employed, without prior international sanction, for the development of infant industries.

IMPORT QUOTAS

Permission was, however, to be automatically given for using "any non-discriminatory measure affecting imports" (non-discriminatory import quotas or mixing regulations) in the following cases: (1) industries established during the war; (2) industries processing raw materials the markets for which have been cut off by other countries, and (3) industries processing an indigenous primary commodity or for the processing of a by-product of such an industry, which could otherwise be wasted.

Comparative strictness in the matter of regulating the use of quantitative import restrictions as an instrument of protection was initially resented by the delegations of underdeveloped countries, including India. Eventually, uncontrolled use of import quotas was considered incompatible with sound national economic development. An import quota is a double-edged weapon which underdeveloped countries in varying stages of industrial development can use against one another with devastating effect. Thus, the losing battle against the general ban on quantitative import restrictions turned mainly later on at Havana on the issue of "prior approval" of such restrictions in individual cases. The wearing down of opposition to the general ban on import quotas for protective purposes was, however, mainly due to the fact that G.A.T.T. permitted the use of import quotas to the extent necessary to forestall the imminent threat of, or to stop, a serious decline in a country's monetary reserves, or in the case of a member with very low monetary reserves, to attain a reasonable rate of increase in its reserves.

BROAD LATITUDE GIVEN

Under this provision, a country might select imports on the ground of essentiality. This provision was dictated by the necessity of recognising the current fact of a widespread dollar crisis. But here was an escape clause which gave broad latitude to nations during a "transitional period," without any question or scrutiny as to whether balance of payments deficits were not due to inflationary monetary or fiscal policies and excessive domestic capital investment programmes. So long as countries, including underdeveloped countries, were faced with persistent balance of payments deficits, import quotas could be freely used. The protective effect of import quotas in such a situation might have been just incidental, or quotas might have been employed purely for protecting an infant industry, but no country operating a quota system could be held to have contravened the provisions of the G.A.T.T.

This escape clause in the provisions of the G.A.T.T. was matched by a series of qualifications, urged by the U.S.A., which related to quantitative restrictions on agricultural imports. Committed to the domestic programme for bolstering the income of farmers through "price sup-

port," the U.S.A., joined by certain other nations, insisted upon, and obtained, the right to curb imports when they seriously interfered with such a programme. The provision relating to export subsidies "including any form of income or price support" which stimulates exports (of primary products) was too weak in so far as it contemplated merely "discussing" with affected parties the "possibility of limiting the subsidisation." Moreover, the "serious injury" clause (Article 19 of G.A.T.T.) was merely the standard U.S. escape clause which had appeared first in the U.S.A.'s trade agreement with Mexico in 1943. This clause provided for suspension, withdrawal or modification of a concession already given, if, owing to "unforeseen developments," abnormally large imports of a commodity "cause, or threaten to cause, serious injury to domestic producers." The protective effect of this clause was reinforced by the provision for anti-dumping and countervailing duties (Article 6 of G.A.T.T.). It is evident that these escape clauses were specially designed to make G.A.T.T. acceptable to the farm block and the protectionist block in the U.S. Congress.

INDIA'S APPROACH

India's general approach to G.A.T.T. rights and obligations is fairly clear. We cannot stand out of an Agreement adhered to by as many as 34 countries now, which account for the major part of world trade and which include almost all of India's trading partners. India cannot afford to turn down a temporary device for international trade co-operation. India's vast stake in her external trade is not questioned by anybody.

The alternative to an agreement like the G.A.T.T. is negotiation of a series of bilateral arrangements according most-favoured-nation treatment. Pre-war experience of such agreements shows that they are dangerous for weaker countries. It is well known that we had to seek redress from the G.A.T.T. machinery of conciliation against what we felt was discrimination against us when Pakistan levied a licence fee on raw jute exported to India. In the absence of G.A.T.T., the only check on discrimination would be the fear of retaliation. In this respect, India's position is hardly vulnerable, particularly in view of India's increasing dependence on exports of manufactured products. The principle of non-discrimination and equality of treatment in the commercial field is merely the economic counterpart of India's foreign policy in the political field. The form of the most-favoured-nation clause accepted under the G.A.T.T. makes allowance for existing Commonwealth and Empire preferences. For one thing, these preferences are a valuable bargaining counter. For another thing, existing preferences, on balance, have now been operating to India's advantage, in view of the heightened importance of manufactures in her export trade. The freezing of the *status quo* in respect of these preferences, which G.A.T.T. has incidentally preserved, is an advantage which we immediately lose if we abandon G.A.T.T. or if it is modified in such a way that either recognised preferences disappear (which is impossible) or new preferences are permitted (which goes against the spirit of the most-favoured-nation clause and should, therefore, be ruled out).

The G.A.T.T. Conference which is currently in session at Geneva is

an occasion for revision of the General Agreement. Revision, of course, means possible modifications in the Articles of Agreement which embody the code of commercial conduct. It also means renegotiation of the tariff schedules. The latter is an urgent necessity, in view of the fact that, since 1947, there have been fundamental changes in costs and prices and conditions of competition and significant shifts in demand and supply, which have combined to make the value of tariff concessions unrealistic and inappropriate. The emergence of new trading countries with powerful export potentials, such as Japan and Western Germany, has created a new situation in the context of which the concessions of 1947 have to be reviewed afresh.

In the particular case of India, the bound tariff in many cases may have to be unbound, in view of the current or prospective development of new industries under her development plans. The present policy of replacing import quota restrictions by suitably high tariffs which give adequate protection to industries, incidentally earn customs revenue and safeguard the interests of consumers through less restricted operation of market forces, can be successfully implemented only when the G.A.T.T. schedules are suitably revised to provide for the necessary freedom of action to raise duties in particular cases.

G.A.T.T. revision has also to be viewed in the context of the change in the international economic situation. The structural disequilibrium which characterised the world economy in 1947 has been set right, to some extent, during the last seven years. This is reflected in (1) the emergence of buyers' markets and actual or threatened gluts, particularly in the commodity markets, (2) minimisation of balance of payments deficits and (3) actual conversion of deficits into surpluses, in some cases, and particularly in the case of the sterling area. There are also signs of inflationary pressures, combined with stagnation in particular branches of production, in the American economy. On the one hand, increase of productivity in many countries presents an opportunity for expansion of international trade. On the other hand, the appearance of buyers' markets in many fields has tended to strengthen the restrictive and defensive attitude to trade. An important aspect of the current economic situation is that it is not easy for many countries, including India, to justify continuance of quantitative import restrictions on the ground of balance of payments deficits.

U.K.'S ATTITUDE

Nations at Geneva would naturally seek revision of the G.A.T.T.—of the tariff schedules, as well as of the code of conduct contained in the Articles of Agreement—in the light of the changes in economic circumstances as they affect individual countries or groups of countries. What would be India's basic reactions to the possible lines on which an attempt will be made to revise the G.A.T.T.?

It is quite clear that the U.K. will seek stricter rules of G.A.T.T. to ensure greater freedom of trade. The recent increase in the U.K.'s export potential, which now faces restricted export markets owing both to quota restrictions and decline of import capacity in many countries, has created a situation where the U.K. necessarily becomes a champion of freer trading opportunities. India is not similarly placed as the U.K. The U.K. line of argument, however plausible it may be in abstract terms, should, therefore, be accepted with a great deal of caution. On the other hand, it will not be to our interest to "degut" the G.A.T.T., in

MADURA MILLS CO., LTD.

PHONE: 250 (5 LINES)

MADURAI

SOUTH INDIA

MILLS AT

MADURAI, TUTICORIN AND AMBASAMUDRAM

COTTON YARNS OF ALL DESCRIPTIONS

FOR HANDLOOM, POWERLOOM AND HOSIERY FACTORIES



WE SUPPLY

WARP YARNS, COMBED YARNS

HOSIERY YARNS

CONE, CHEESE AND HANK YARNS

SINGLE AND FOLDED



SPECIALITIES:

Yarns for the manufacture of

ROPES — HEALDS — CANVAS — TAPE

BELTING DUCK — TYRE CORD FABRIC — SEWING THREAD

MULTI-PLY AND CORD YARNS

Managers: A. & F. HARVEY LIMITED

PHONE: 420 (4 LINES)

PANDYAN BUILDING, MADURAI
SOUTH INDIA

TELEGRAMS: "HARVEY"

PUNALUR PAPER MILLS LTD., PUNALUR

(TRAVANCORE-COCHIN STATE)

Telegraphic Address: "PAPERMILLS" PUNALUR

TELEPHONE: 15



Manufacturers of

CREAMLAI, POSTER, LEDGER, MANILLA

KRAFT, BROWN, MATCH PAPERS, ETC.

And Suppliers to

GOVERNMENTS OF TRAVANCORE-COCHIN, MADRAS, Etc.

PRINTERS, STATIONERS, TEXTILE, MATCH, TILE FACTORIES, PAPER CONVERTERS, Etc.

Managing Agents: A. & F. HARVEY LIMITED
MADURAI

order to leave the way clear for blatant trade discrimination.

This time the U.K., the U.S.A., West Germany and Japan will resist any attempt to liberalise the provision relating to quantitative restrictions (that is, any attempt to secure the right to impose more quantitative restrictions). I think that enlightened public opinion in India does not favour protection of industries by means of quotas save in exceptional circumstances. I hope that the procedure of protection will eventually be rationalised to eliminate profiteering and windfall protection which have sometimes resulted from import controls in the past. But this does not mean that developing economies do not need quotas, specially when economic development is planned by the State. As the leader of the Indian delegation is reported to have said in his introductory speech at Geneva, an underdeveloped country has to use quotas for conserving foreign exchange to finance economic development. We may not build up a large foreign exchange reserve, and yet have a system of selective import control in order to conserve foreign exchange for essential imports needed for economic development. The U.K. may, perhaps, try to counter this argument by saying that many countries have been building up sterling balances on the basis of a similar argument, and the accumulation of these balances is a threat to the stability of the sterling area. It may not be easy to answer this argument. In fact, this argument will be reinforced by the further argument that convertibility of sterling, in which India has a big stake, depends on the relaxation of quota restrictions and freer trading opportunities. But, in the last analysis, it will clearly be not to our interest to abandon selective control of imports, unless we decide to abandon planned economic development. This is a line of thinking which will be adopted by the delegations of other underdeveloped countries.

An attempt will be made at Geneva to put pressure on the U.S.A. to increase her import capacity and avoid a persistent creditor position. Expansion of world trade requires that this condition be fulfilled. There is a tendency in the U.S.A. to over-emphasise the significance of sterling convertibility as a crucial condition. It is presumed that, if and when sterling becomes convertible, quantitative restrictions and other barriers to trade must disappear. But the right to impose restrictions on imports from the U.S.A., if she continues to be a persistent creditor, will be sought at Geneva not only by members of the sterling area, but also by other countries as well. Since India does not want the repetition of the convertibility debacle of 1947, she is bound to support this line of argument.

JAPAN'S ENTRY

One of the most controversial issues at Geneva is the entry of Japan as a contracting party. The memory of "Japanese dumping" and of unorthodox and objectionable trade practices of Japanese traders in the 'thirties is too fresh to induce most nations to offer Japan free trading opportunities on the basis of general most-favoured-nation treatment on a multilateral basis. There will be an attempt to take advantage of Article 35 of G.A.T.T., under which a country could enter into a bilateral trade agreement with Japan with appropriate safeguards against Japanese dumping. India has already accorded Japan most-favoured-nation treatment for a temporary period. It may be difficult for her to deny Japan equality of treatment on political grounds. But one cannot forget that India's trade with South-East Asia is being currently menaced

by Japanese competition and that any relaxation of import control is bound to lead to excessive imports of low-priced Japanese goods into the Indian market. It is, therefore, absolutely necessary for India to enact legislation (which the U.S.A., for example, enacted long ago, but India has not) providing for anti-dumping and countervailing duties on the lines of Article 6 of G.A.T.T. Such legislation must also incorporate the American version of the "serious injury" clause authorised by G.A.T.T. Relaxation of import control—which seems to be the current policy of the Government of India—and that in a buyers' market, must be accompanied by safeguards against serious injury to domestic industries in the event of abnormal, bounty-fed imports. In the meantime, India should support all attempts which may be made at Geneva to plug any loopholes that may be found in Article 6 of G.A.T.T.

EXPORT SUBSIDIES

In this connection, I would like to stress the importance of seeking revision of the provision in the G.A.T.T. relating to export subsidies. In a world of shortages, with only the U.S.A. occupying a dominant position in the world market, the question of export subsidies was more or less an academic one in 1947. In 1954, this is a live issue, particularly in the field of export of primary products. I anticipate a battle-royal at Geneva on this issue. As already said, the provision in the G.A.T.T. against export subsidies, disguised or open, is extremely weak. Under Article 7, if a country "grants or maintains any subsidy, including any form of income or price support" (subsidisation of U.S. farm products is a clear instance in point) and if "serious prejudice to the interests of any other contracting party is caused or threatened by such subsidisation" (as is the case

now with Australia or New Zealand), the only safeguard is that the former should, on request, "discuss the possibility of limiting the subsidisation." This is hardly a safeguard.

Under the Agricultural Trade and Development Act passed by the U.S. Congress in June last, there is provision now for disposal of \$1,000 million worth of surplus U.S. farm products—wheat, maize, dairy products and the like—during the next three years. Out of this, \$300 million can be used as free relief supplies and \$700 million worth of farm products is to be sold on world markets at below prevailing world prices, payment being made in local currencies. This is supposed to contribute to economic development in underdeveloped countries. Increased consumption of food resulting from economic development, it is argued, can be met by dumped farm surpluses and thus counteract inflation. Whether such dumping will not depress farm prices is an extremely doubtful proposition. Australia and New Zealand have openly protested against threatened subsidised dumping of American farm surpluses. This is an issue on which there is bound to be serious difference of opinion. India should naturally be opposed to dumping in principle, although this kind of dumping can hardly be described as a "restrictive business practice." India may very well take the line that the entire situation should be handled within the framework of an expansionist type of international commodity control agreements conceived on the lines of the Havana Charter. There is a case for this positive part of the Charter being somehow integrated into G.A.T.T. procedure.

I may now refer to that aspect of G.A.T.T. revision which concerns revision and renegotiation of tariff schedules. As I have already explained, there is clear need for India to have certain rates of duty un-

bound, owing to changed conditions of industrial development in India. For some items, the lower rates of tariffs to which we had agreed in 1947 do not suit us today, because India has begun to produce these commodities and it may be necessary to protect the industries which manufacture them. According to G.A.T.T. procedure a relief from tariff binding has to be negotiated. Reduction of duty has to be offered on some other item of imports as compensation. We have also to secure agreement of countries substantially interested in exporting these commodities to India. This has sometimes been not an easy matter. Fresh negotiations by which we can make necessary changes in our tariff schedule are, therefore, clearly necessary.

Some time back, however, it was understood that the U.S.A. was not ready with the necessary authority from Congress to take part in tariff negotiations presumably owing to the uncertainty of the coming elections. Let us hope that the Democratic majority in the Congress will now give the President necessary authority to secure U.S.A.'s participation in fresh tariff negotiations. Two months ago it was thought that the existing bound tariff rates might have to be continued for another period. This would be unfair to underdeveloped countries which have been industrialising during the last seven years and have before them bold programmes of industrial development. India cannot agree to possible extension of the period of validity of existing tariff bindings, unless an opportunity is given her to renegotiate the bound tariff rates. Of course, the freedom to raise hitherto bound tariff rates has to be purchased at the price of compensatory concession on certain other items, because the object of G.A.T.T. is to achieve overall lowering of tariffs taken as a whole. The Government of India must be presumably ready with a list of items on which compensatory tariff reductions may be offered. This would involve sacrifice of customs revenue the magnitude of which has to be assessed by experts, and the prospective revenue loss has to be offset against the possible advantage which the nation should derive from the development of an industry by means of a higher rate of protective duty.

PRINCIPAL WEAKNESS

In conclusion, I would like to stress a principal weakness of the G.A.T.T. It is not generally known that the U.S. Congress has never given its approval to the Executive with respect to the G.A.T.T. The Congress has passed three or four statutes relating to trade policy, but it has been expressly stated that approval of a certain statute constitutes neither approval nor disapproval of the G.A.T.T. Opinion in the U.S.A. on the character of the G.A.T.T. organisation has been clearly adverse. It is felt that the G.A.T.T. organisation should confine itself to negotiations, providing a forum for trade disputes and recommending broad trade policies for acceptance by national legislatures. A powerful attempt will probably be made at Geneva by the American delegation to circumscribe the scope of functions of the G.A.T.T. organisation. It is a moot point whether this will not result in "degutting" of the G.A.T.T., with serious consequences to the stability of international trade relations.—All Rights Reserved.

DELHI, 19th November, 1954.

PHILIPS PRODUCTS FROM A TO Z

A

Amplifying equipment
Battery chargers
Cinema equipment
Dryshaver 'Philishave'
Electronic valves
Fluorescent lamps and Fixtures
General lighting service lamps
Household appliances and refrigerators
Infraphil
Jemmy electrode holder
Krypton lamps
Lighting Service Bureau
Mobilophone
Neon lamps
Oscillographs
Pharmaceuticals
Quality Service Guarantee
Radioplayers and Record changers
Scientific equipment
Tape recorders
Universal measuring apparatus
Vacuum cleaners
Welding equipment
X-Ray apparatus
Yellow darkroom lamps
Zion lamps

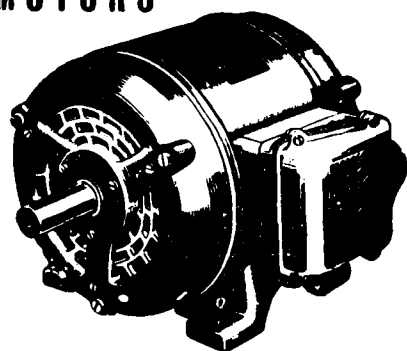
Z

PHILIPS ELECTRICAL CO. (INDIA) LTD.



FOR TROUBLE-FREE POWER Crompton Parkinson MOTORS

Many of the world's leading industrial concerns depend on Crompton Parkinson motors for easy installation, low maintenance cost and extreme reliability.



GREAVES COTTON & CROMPTON PARKINSON LTD.
P.O. BOX 91 BOMBAY P.O. BOX 106 CALCUTTA

THE GENERAL AGREEMENT ON TRADE AND TARIFFS

ACHIEVEMENTS—FAILURES—PROSPECTS

By G. O. Hoskins

ON a Monday in mid-November, the London *Financial Times* appeared with the main headline G.A.T.T. Prospects Brighter." In those few words lay the summary of a week of intensive negotiations in Geneva between 34 countries itself preceded by over a year of careful preparation not unaccompanied by a good deal of backstairs lobbying between the principal contracting parties.

But what is this G.A.T.T., about which the British public, and no doubt peoples in other countries, hear so little till the possibility of success or failure in international agreement brings out a newspaper headline, and which everyone then appears to forget until this country and one of its international associates seek to make some mutually attractive trade agreement only to find that they are not free to do as they please? G.A.T.T. is groping back to the system of freer trade which the world enjoyed before protection against depression (in the deep depression of two decades ago) and protection while the economies of ruined nations were being rebuilt (after 1945) made every country's trade and tariffs map look as if its boundaries were hedged like porcupines to keep out the other man's goods.

THE OBJECTIVES

Out of this tangle of protectionism was born in 1947 the General Agreement of Trade and Tariffs founded by 34 contracting nations to maintain, in the recent words of the President of the Board of Trade, "order and fair play in international trade." G.A.T.T. seeks to lay down a technique by which countries can move back to the position of more liberal trade primarily with the objective of removing the system of quotas which absolutely bar the entry of goods and, secondarily, with modifying and gradually reducing protective tariffs.

It is not surprising that the midwife at its birth was the United States, for she, a great industrial country whose potential had been enormously increased by the war, found herself facing a world busy reconstructing but unsure of its future, ready to buy American goods when they were proffered the necessary dollars but reluctant to use their own earned resources. G.A.T.T. was, therefore, the counterpart of the International Monetary Fund, which sought to operate rules to prevent currency discrimination. It is equally not surprising that Great Britain, in those early days, approached G.A.T.T. rather on the defensive, for the principles of G.A.T.T. were aimed against the very economic barriers which the Labour Government of the day considered necessary to control the economy and guide it towards a higher level of production.

POSITIONS REVERSED

But that was seven years ago and in the current re-negotiations of G.A.T.T., positions have become reversed. This time it is Great Britain which is interested in extending the area of free trade and the United States which is seeking to take the teeth out of the General Agreement, but, even here, the U.S. policy has shown itself two-sided, for its has agricultural surpluses to sell and wishes to ensure their free import by other countries; its own agricultural and manufacturing industries it still wishes to keep protected.

The Chairman of G.A.T.T. closed the first stage of the current review a fortnight ago with a summary which set out the inherent conflicts

and which more clearly than anything else shows what G.A.T.T. is all about. Many countries are satisfied with the existing rules and the provisions whereby:

(a) any concessions they give to member-countries must be extended to all member-countries;

(b) quotas must gradually be abolished; and

(c) tariffs may not be raised against certain countries without being raised against all, existing tariff preferences may not be widened, and a substantial group of tariffs is bound, that is, may not be raised at all.

These countries are interested only in textual amendments and such small improvements as have been dictated by recent experience. They have one forward-looking approach and that is to the development of their trade under convertible currencies when their currency armoury has been disbanded.

AIMS DIFFER

But other countries want to "improve" G.A.T.T.—which really means tightening it up and attempting to force it to become an even stronger channel for liberalising trade. Yet others want G.A.T.T. to become a purely consultative and informative organisation, without any contracting agreements binding the parties to it. These will consider that the binding of duties and preferences and the making of tariff concessions multilaterally is against the interest of their own industries.

But it must be admitted that this last fundamentally protectionist group is not formerly represented but appears rather as a theme emanating from Chambers of Commerce at home, influencing some of the proposals put forward. For instance, there is the suggestion that quotas—anathema to the pure theory of G.A.T.T.—should be recognised and tolerated where countries need them to protect particular industries or even to strengthen their bargaining power in trade negotiations. Yet it should be clear that such recognition of quotas as long-term negotiating instruments would suit every country's turn and would be a retrograde step in the general movement towards freer trade. The United Kingdom has firmly insisted that quotas should require G.A.T.T. approval and should be regarded only as emergency measures. This is not surprising coming from a country which has been consciously liberalising its trade for at least three years, and which wants to see other countries doing likewise. On the other hand, there is the United States which was urged to go so far as to say that Congress should approve every measure before United States trade was subjected to its rule. In that way, of course, with the greatest respect to Congress, lies the stultification of any liberal policies in American trade; no measures (benefiting the world as a whole and not the country in particular) could hope to succeed and it would be a grave embarrassment to an American President to be saddled with such a requirement.

FIRST OF THE GREAT PROBLEMS

This problem of the right to impose quotas is the first of the great problems which G.A.T.T. has to consider. Is a quota something to impose only in an emergency affecting the whole economy and to be regarded as contrary to the normal pattern of trade and to be removed as soon as possible; or is it to be a respectable contemporary weapon which any nation may take out of its armoury at any time to protect any industry or any private interests?

What is the alternative left to countries which are required not to control their trade by quantitative restriction? The recognised alternative is the tariff, and there G.A.T.T. has sought to encourage free trade by the device of binding tariffs, on the one hand, and forbidding the extension of preferences and requiring non-discrimination in all tariff movements, on the other. The first alternative of binding tariffs has been incorporated in a number of agreements between the contracting parties who have undertaken not to increase their tariffs, although they may lower them. These undertakings come to an end in June, 1955, and there will have to be re-negotiation either to continue the binding or to allow for higher tariffs.

ALTERNATIVE DANGER

If quotas are made less respectable at this session of G.A.T.T., then there is the alternative danger that tariffs may be raised as counter-measures in reserve. The other tariff technique of prohibition of increased preferences and extending concessions to all parties is the one issue on which Great Britain's interests diverge from her general policy of liberalisation. Great Britain would like to be able to increase Commonwealth preferences, but, as she is not supported in this by the Commonwealth countries whose interests, both industrial and agricultural, are best served by a widening of their markets, both export and import, she can hardly push the question. Allied to it is the question of tariff discrimination and Great Britain with her large Colonial interests would like to have her Colonies free to alter tariffs, to discriminate in her favour. But this is contrary to the rules of G.A.T.T. and if Colonial industries require more protection, then they must be protected against imports from the United Kingdom and not only from all other countries.

ADVANTAGES

The achievements of G.A.T.T. cannot be quoted only in terms of amazingly successful tariff stabilisation and reductions, nor in terms of the agreements between countries extending benefits to third parties. It is impossible to measure the enormous advantages to world trade since 1947 which the G.A.T.T. rules of fair trading have brought, for the simple reason that many of these advantages can only be assessed negatively—how many countries how often would have raised tariffs or imposed quota restrictions if they had not been prevented by their contract obligations from doing so? On the positive side, how many countries have derived benefit and what volume of trade has been secured by the extension of the benefits as third parties?

Has G.A.T.T. then no failures to report? The failures so-called can be assessed from the subject matter of the current deliberations. There is, for instance, the irritation against American export subsidies, particularly in citrus fruits. These subsidies are regarded as contrary to the rules of fair trading and countries which do not subsidise their exports protest that America should not do so in the interests of her producers; but is it fair to call this a G.A.T.T. failure? In any system of regulations, there are always anomalies which arise and for every rule there are exceptions to be tested.

More important is the field of Customs formalities. G.A.T.T. having set its face against quotas, discovers that secret quota restric-

tions can be applied in individual cases by the complexities of customs formalities, the requirements about the manner in which goods must be marked, the manner in which they must be described, and the confusions arising from the different techniques of defining the countries of origin of goods, and, therefore, the conditions under which individual countries may import them. Again, the experience of the past will, it is hoped, enable some tidying up of the rules governing customs procedure to be done at this present session.

G.A.T.T. AND I.M.F.

Then there is the general balance of trade control between the devices which are the concern of G.A.T.T. and those which are the concern of the International Monetary Fund. The United Kingdom has not been alone in considering that the two authorities, G.A.T.T. and I.M.F., ought to be more closely integrated, and that it is not desirable to consider trading problems without the problems of money control at the same time.

It would, therefore, be a fair assessment to say that G.A.T.T. has not had failures for the very good reason that it is simply a binding code of good trading conduct which has worked very successfully and which is capable, and this is the important point in the present deliberations, of being made even more successful. The present negotiations are being conducted in this spirit. Even the United States, for all its intentions of safeguarding its own agricultural producers, accepts the general principles that quota restrictions are wrong, that tariffs should not be discriminatory, and is prepared to discuss limiting her use of export subsidies and to seek ways of disposing of her agricultural surpluses which would not interfere with normal trade. Not even the countries which are least disposed to freedom of trade can complain of the G.A.T.T. rules, for they are free to retain their tariffs at such levels as they consider necessary. The so-called underdeveloped countries have, indeed, up to now had too much advantage. Their classification has allowed them to keep high tariffs on goods entering and yet to have all the advantages of lower tariff concessions negotiated by other member-countries. It is hoped that, in future, their claim to be underdeveloped will be subject to a little more scrutiny.

THE OUTLOOK

It is in these last words that the true heart of G.A.T.T. lies: a forum for the proper discussion of trade problems, in which the individual interests of particular countries and particular industries can be weighed in the light of the advantages to world trade as a whole. For all its complexities, G.A.T.T. does come down to that and in so doing provides a very hopeful path for moving, without outrunning the capacity of its various members, towards the maximum freedom of trade. This year the United Kingdom has a special interest and responsibility for the success of the negotiations—leadership has passed to her and she will (reluctantly for certain portions of Whitehall) take the main chance and sink her private discriminatory interests. The cynic would say that G.A.T.T. countries are shamed into accepting ideals—but most folk will be glad that the ideals can be achieved at all.

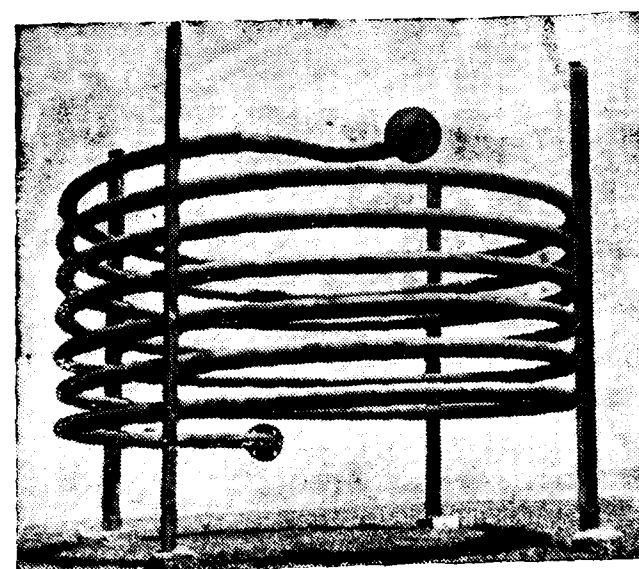
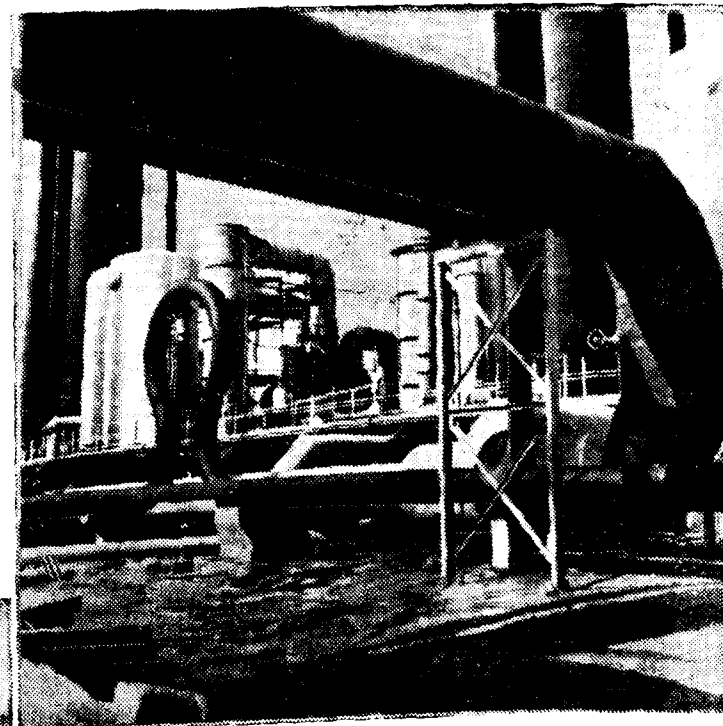
LONDON, 30th November, 1954



STEEL TUBES AND SPECIALS HEATING COILS

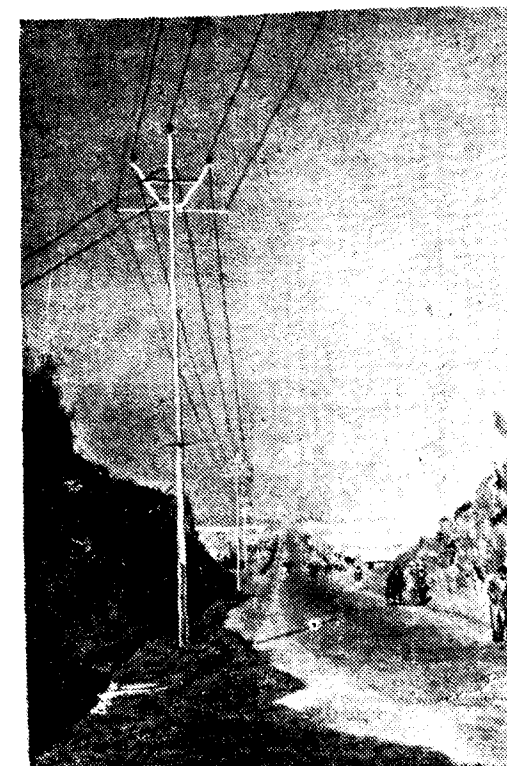
FABRICATED IN OUR WORKSHOPS

DESIGN AND ERECTION
TO CUSTOMERS' REQUIREMENTS

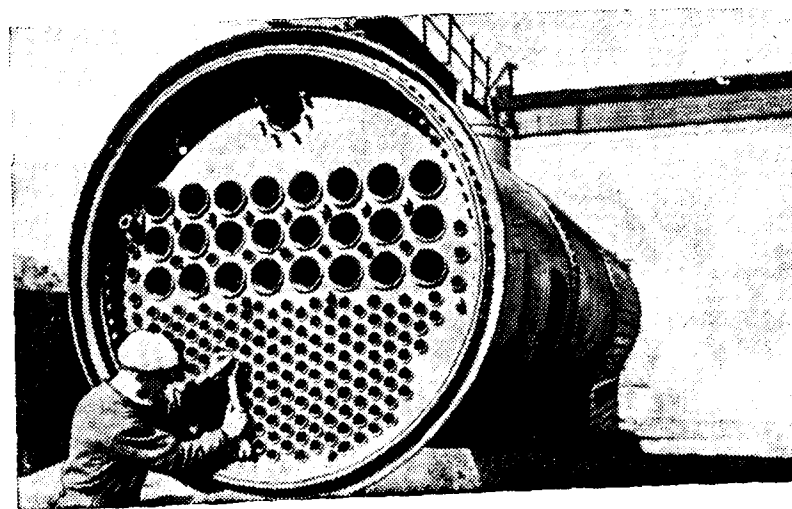


BOILER AND SUPERHEATER TUBES

AVAILABLE EX-STOCK, CALCUTTA
SUPERHEATER ELEMENTS MANIPULATED
TO CUSTOMERS' REQUIREMENTS



TUBULAR
STEEL
POLES
FOR ELECTRICAL
DISTRIBUTION
AVAILABLE EX-STOCK,
CALCUTTA.



STEEL TUBES
AND FITTINGS
FOR WATER, GAS, AIR
AND STEAM
TUBE-WELL CASING
AVAILABLE EX-STOCK, CALCUTTA.

STEWARTS AND LLOYDS OF INDIA, LTD.

HEAD OFFICE : 41, Chowringhee, Calcutta-16.

WORKS : 39, Hide Road, Kidderpore, Calcutta-23.

BOMBAY OFFICE: Himalaya House, Palton Road, Bombay.

THE floods of this year which simultaneously ravaged extensive areas of Assam, North Bengal, North Bihar and the United Provinces, inflicting staggering losses and leaving behind a long trail of woe, have dramatically highlighted two facts: how vital it is to curb the seasonal turbulence of our rivers and how unprepared we are even now to tackle this gigantic task. Will the wave of spontaneous sympathy for the flood-stricken people that swept across the country only a few months ago, give fresh stimulus to river valley development, and lead to tangible and durable results to be achieved with adequate speed and at reasonable cost? Or will it be dissipated in a search for short cuts ending in costly palliatives? On the available evidence, it is still too early to say how far the calamities have opened our eyes and steered our determination.

Up till now, steps have been taken mainly to strengthen the organisational set-up. A Central Flood Control Board has been created; similar boards have been set up in each of the four flood-affected States; the Central Water and Power Commission has added to it a special flood control wing. The functions of the Central Board, as announced in the Press, will be: to draw up a comprehensive plan for flood control and fix priorities; to deal with policy matters in this connection; to examine and approve specific schemes proposed for the investigation and construction of flood control works in the States; and to arrange for necessary assistance in connection with the investigation, planning and execution of such works. The programme of work drawn up by the Board at its first meeting for the period up to May next included topographical surveys involving photographic surveys of 30,000 square miles, spot levelling of 10,000 square miles and preparation of contour photo maps. The flood wing of the C.W. and P.C., it has been reported, has also been studying the actual flood control work that can be initiated straightaway in U.P., Bihar, West Bengal and Assam. At its second meeting to be held in December this year, the Central Board will discuss, among other things, the training programmes for technical personnel and the problem of mobilising popular co-operation in the execution of specific projects.

PRIMARY OBJECT IGNORED

All these statements, taken together, may easily give the impression that rapid progress is being made in attaining the flood control objective. In actual fact, we are only now taking the first of a whole series of steps that are needed for preparing the blue-prints without which no major works can or should be initiated. What strikes one as particularly odd is that over all these years so little progress should have been made in carrying out this essential groundwork, more especially for those wayward rivers of North India which are known for their capacity to inflict devastating floods from time to time. Hopes ran high when the Central Water, Irrigation and Navigation Commission, now called Central Water and Power Commission, was created more than ten years ago. It was then taken for granted that the Commission would, first and foremost, devote its attention to the systematic study of our water problems, and, with this object in view, collect comprehensive hydrologic data for each river basin, consolidate and process them, carry out topographical surveys, prepare contour maps, investigate possible dam sites, and draw up plans for its full development. Yet this great organisation, on which the future of our river valley development so largely

FLOOD CONTROL IN INDIA NEED FOR VALLEY-WIDE PLANNING

By Dr. Sudhir Sen

depends, allowed itself, soon after its birth, to be entangled in the details of the execution of a couple of giant dam projects. The attempt to tackle these projects departmentally imposed on it unprecedented strain and consumed so much of its time and attention that the larger task of river basin engineering went practically by default. There can be little doubt that we would have been far better off had the actual execution of these large projects been entrusted to competent construction firms after inviting competitive tenders on the basis of firm designs and specifications and had the C.W.I.N.C. in its turn confined its activities mainly to the task of preparing reasonably firm plans for developing our main river systems. In that case, we would not have been so sadly lacking today in plans for tackling the flood problems in our north-eastern States.

RETROGRADE STEP

In all our recent talks about flood control works, the emphasis has been laid mainly on embankments, while there has been very little mention of multi-purpose dams. This omission is significant, if not ominous. It seems we are now hastily taking a retrograde step. The weaknesses of the levee or embankment method have long been known. First, the heavy load of silt brought down by the flood waters tends to be deposited just where the river is embanked; as its bed level rises steadily, its flood-carrying capacity is correspondingly reduced, and, to compensate for this, the embankments, too, have to be raised by stages. Thus, in course of time, there develops a race between the silting river-bed and the rising embankment. As someone referring to the Mississippi floods once aptly remarked, "not up, but down." Second, the levee method has never been able to give anything like adequate flood protection, since they themselves are apt to give way from time to time; and each time a breach occurs, it causes floods of even greater intensity. To repair and strengthen the levees after a breach is in itself a costly affair, and yet it gives no guarantee against a repetition of the same experience. Lastly, if the maintenance and repair, including periodic raising of the levees, is expensive in terms of money, it is even more so in terms of resources. For what the levee method aims at is not to use the waters rationally, but to waste them safely.

VALUE OF WATER RESOURCES

No country in the world can afford to waste its waters in such thoughtless fashion, much less India. There are overriding reasons why we must conserve this life-giving fluid to the utmost possible extent and extract out of it the maximum possible wealth.

First, this is a monsoon-ridden country. In most of the areas, three-quarters, or more, of the total rain falls in one quarter of the year. What we get in three months must be spread, as best we can, over twelve. This is the first essential prerequisite for developing our agriculture.

Second, this is a tropical country. After the rains are over, the land rapidly loses its moisture; and where this moisture is not restored by artificial irrigation, the land remains idle for six to nine months in the

year, and, consequently, also the people who live directly on land.

Third, if the rainfall is concentrated in one quarter of the year, our coal deposits are concentrated overwhelmingly in one single pocket of the country—no less than 90 per cent. of our current raisings come from the Damodar region which contains about 75 per cent. of our known reserves. We must, therefore, develop water power to the utmost possible extent, if only because, for most areas, it would be too expensive to haul coal over such long distances. Besides, since the available deposits are none too large for our long-term requirement, they must be husbanded with the utmost possible care. To develop water power, we must first build dams and store the rain water.

Lastly, our physical resources—waters, lands, forests and minerals—may appear to be large, but they are far from being so for a heavily populated country like India. Our per capita resources, small as they are, are steadily shrinking as a result of our mounting population. How vital is it, then, to develop, use and conserve our natural resources with a Spartan sense of economy! Not only the money-cost, but also the resource-cost of our projects must be kept down to the minimum. It is the business of planning to ensure this and to build up the highest possible edifice of wealth, income and employment on a given resource-base. Only then can we ever expect to attain a reasonable living level for the vast masses of our people; and only then will the foundation of our Welfare State be solidly laid.

These are as good as axioms. In tackling the problem of plethora created by the flood waters, we must not perpetuate the anamnia that afflicts our land. In curbing the fury of our monsoon-fed rivers, we must not throw away the billions of kilowatt-hours of energy that lies dormant in them.

T.V.A. APPROACH FORGOTTEN

Only a few years ago, all this was more or less taken for granted. Our water-planners then displayed a good deal of excitement over the concept of multi-purpose dams. The so-called T.V.A. approach suddenly became the order of the day, and that approach was, for the first time in India, boldly applied to the Damodar River. This was the culmination of almost a century of fitful attempts to solve the problem of the Damodar floods. The devastating flood of 1943 had once again proved how dangerous it was to rely on the embankment to give protection against floods; and, what is even more important, the emphasis had definitely been shifted from the control to the utilisation of water. This was a victory of commonsense, and the country was promised that the same comprehensive treatment would be applied to all our river systems.

What, then, has induced us to take this about-turn and to fly in the face of the accepted axioms of sound water planning? If we are frank with ourselves, we must, I think, admit that, over all these years, we have talked too much about multi-purpose river development and done too little to study the problems and to prepare the basic plans for the purpose; that, as a result, we are now unprepared to adopt the more rational and comprehensive approach; that this unpreparedness is now forcing us to look for "short-term protective measures," since this

year's unprecedented floods have underlined the urgency of immediate action; and that, in the process, we are falling back upon the idea of flood control through embankments for the simple reason that this method, in spite of all its known weaknesses, has one immediate advantage in so far as it does not call for elaborate and time-consuming planning so that plans for embankments can be put up far more quickly than the blue-prints for a series of multi-purpose storage dams. We must, I believe, also make a further admission: in order to make these plans both plausible and acceptable, we have found it expedient to quote Chinese experience in their support.

UNWISE STEP

This sudden switch-over from the T.V.A. approach of full development of a whole river system for all the benefits it can yield to flood control à la Chine is as unwise as it is dangerous. We must not plan for half security against floods and, in any case, we must not plan to waste a vital resource. Embankments may be necessary in some instances to give additional local protection against floods—even T.V.A., for example, has felt the need for constructing some levee near Chattanooga to give it 100 per cent. flood protection. But the real attack on the problem must come through multi-purpose dams properly planned and executed. The T.V.A. approach, once acclaimed with so much enthusiasm, still holds out the best hopes for us. In spite of the emotional fluctuations in our own minds, nothing has happened in the intervening years to detract from its inherent soundness. And the sooner we revert to it, the better.

Unified development of large river systems on T.V.A. lines, as we must admit, is a highly complex business. This is no less true even of the U.S.A. The so-called Task Force on Natural Resources, in a special study made for the Commission on Organisation of the Executive Branch of the Government, which reported to the U.S. Congress in March, 1949, made some trenchant observations on the subject. These are so directly relevant to our own experience in India that no apology is needed for quoting from the Report at some length: "The really disturbing thing is that so little progress has been made in obtaining reliable hydrologic data in advance of project planning and construction. Though the necessity for more adequate data has long been recognised, we find ourselves embarking on the most gigantic water projects ever devised with alarming gaps in our knowledge of the probable behaviour of the waters we are trying to control and utilise. So serious are these deficiencies that it is estimated on the basis of experience that the limit of error or ignorance in present water developments is rarely less than 25 per cent. and is frequently greater than that." (Italics ours.)

COLLECT FUNDAMENTAL DATA

Present knowledge of the relationships among precipitation, run-off, evaporation, ground-water movement, soil condition, vegetal cover, transpiration, etc., is far from complete, but "our greatest shortcoming," continues the Task Force Report, "has been the failure to provide sufficient funds for the utilisation of rain gauges, snow surveys, stream-flow measurements, evaporation stations, run-off and erosion studies, ground-water observation wells, water-quality analyses, and other established methods of obtaining data essential to the planning and construction of river development projects. Continuous application of these techniques over a period of years is required to



SHALIMAR PAINT, COLOUR & VARNISH COMPANY, LIMITED
CALCUTTA • BOMBAY • MADRAS • NEW DELHI • KANPUR
Write to Post Box 68, Calcutta, for the latest copy of The Shalimar Standard SPW 261

furnish reliable data, yet not infrequently the first intensive efforts to apply them are coincident with the commencement of a project study." (Italics ours.)

These deficiencies in fundamental data have created a grievous situation, resulting in appalling losses to the country. The Task Force sounded a grave note of warning in the following words: "Losses due to lack of adequate hydrologic data have always been heavy and may reach staggering figures during the next few years. (Italics ours.) The most spectacular form which such losses take is the failure of dams as a result of overtopping by floods. In a large proportion of the important dam failures of this kind, structures were built too weak or too small, because of lack of sufficient information as to precipitation, run-off, stream flow, etc. Made cautious by the number of such catastrophes in the past, engineers now tend to overbuild where adequate data are lacking, and as a result we have an increasing number of over-elaborate spillways, power plants, and water-supply systems. Losses from over-building of structures are less spectacular than those that occur from underbuilding but may turn out to be even more costly."

GREATER RELEVANCE TO INDIA

These warnings might as well have been sounded in India, and, indeed, with even greater reason. The gaps in our hydrologic data are more numerous and much more serious; efforts to fill these gaps are still feeble and fitful; project planning mostly follows a hit-or-miss method; the schemes are far from adequately processed in advance; more especially, the benefit-cost evaluation leaves a good deal to be desired; the emphasis, more often than not, is on earning enough return on the capital outlay while the principle of

optimum resource development in order to extract the maximum benefits out of them has not yet been accepted; many of us are hardly familiar with its full implications. The cumulative effect of all this cannot but be tragic: first, the capital cost of individual projects will remain far heavier than need be the case; and, second, our water resources will yield far less benefits than they should.

BASIC CONDITIONS

It is high time to inject more economics and more science into our water planning. High-grade plans, with sound action programmes, can emerge only when we are able to satisfy some basic conditions which are briefly indicated below:

First, treat a river system as one single indivisible entity. We are concerned with all the waters that come down from the hills and flow down to the sea. This postulates source-to-mouth treatment of a river system.

Second, assess the full wealth-creating potential of its waters in terms of flood control, irrigation, power development, navigation, land drainage, pollution, abatement, domestic and industrial water-supply, malaria control, fishing and recreation.

Third, investigate fully all possible dam sites; evaluate carefully how much water can be stored at each site, at what cost and for what benefit; and on the basis of such evaluation, develop a unified plan consisting of multi-purpose dams for the entire river system.

Fourth, establish the right priorities among the various components of the unified plan, that is to say, the sequence in which these should be taken up for actual execution.

Fifth, develop for each component the most economical designs, specifications and the construction method; and carry it through at optimum speed so as to keep the cost down to the minimum and to make the benefits available with the least possible time lag.

Sixth, supplement these "combined operations" on the river with combined operations on land to minimise erosion, to lengthen the life of the reservoirs, and to conserve water on land to the utmost possible extent, in order to retard the run-off as well as to help grow crops.

Lastly, see that the facilities created, for example, irrigation, power supply, navigation and recreation, are actually used by the people as fully and as quickly as possible.

A valley development programme on such lines will call for vast amounts of capital. Where will these come from, and why should we divert a disproportionate amount of our limited resources to the full development of one or two valleys, and starve other areas? Such questions arise from a fundamental misapprehension. What we have said above is not a plea for favouring some areas at the expense of others; far from it. It is a plea for acting with foresight in order to secure, both now and in future, the utmost possible benefits in return for the colossal sums of money which we are already spending and which we are going to spend for years to come. In constructing individual dam projects, the needs of different areas must not be taken into account. For each such project we must, however, know in advance how it is going to fit into the ultimate picture of the valley when it reaches full development. The implementation of the unified plan for a river

valley may be conveniently spread over a number of years to meet the exigencies of the situation; but the unified plan itself must be ready before we begin to build the first dam or any major works.

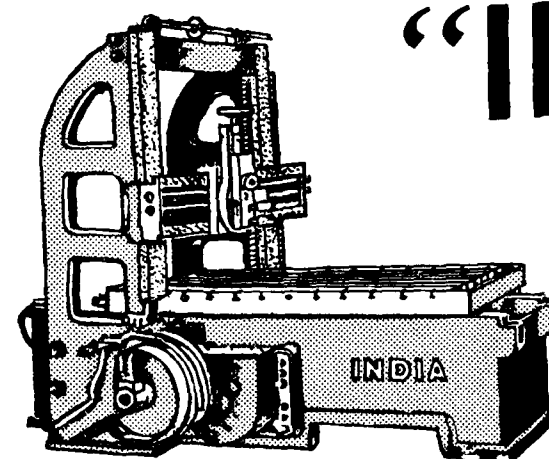
STAKES ARE HIGH

Today we are in a hurry. The emergency situation created by the floods brooks no delay. The country is impatiently asking for bold and prompt action. Yet emergency has never been the best parent of sound development plans. The day of reckoning has come, and we shall now have to pay for our past neglect or lack of foresight. Let us hope that the price will not be too heavy.

But shall we continue to take time by the "hindlock," and to live from emergency to emergency? The floods have thrown into bold relief the urgency of valley-wide planning and the inescapable need for far greater effort in this direction. Generous allocation of funds for this purpose will pay handsome dividends in future. By spending lakhs for doing the essential groundwork now, we shall be able some day to save crores in construction, and to salvage benefits that would be worth many times more.

Indeed, the stakes are even higher. Good dam sites are few anywhere in the world; they are more so in India. Once used, they will be gone for ever. The damage that may be done through faulty planning cannot be repaired later. Luckily, our firm commitments in this field have so far been few; and so we still have the choice to build the structures as lasting monuments to our vision and foresight that will earn the gratitude of the coming generations.—All Rights Reserved.

Proud champions in their fields for Precision and Reliability

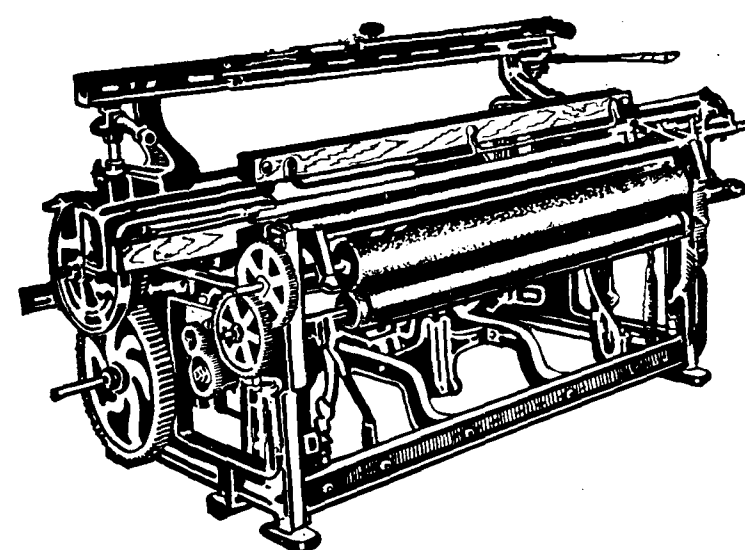
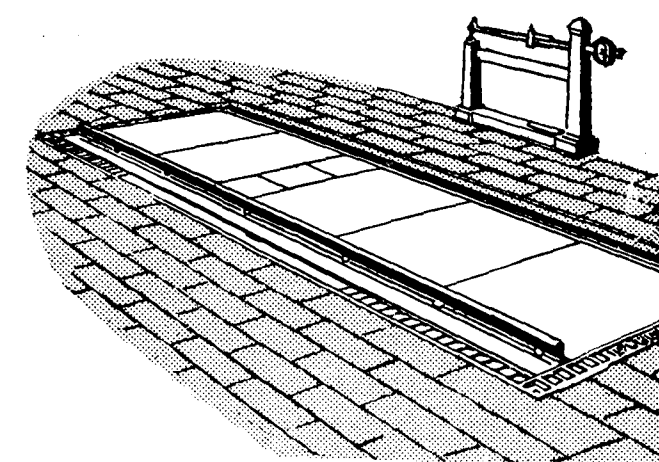


"INDIA" MACHINE TOOLS

India Machine Tools are engineered and built by India's greatest mechanical workshop. "INDIA" Lathes, Shapers, Slotters, Planing, Milling, Drilling and Boring Machines are all of Grade I accuracy.

"ATLAS" WEIGHING MACHINES

The Atlas range of Weighing Machines have proved under all tests to be unsurpassed for their Accuracy, Sensitiveness and Strength. Whatever be the size and weight of the material, you'll always find an Atlas to weigh it with Absolute Precision. They are being extensively used in Railways, Plantations, Shipyards, Mills, Stores and Bazaars.

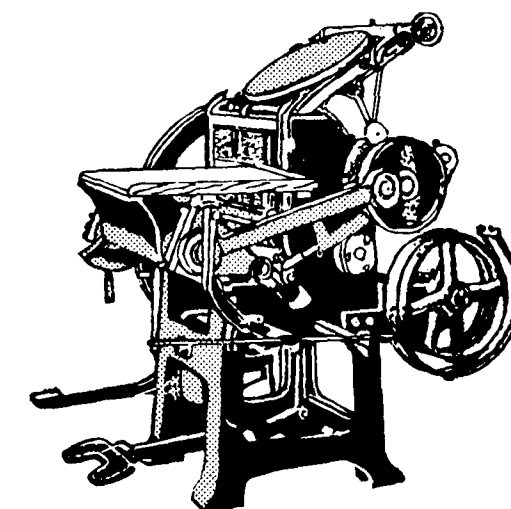


"INDIA" COTTON LOOM

India Cotton Loom and other Textile and Jute Mill Machinery are famous for their lower operating cost, higher production capacity, inherent strength and simplicity of design. They are designed to run smoothly at higher speed and are a preferred choice of all experienced engineers.

"BHARATI" PRINTING MACHINE

Fine and quick printing at a low cost, long-lasting efficiency and simple and improved mechanism have enabled Bharati to occupy an honoured place in numerous printing establishments, big and small, in India and countries abroad. Flat bed machines of demy size and treadle machines of half demy, half crown and half foolscap sizes available.



Particulars on request

INDIA MACHINERY Co., Ltd.

CALCUTTA
AND HOWRAH

City Sales Office: 29, Strand Road, CALCUTTA -
Workshops and Plants: Dassenagar, HOWRAH -

Grams: "MARVELLOUS," Cal. Phone: BANK 1361
Grams: "ATLAWABRIZ," Phone: HOW. 532 & 565

Agents: Messrs. B. R. HERMAN & MOHATTA (INDIA) LTD., SIR PHEROZESHAH MEHTA ROAD, FORT, BOMBAY

MADE TO SUIT EVERY POCKET

Prabhakar
& Baby Prabhakar
Hurricane Lamps



Made in India by
OGALE GLASS WORKS LIMITED, OGALAVADI Dist. N. SATARA

BANK OF MADURA LIMITED

Established 1943

Head Office: MADURAI

Branches: SALEM, COIMBATORE & PUDUKKOTTAI

Capital and Resources

Authorised Capital	-	-	-	Rs.	25,00,000
Paid-up Capital and Reserves as on 30th June, 1954	-	-	-	Rs.	13,17,800
Deposits as on 30th June, 1954	-	-	-	Rs.	2,04,05,600
Total Resources as on 30th June, 1954	-	-	-	Rs.	2,47,30,300

★

BOARD OF DIRECTORS

SRI KARUMUTTU THIAGARAJAN, Chairman

Directors:

SRI V. RM. VALLIAPPA CHETTIAR

SRI N. A. ANNAMALAI CHETTIAR

SRI O. RM. M. SP. SV. A. ANNAMALAI CHETTIAR

All kinds of Banking Business Transacted

P. S. VISWANATHAN
Secretary

THE first Five-year Plan recognised the importance of shipping in a country like India with a long coastline and a large maritime trade. The Plan gave cognisance to the necessity for expansion of Indian tonnage required to implement the decision to reserve the coastal trade to national flag vessels as also to ensure a greater participation in the overseas trade. Referring to the target of two million tons of shipping recommended by the Shipping Policy Sub-Committee, 1947, the Plan stated that, though this target was not achieved, the total Indian-owned tonnage had made considerable progress and the Plan fixed the minimum requirement for additional shipping for the overseas trades at 100,000 tons deadweight, excluding 60,000 dw. tons required by the Eastern Shipping Corporation and a further estimated requirement of 300,000 gross registered tons for the coastal trade. It was envisaged in the Plan that this would cover the requirements of the near trades also namely, India/Pakistan, India/Burma, India/Ceylon. This target as envisaged by the Plan was grossly inadequate to permit Indian shipping companies to effectively participate in the overseas trades they presently serve, namely, India/U.K./Continent, India/Australia, etc., to say nothing of its inadequacy to permit of their participating in the service of new routes such as India/Far East and Japan, India/Persian Gulf, India/South America and India/Mexican Gulf. This contention is rendered abundantly clear from a study of the foreign trade of India and analysis of shipping traffic.

DISAPPOINTING FACTS

The total volume of exports by sea and air during the year ended March, 1954, was Rs. 515.68 crores and the total volume of imports was Rs. 542.29 crores. Shipping traffic in Indian foreign trade showed a small decline in the total tonnage that entered Indian ports with cargo from foreign ports; the relative figures being from 8,074,743 n.r.t. to 8,061,704 n.r.t. The total tonnage cleared from Indian ports increased from 7,727,323 n.r.t. to 8,717,226 n.r.t. Of the tonnage cleared from Indian ports, only 421,116 n.r.t. was tonnage under the Indian flag, while Indian tonnage entering Indian ports from foreign ports totalled 324,469 n.r.t. It will thus be seen that, as compared with the total tonnage entering and clearing during the year under review, Indian tonnage did not aggregate even 5 per cent. Against such disappointing facts relative to national shipping and the small part played by it in the carriage of India's foreign trade, a further factor stands out in glaring contrast, namely, that foreign flag vessels of such countries as Japan, Germany, Italy and Norway are engaged in India's import and export trade on an ever-increasing scale. In the shipping activities relative to India's foreign trade, Japan surpasses India while Italy is on an almost equal footing and German activities have doubled since the latter country's entry into the Eastern trade about two years ago. It is noteworthy that the increase in the amount of Japanese tonnage calling at Indian ports has taken place in face of reduced imports from Japan and, similarly, although Indian exports to Italy have declined by over 50 per cent. compared with the previous year, the Italian tonnage clearing from Indian ports with cargo shows a substantial increase. So far as British shipping with respect to India's foreign trade is concerned, there has been no substantial change; over 50 per cent. of the total tonnage entered and over 45 per cent. of the total tonnage cleared carried the British flag. American ships entering accounted for 621,436 n.r.t., while American ships clearing increased over the

SOME PROBLEMS OF INDIAN SHIPPING

By B. P. Singh Roy

previous year to 803,914 n.r.t.; this happened notwithstanding the fact that Indian exports to America declined during the year.

The following table presents the picture at a glance:

Nationality of ships entered and cleared	Entered		Cleared	
	N.R.T.	Per-centage	N.R.T.	Per-centage
Indian	3,24,469	4.02	421,116	4.83
British	41,71,405	51.74	40,39,113	46.32
American	6,21,436	7.71	5,93,914	6.82
Japanese	4,42,092	5.45	7,57,759	8.69
Germany	76,764	0.95	92,306	1.06
Italian	2,80,617	3.45	3,95,253	4.53
Norwegian	5,80,253	7.19	3,73,847	4.29
Others	15,64,935	19.38	19,34,916	22.25
Total	80,61,704	100	87,17,226	100

The foregoing is surely an abundantly clear indication of the imperative need and sufficient scope for a rapid expansion of the Indian National fleet. But the growth of shipping has been slow. The unfavourable conditions of the investment market during the last few years and the fact that Indian shipping companies have in the main only recently commenced their operations accounted for their inability to build up a significant reserve. In recognition of these facts, the Five-year Plan admitted the shipping companies' need for financial assistance to permit of their acquiring further tonnage. It must be gratefully acknowledged that the Government of India have made available loans on very liberal terms to the shipping companies to aid the expansion of their fleets. Considering the volume of tonnage required to carry a fair share of the foreign trade of this country, it is obvious that, unless the capital market improves substantially, the shipping companies will have to depend on Government for increasingly larger amounts of loan for some time to come to meet adequately the country's tonnage requirements.

AN OPPORTUNITY MISSED

The foreign trade of the country is undergoing a transformation, in that, instead of the entire foreign trade being confined to the U.K. and, to a lesser extent, the Western European countries, the trade is now showing a more diversified trend. Bilateral trade treaties have been and are being negotiated with other countries with a view to facilitating mutual exchange of goods on the largest scale possible. A shipping clause is usually included in such trade treaties with a view to promoting the use of national shipping as far as possible for the carriage of goods covered by the treaties. The countries with which such trade pacts have been signed during 1953-54 are our immediate neighbours Burma and Ceylon, also Egypt, Turkey and Iran in the Middle East and Norway, Sweden, Western Germany, Poland, Austria, Rumania, Bulgaria, Czechoslovakia, Yugoslavia and the U.S.S.R. A trade pact was also recently concluded with China. There are definite indications of a gradual increase in the foreign trade of India with other Asian and European countries in addition to the U.K. It is to be regretted that advantage was not taken to introduce Indian shipping in the Eastern trade when Japanese shipping had not recovered from the blow it had suffered during the war. Timely action would probably have given India a footing in this trade by now. Paucity of capital and the absence of a definite policy on the part of the Government to help Indian shipping companies with funds for the acquisition of tonnage were largely responsible for India

losing the opportunity to secure a position in this trade. Let not such opportunities be missed again.

The fact that the Indian Mercantile Marine has at present a small aggregate tonnage and, therefore, is not in a position to carry a substantial share of the seaborne trade of the country renders it so much more regrettable that even the limited shipping facilities available are not being fully utilised. The essential sustenance of the merchant marine is the patronage of national importers and exporters. This is even more emphatically true in the case of the Indian merchant marine, since Indian vessels do not participate in other than national trades, that is, trades which neither originate nor terminate in India. It should, therefore, be ensured that Indian ships secure as large a share of Indian cargo as possible. Such cargo is either owned or controlled by Government or moves as commercial cargo shipped on private shippers account. With regard to the former category, Government have already been pleased to take action calculated to ensure that Indian ships get as large a share of such cargo as possible. In order, however, to effect further improvements in the arrangements, orders placed by different departments of Government should be co-ordinated to a greater extent both in India and at the point of supply and shipping arrangements made accordingly. The Indian lines should as a matter of course have first refusal of such cargo.

ENCOURAGE NATIONAL VESSELS

Importers and exporters, whether their cargoes are licensed or unlicensed, may be encouraged by all possible means to utilise national vessels, and as a prerequisite to attaining best possible results, steps should be taken, as far as practicable, to change the pattern of trade by resorting to c.i.f. sales and f.o.b. purchases, so that the choice of vessel may lie with sellers and buyers, respectively. National insurance is also affected beneficially by the adoption of this course. As regards unlicensed cargo, reliance has to be placed mainly on propaganda and persuasion both by Government and shipping companies. Strong national sentiment is always a source of great strength to the development of a country's mercantile marine. The patriotic feelings of shippers and industrialists should transcend over other considerations in the matter of supporting India's merchant fleet which is still in its infancy and a lead from the Government in this direction will help immensely to engender such sentiment. The Governments of other countries have been taking effective measures to encourage their shipping so as to enable it to have a larger share of their overseas trade, and, in order to guard against some of the difficulties encountered by new-comers entering the field of international shipping, Governmental decrees, as well as stringent clauses in bilateral trade agreements, have figured amongst such measures. In shaping their shipping policy, our Government may take these facts into consideration.

LABOUR PROBLEM AT PORTS

One of the greatest difficulties presently being faced by shipping companies and which ultimately if not remedied will have a disastrous effect on the development of Indian shipping, is the attitude of dock labour which has caused and is causing an unbearable strain on

their slender resources. Since the introduction of the Decasualisation of Labour Scheme, there has been a very appreciable decline in the output both in Bombay and Calcutta, which has caused great concern not only to shipowners whose vessels have been detained at these ports for appallingly long period, involving heavy expenditure, but also to the Port Authorities who have likewise to deal with complicated administrative problems arising out of congestion at the ports, besides being faced with adverse financial results.

During the current year in Bombay, there are numerous cases where general cargo ships have loaded at a rate of less than 20 tons per gang per shift against the Joshi Committee Datum Line of 45 tons per gang per shift. During the current year in Calcutta, the output has varied from 20/30 tons per gang per shift, as against a normal of 50 tons per gang per shift. It must be made clear that this does not include the figures for the period when labour were engaged in an unofficial 'go-slow' movement.

Under the Decasualisation of Labour Scheme, the dock labour have been assured a minimum of 12 days' pay per month, in addition to receiving attendance money at the rate of Re. 1 per day for those days on which work could not be found for them. In Bombay, the workers have also been accorded the benefits of privilege leave, casual leave, sick leave on pay, provident fund, gratuity, medical aid, etc. In Calcutta, too, similar facilities and amenities are being gradually introduced. These welfare schemes have entailed heavy financial burdens for shipping companies. Yet the attitude of labour has been, to say the very least far from helpful. Instead of their being an improvement in the rate of output, there has been a sad deterioration in efficiency. The basic requirement of any remedial measure would seem to be the adoption of the principle of payment by results allied with which there must be adequate arrangements for the maintenance of a proper and appropriate discipline among workers.

A request was made to Government to defer the introduction of the Decasualisation Scheme in Madras until the Tribunal at Bombay had concluded its investigations and made its recommendations; this was done with a view to avoiding in Madras the difficulties which have been experienced in Bombay and Calcutta. Nonetheless the Dock Labour Board Scheme has been introduced in Madras and quite incidentally a state of congestion presently prevails at that port. It can only be hoped that the experience gained in Bombay and Calcutta will be fully utilised in working this scheme at Madras.

PORT DEVELOPMENT

Ports from most important links in the economic chain of maritime countries. In the first Five-year Plan, provisions were made to effect improvements at all the five major ports in India. The provisions of the first Five-year Plan with respect to port development and improvement were the barest minimum and the second Five-year Plan should essentially provide for a continuance, and to a greater extent, of port improvement and development.

Delays in port due to antiquated and inefficient equipment and lack of adequate port facilities are a drain on the resources of the country's shipping, negating, to some degree, the efforts in other directions to assist in strengthening national shipping.

It is not an exaggeration to state that port and stevedoring expenses can, and frequently do, amount to 50 per cent. of the total expenses in-

(Continued on page 40)

A NATIONAL ENTERPRISE

SAHU JAIN LTD.

... Representing the following essential Indian Industries :

- ROHTAS INDUSTRIES LTD.** Dalmianagar. Bihar.
Manufacturers of : PAPER AND BOARD - Duplex, Triplex Art and Chromo Board, Vulcanised Fibre Board, Tissue Paper, M.F. & M.G. White and Coloured : Match paper - green & blue ; Poster Paper, Light weight - White and Coloured. CEMENT - ASBESTOS CEMENT SHEETS - SPUN PIPES AND POLES SUGAR, CONFECTIONERY, VANASPATHI, CHEMICALS - Caustic Soda, Bleaching Powder, Liquid Chlorine Alum, Sulphuric Acid.
- S.K.G. SUGAR LTD.** Hathua and Lauriya.
- S.K.G. DISTILLERY** Hathua.
Power Alcohol, Rectified and Methylated spirit.
- BHARAT COLLIERIES LTD.**
- NEW CENTRAL JUTE MILLS CO., LTD.** Howrah.
- ALBION JUTE MILLS CO., LTD.** Budge Budge, Calcutta.
- ALBION PLYWOOD LTD.** Budge Budge, Calcutta.
Manufacturers of : Durable plywood panels in standard sizes and commercial plywood of all grades - Waterproof, resin-bonded and made to ISI specifications.
- DEHRI ROHTAS LIGHT RAILWAY CO., LTD.**

Managing Agents :

*** SAHU JAIN LTD.**
11, Clive Row, CALCUTTA-1.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is Limited to the extent and in manner prescribed in Chapter 70 of the Laws of Hong Kong.

HEAD OFFICE: HONG KONG.

Capital Issued and Fully Paid-up	.. Hk. \$20,000,000
Reserve Funds Sterling	.. £6,000,000
Reserve Liability of Members	.. Hk. \$20,000,000

BRANCHES

BURMA Rangoon	INDO-CHINA Haiphong Saigon	NORTH BORNEO Brunei Town Jesselton Kuala Belait Sandakan Tawau
CEYLON Colombo	JAPAN Kobe Osaka Tokyo Yokohama	PHILIPPINES Iloilo Manila
CHINA Shanghai DJAWA (JAVA) Djakarta Surabaya	MALAYA Cameron Highlands Ipoh Johore Bahru Kuala Lumpur Malacca Muar Penang Singapore Singapore (Orchard Road) Sungei Patani Teluk Anson	SIAM Bangkok
EUROPE Hamburg Paris		UNITED KINGDOM London
HONG KONG Hong Kong Kowloon Mongkok		U.S.A. New York San Francisco
INDIA Bombay Calcutta		

Correspondents Throughout the World.

Banking Business of Every Kind Transacted.

A COMPREHENSIVE SERVICE AS TRUSTEES AND EXECUTORS IS ALSO UNDERTAKEN BY THE BANK'S TRUSTEE COMPANIES IN HONG KONG, LONDON AND SINGAPORE.

LONDON OFFICE: 9, Gracechurch Street, E.C.3.

NEW YORK OFFICE: 72, Wall Street.

BOMBAY OFFICE: 16, Veer Nariman Road.

G. A. STEWART, Manager.

Quality Products of Madras Government

SOAPS

KERALA SOAP INSTITUTE, CALICUT:

Toilet Soaps • Medicinal Soaps • Washing Soap
Shaving Soap • Shampoo • Industrial Soap
Domestic Cleaning Soap • Dental Cream, etc.

VITAMIN OIL

GOVERNMENT OIL FACTORY, CALICUT:

HIGH POTENCY SHARK LIVER OIL rich in Vitamins A and D
(Superior to Cod Liver Oil)

ADAMIN—(Capsules and Liquid)

Gramme: 12,000 I.U. Vit. A and 1,000 I.U. Vit. D p/g.

SHARK LIVER OIL (Liquid)

Gramme: 1,500 I.U. Vit. A and 100 I.U. Vit. D p/g.

SILK

GOVERNMENT SILK FILATURES, KOLLEGAL:

FABRICS: Sarees, Coatings, Shirts, Dhoties,
Angavasthras, Choli Pieces, etc., etc.



YARNS: 13 to 30 Deniers (Peacock Chop).

DIVISIONS OF THE DEPARTMENT OF INDUSTRIES AND COMMERCE,
GOVERNMENT OF MADRAS, CHEPAUK, MADRAS.

MGZ-1.

FINANCE FOR DEVELOPMENT OF MAJOR PORTS SUBSTANTIAL GRANTS AND INTEREST-FREE LOANS NEEDED

By M. A. Master

IT is recognised by leading maritime nations that it is their paramount responsibility to so develop their ports as to enable them to provide for all the increasing modern needs and requirements of the trades that pass through and the ships that call at their ports. The fulfilment of this obligation is vital for the stable economy and the effective defence of the country. It is also imperative for a free and sovereign India to maintain her strategic position in the Indian Ocean and to preserve and to develop her maritime strength.

Five of our major ports, namely, Bombay, Calcutta, Madras, Cochin, and Vizagapatam, were laid out years ago. They are, therefore, not able to provide fully for the needs and requirements of modern shipping and India's growing trades. The older ports of Bombay and Calcutta and, to some extent, Madras also will have, therefore, to replace their antiquated machinery and equipment and to improve considerably their existing layout. Apart from the improvement and expansion of general facilities, modern methods of manœuvring ships and handling cargoes to ensure quicker despatch will have to be provided for. Moreover, the manner in which they were worked during the last war has created new and urgent problems for their immediate rehabilitation and reconstruction. The authorities of the ports have, therefore, evolved a number of schemes to bring them upto modern standards for maintaining their economy and efficiency and for serving the trade and shipping that pass through them.

STEADY EXPANSION IN TRAFFIC

It was held by an inter-departmental committee of the Government, appointed in 1945, that the existing facilities at the major ports were barely sufficient to meet the needs of the traffic that was then offering and that planning of additional facilities, for the growing trades of India and the new and modern requirements of shipping, was, therefore, quite essential. The volume of trade that passes through these five ports has been steadily increasing. It has risen from a little over 166 lakh tons in 1938-39 to more than 220 lakh tons in 1951-52. The volume of the trade passing through these five ports has thus witnessed a rise of nearly 33 per cent. during a period of 12 years. An examination of the figures relating to the last five years will show that the peak traffic was of the order of 75 lakh tons at Bombay, 97 lakh tons at Calcutta, 22 lakh tons at Madras, 14 lakh tons at Vizagapatam and 16 lakh tons at Cochin. The traffic at Vizagapatam has almost doubled during the last five years. Moreover, it is reasonable to hold that, in view of the growing agricultural production and the increasing industrialisation of the country, India's trade will, particularly with the export drive of the Government, witness a substantial upward march in the coming years. It is, therefore, the duty of the ports to take timely steps for effecting such developments as will enable them to cope with the steadily expanding volume of traffic.

The ships that visit our ports are now longer in length, wider in beam, deeper in draft, and faster in speed. The Ports Technical Committee recommended that our ports should accommodate ships upto 650 feet in length with draft upto 30 feet. Modern tankers, which will bring crude oil to India,

are likely to be longer than 650 feet and their draft would come to 34 feet or even more than that. Facilities will have to be provided also for such passenger liners as the Arcadia and the Iberia, which are more than 700 feet in length and break the previous record both in size and speed. The docks in some of our ports, such as Bombay, are not able even to accommodate modern ships of more than 375 feet in length or with a draft of over 22 feet. Moreover, faster ships will necessitate the provision of modern machinery and equipment at these ports, which could give them quick despatch. These are some of the important aspects which the Port Authorities have kept in view in evolving their schemes of development for maintaining the efficiency and economy of our ports.

NEEDS OF VARIOUS PORTS

The problems of rehabilitation, modernisation, expansion of capacity, and the building up of a contented and efficient force of workers had to be carefully examined and effectively solved by the authorities of these five ports. Bombay, for instance, had to rebuild the transit sheds which were destroyed as a result of explosion during the war. Madras had to add to its transit and warehouse capacity. Cochin and Calcutta had to replace their tugs and other vessels and to improve their roads and permanent-way facilities. Bombay had to modernize its Princes' and Victoria Docks, so that larger steamers with 30 feet draft can enter or leave at any time of the day or night. It had also to improve the oil discharge facilities by constructing a marine oil terminal at Butcher Island for enabling bigger tankers with draft of 34 feet to discharge or load oil and oil products. Calcutta had to construct additional berths for the growing requirements of coal and the new needs of the ore trade. Madras had to solve the problem of sand and build up a wet dock with four berths for serving the coal, ore, and oil trades. Cochin had also to lay out additional berths for general cargoes and oil trades. Vizagapatam had to provide a dry dock for modern ships.

In addition to these, every port had to discharge its fundamental responsibility for getting its approaches clear and for maintaining its channels for the safe movement of modern steamers of increasing drafts. Dredging is a vital and inevitable obligation of ports. It will be interesting to know that the recurring cost of dredging, which is one of the fundamental duties of these five ports, reached the substantial figure of Rs. 105 lakhs in 1952-53.

The turnround of ships depends mainly on the output and efficiency of the workers in the docks. Ship-owners have, therefore, rightly pointed out how the low output of labour, the delay in securing berths owing to congestion and other reasons, and the lack of modern facilities and equipment for handling cargo, have seriously affected the economic operations of their ships and their earning capacity. The commercial community has drawn the pointed attention of Port Authorities as to how all these circumstances have compelled them to pay lakhs and lakhs of rupees by way of surcharge on freight. In short, the existing position has substantially affected the general economy of the country.

It is, therefore, the great duty of Port Authorities to keep the labour in the port contented and happy. In doing so, they will have to give preference to human aspects over mere economic considerations. The new obligation of ensuring social justice will have to be fully recognised. Greater recognition of the just claims of labour by the Port Authorities and better and sincere efforts on the part of labour for improving the present low output and cheapening the cost of service, are the crying needs of the hour. The efficiency of port services, the economic working of ships and the competitive capacity of our goods to hold their own in international markets will very largely depend upon the understanding, ability and co-operation with which Port Authorities and port labour function from day to day.

Taking, therefore, into consideration all their present and near future requirements, some of which have been referred to in the above paragraphs, the Port Authorities began to carry out large-scale improvements and spent before the period of the Plan began, from 1948-49 to 1950-51, a little over Rs. 8 crores from their own resources. During that period, the Government gave a loan of Rs. 39 lakhs to Cochin, and a loan of Rs. 3 lakhs to Madras ports. Bombay and Calcutta financed the improvements from their own resources to the tune of Rs. 730 lakhs. The first draft of the Five-year Plan contained only a provision of Rs. 966 lakhs to meet the then estimated cost of Kandla Port during the Plan period. The Plan did not, however, contain any reference to the projects sponsored or taken in hand by the other five major ports. The Ministry of Transport pointed out to the Commission this serious omission and requested them to provide adequate funds for the development schemes of the major ports, in their revised Plan.

CAPITAL COST OF DEVELOPMENT

At the second meeting of the National Harbour Board, held in November, 1951, the question of financing the development schemes of the major ports was discussed at the instance of the writer, and the Ministry of Transport was requested to examine the whole question, after receiving the detailed plans and estimates in regard to these development schemes, from the ports of Bombay, Cochin, Madras, Vizagapatam, and Calcutta. The schemes were duly submitted to the Ministry by February, 1952. The total cost of all the development schemes of the five major ports, including the cost of the marine oil terminal at Bombay to the tune of Rs. 5 crores, came to a little over Rs. 57 crores. The Government themselves had decided to finance the construction of the sixth major port at Kandla, which was likely to cost about Rs. 12 crores. It was thus proposed that the major ports, which are the real gateways of trade and commerce, should spend about Rs. 69 crores during the Plan period.

It would be interesting to summarise, under broad heads, the objects for which this expenditure was proposed to be incurred. They may be classified as follows. The

amount of expenditure is given in round figures:

(In crores of rupees)	
(a) To maintain sufficient depth in the channels and approaches to the ports ...	5.00
(b) To increase the capacity for handling cargoes and to provide new berthing facilities ...	22.00
(c) To provide machinery and equipment for improving the turnround of ships ...	7.00
(d) Ancillary facilities ...	12.00
(e) Social services ...	11.00
Total ...	57.00

These different development scheme were fully examined at a meeting of the representatives of the Port Authorities, the Ministries of Transport and Finance, and of the Planning Commission. Bearing in mind the resources that would be available, the total expenditure proposed was brought down from Rs. 57 crores to Rs. 39 crores, of which Rs. 5 crores were for the marine oil terminal. It was decided that Rs. 34 crores, including Rs. 5 crores for the marine oil terminal, should be spent during the period of the Plan and the remaining Rs. 5 crores should be spent during the next Plan period. There was thus a cut of nearly Rs. 18 crores in the schemes proposed by the major ports and the schemes that were finally sanctioned by the Government.

SCHEMES CUT OUT

The schemes, which were not sanctioned, would provide occasion for serious reflection. The greatest cut was in the provision for social services like housing, hospitals and sanitary facilities, for the workers of the ports. The expenditure was brought down from Rs. 11.52 crores to Rs. 4.25 crores. At a time when we are asked to look upon labour as partners in business, it is unfortunate that there should have been such a heavy cut in the expenditure proposed to be incurred for providing human facilities for their comforts and welfare. Schemes for two general cargo berths and the proposals for the purchase of two dredgers and the improvement of the permanent way were knocked down from the schemes prepared by Calcutta Port Authorities. This effected a further saving of Rs. 7 crores. So far as Bombay was concerned, the proposal for putting up a thermal generating station, at a cost of about Rs. 2½ crores, was not accepted. While the schemes outlined by Madras and Cochin were almost accepted in toto, the proposal for laying out a marine dry dock at Vizagapatam was not included in the sanctioned schemes. It is not a little surprising that this vital proposal for the construction of a dry dock at Vizagapatam, so necessary for the economy of shipping and the economy of the ships to be built at Vizagapatam, did not find a place in the sanctioned proposals. It is, however, of some satisfaction that the proposal for laying out a dry dock has now been accepted by the Government of India. The sanctioned schemes, therefore, came to Rs. 39 crores, including the estimated cost of Rs. 5 crores for the marine oil terminal. To this must be added the cost of constructing a major port at Kandla, estimated now at Rs. 12 crores. The total amount, therefore, proposed to be spent was Rs. 46 crores in the Plan period and Rs. 5 crores in the second Plan period.

THE ANDHRA BANK LIMITED

HEAD OFFICE: MASULIPATAM
(A SCHEDULED BANK)

Authorised Capital - Rs. 1,00,00,000. Issued Capital - Rs. 50,00,000. Subscribed Capital - Rs. 48,99,000. Paid-up Capital - Rs. 25,00,000
Reserve Fund And Other Reserves - Rs. 13,16,000. Deposits Over - Rs. 6,25,00,000. Total Working Funds Exceed - Rs. 7,50,00,000

BOARD OF DIRECTORS:

SRI S. R. Y. SIVARAMA PRASAD BAHADUR, RAJA SAHEB OF CHAL- LAPALLI (Chairman).	SRI J. MANIKYALARAO (Deputy Chairman).	SRI TADEPALLY SRIRAMULU (Managing Director).
SRI P. PARTHASARADHI NAIDU.	SRI P. SOBHANADRI	SRI M. SESHAGIRIRAO.
SRI B. VENKATESWARLU.	SRI K. SUBRAHMANYA DUTT.	SRI R. SATYANARAYANAMURTY.
	SRI M. SUDARSANAM.	SRI D. SURYARAO.
		SRI S. RAMACHAR.

Branches at Madras: 322-23, Linghichetty Street, Madras 1. 77, Kutchery Road, Mylapore, Madras 4. 87, Theagaraya Road, Thyagarayanagar, Madras 17.
Kurnool Offices: 1/9, Main Bazaar, Peta. Legislature Secretariat Pay Office (This office will be kept open only during the sessions of the Legislature).
London Agents: Barclays Bank Limited, Chief Foreign Branch, 168, Fenchurch Street, London E. C. 3.

OTHER BRANCHES AND SUB-OFFICES:

Amalapuram	Eluru	Nellore	Srikakulam
Anakapalli	Gudivada	Nidadavole	Tanuku (W.G.Dt.)
Amadalavalasa (Srikakulam Dt.)	Gudur (Nellore Dt.)	Ongole	Tenali
Anantapur	Guntur	Palakol	Kothapet (Tenali)
Bapatla	Arundelpet (Guntur)	Pamarru (Krishna Dt.)	Tuni
Bhattiprolu (Guntur Dt.)	Gollaprolu	Parvatipuram	Tirupati
Bellary	Ichchapuram (Srikakulam Dt.)	Pedana (Krishna Dt.)	Vijayavada
Bhimavaram	Jaggayyapet (Krishna Dt.)	Peddapuram	Governorpet: (Vijayavada)
Bobbili (Srikakulam Dt.)	Kakinada	Penugonda (W.G. Dt.)	Gandhinagar (Vijayavada)
Chirala	Ramaraoapet (Kakinada)	Pithapuram	Visakhapatnam
Challapalli (Krishna Dt.)	Kovvur (W.G. Dt.)	Rajahmundry	Maharanipet (Visakhapatnam)
Chodavaram (Vizag Dt.)	Masulipatam	Salur	Vizianagram City
Cuddapah	Narasaraopet	Samalkot	Vinukonda
Duggirala	Narasannapet (Srikakulam Dt.)		Vuyyur (Krishna Dt.)

AGENTS AND CORRESPONDENTS ALL OVER INDIA

ALL KINDS OF BANKING BUSINESS INCLUDING FOREIGN EXCHANGE TRANSACTED.

E. RAMACHENDRAMURTI, M.A., C.A.I.I.B., General Manager.

As the Government themselves were constructing the sixth major port at Kandla, it was their responsibility to finance the scheme of construction. This would, as stated above, cost Rs. 12 crores. As regards the construction of an oil terminal at Bombay, for the special needs of the two refineries which are put up at that port, the Government agreed to advance loans to the Bombay Port for its construction. The amount included in the sanctioned schemes is Rs. 5 crores. This estimate has now gone up to Rs. 8 crores and the Government have agreed to finance the same by way of loans. This leaves a balance of Rs. 34 crores necessary to finance other development schemes. It was estimated by the Government that the major ports would be able to finance about Rs. 10.6 crores either from their own resources or by raising their wharfage charges. The Ministry of Transport, therefore, repeatedly pressed the Planning Commission that they should agree to advance the whole of the balance of Rs. 23.4 crores for the purpose of distribution to Port Authorities as loans which should be interest-free for a period of 12 years. The Commission agreed to advance only upto Rs. 12 crores, as against Rs. 23.4 crores proposed by the Ministry of Transport.

STRONG DISSATISFACTION

Strong dissatisfaction was expressed against this decision by the representatives of the major ports at the meeting of the National Harbour Board, held in December, 1952. Both the Chairman of the Bombay and Calcutta Ports made it clear that these ports would not be able to raise the funds indicated by the Government from their own resources. The impossibility and the undesirability of raising the surcharge on goods, without seriously disturbing the economy of the port, was strongly emphasised. It was conceded by the Government that the list of schemes finalised by them was the "irreducible minimum" and considered essential for the efficient maintenance and operations of these ports. It was also pointed out that, if the docks were not modernised, not only would the trades and shipping considerably suffer, but the ability of the country to defend itself would also receive a serious setback. Moreover, the execution of the schemes was vital in the larger interest of the country. It was, therefore, strongly urged that a substantial amount as an outright grant and the balance as an interest-free loan for a fairly long period should be given by the Government to the ports to enable them to finance these large schemes. The National Harbour Board, therefore, resolved that the Government of India should be informed that the Board was firmly of the view that the provision for Port Development Schemes was totally inadequate and should be increased. The only response which the Government gave to this considered expression of their views and difficulties by the Port Authorities was the increase in the amount of loans to be given from Rs. 12 crores to Rs. 15.7 crores. No amount was to be advanced as an outright grant. Provided that the ports would raise a sum of Rs. 10.6 crores from their own resources, the Government would advance loans upto Rs. 15.7 crores at 4½ per cent. repayable in 23 instalments. That is the position to which they have adamantly stuck, despite the continued requests and representations of the Port Authorities.

The present position, therefore, is as follows:

As the Government of India themselves have been establishing a major port at Kandla, they will themselves finance the entire expenditure of about Rs. 12 crores for doing so. As the marine oil ter-

minal has to be established at the port of Bombay to meet the special needs of the two refineries which are being set up at that port, the Government of India have decided to advance a loan upto Rs. 8 crores to the port of Bombay, at 4 per cent., for a period of 25 years, seven of which will be free of interest—the loan to be repaid in 18 equal instalments. As regards the other development schemes of the major ports, the Port Authorities are expected to raise Rs. 10.6 crores from their own resources, and if they are able to do so, the Government of India would grant them loans upto Rs. 15.7 crores for a period of 30 years at 4½ per cent., seven years of which will be free of interest. The loans will have to be repaid in 23 equal instalments. Even if this is done, the Port Authorities will have to raise a further sum of Rs. 8 crores for executing the sanctioned schemes. It will, therefore, be clear that the Port Authorities would be adding a further debt of about Rs. 42 crores for completing their existing sanctioned schemes. This is a problem which deserves careful consideration in the light of the new burdens that they will put on the Port Authorities and the manner in which they would affect the port economy.

DEBT CHARGES

Cochin is directly controlled by the Central Government through an Administrative Officer. Vizagapatam is under the administrative control of the railways. The financing, therefore, of the development schemes of these ports will practically be the concern of the Government of India. Bombay, Calcutta and Madras, are, however, administered by the statutory Port Trusts. Finance will be, therefore, the serious concern of the Board of Trustees at these ports. The capital cost for the development of the ports upto March, 1953, has been Rs. 28.58 crores for Bombay, Rs. 40.18 crores for Calcutta and Rs. 6.91 crores for Madras. The service charges for their capital debts for the year 1952-53 came to Rs. 88.63 lakhs for Bombay, Rs. 120.21 lakhs for Calcutta, and Rs. 5.39 lakhs for Madras. If the major development schemes, which are considered by the Government as "irreducible minimum," are executed as sanctioned, the debt charges will constitute a serious drain on the revenues of these ports.

There are no rosy chances of the revenues going up in the same way

as the rising capital cost of these ports. The ports may have to raise their present wharfage charges or to increase their existing surcharges to meet the growing expenditure consequent on the introduction of welfare measures such as improving and liberalising the terms and conditions of service, implementation of the Minimum Wages Act, the provision of houses at nominal rent and such other facilities as may raise the standards of living. It is not easy to visualise what new burdens such ameliorative measures are likely to impose in addition to the fresh and substantial increases by way of annual servicing charges in connection with the growing capital debt of the ports.

We are not against the fair and just measures which the ports may have to take for the welfare of its workers. We consider it to be their duty and responsibility to take them as soon as possible. We are only emphasising the new financial burdens which they impose on the ports and requesting the Government to judiciously examine the problem as to how the ports could meet this rapidly growing expenditure which runs faster than any progress that the revenue is likely to make as a result of the increase in the movement of the trades through these ports.

Ports have to provide facilities and services for the efficient functioning of trade and shipping. They have to be maintained and developed according to modern needs and standards both for national economy and national defence. The Government cannot, therefore, ignore their responsibility for building up these vital national services and for ensuring their efficient and economic functioning. The Government have provided aerodromes and other facilities, at the cost of crores of rupees, to meet the requirements of civil aviation. Is it, therefore, too much to ask the Government to play their just role and discharge their bounden obligation, by allotting to ports a substantial sum as outright grant and an equal sum as loans for a fairly long period free of interest, to enable them to develop their facilities and to maintain their services for meeting the growing needs and requirements of trade and shipping so vital for the economy and defence of the country from all points of view?—*All Rights Reserved.*

SOME PROBLEMS OF INDIAN SHIPPING

(Concluded from page 36)

curring by a vessel, over 10 per cent. being port charges and 40 per cent. being handling charges. It is also a reasonable estimate that an economy of 10 per cent. from the time required to turn a vessel round in port will improve the final voyage results to the same extent as would an economy of 25 per cent. on the vessel's fixed daily running costs.

The first function of a port is to ensure the security of a vessel during her entry, stay and departure. Towards this end provisions must be made for easy access, an adequate berth, navigational aids in case of bad weather, facilities for manoeuvring in approaching and inside the port, safe anchorage and assistance from land.

The port of Calcutta has peculiar difficulties. Its geographical position and navigational difficulties through the 90-mile approach from the sea have set definite limitations on the draft and length of vessels calling at the port. At Hooghly Point, the meeting of the Hooghly and Rupnarain ebb creates eddies, swirls and cross currents aggravating navigational problems. The average vessel plying in the overseas trade, fully loaded, requires a draft of up to 28'-6" which is seldom available. The draft position in itself, preventing as it does vessels from entering and leaving the port fully loaded, entails a loss of valuable freight or additional expenditure for lightening or completion. A vessel in the overseas trade, it must be borne in mind, incurs loss at a daily rate of approximately Rs. 10,000 and, therefore, an unnecessary hold-up for a necessary draft or, as aforementioned, extra costs for lightening or completion involving loss of time and additional port charges have serious detrimental effects on ultimate financial results. The various schemes which have been and are currently being examined for improving, *inter alia*, the draft of water available in the Hooghly River must be pursued with all speed and effective measures taken quickly.—*All Rights Reserved.*

J. K. GROUP OF MILLS AND ASSOCIATED CONCERNS

100 years of service to the Nation marks the famous leading House of JUGGILAL KAMLAPAT. Founded in the middle of last century, this illustrious House, by steady and consistent progress has become a gigantic institution of its type in India—a truly national concern having in its fold multifarious manufacturing and commercial concerns.

COTTON TEXTILES :

Juggilal Kamlapat Cotton Spinning and Weaving Mills Co., Ltd., Kanpur
J. K. Cotton Manufacturers Ltd., Kanpur
New Kaiser-I-Hind Spinning & Weaving Co., Ltd., Bombay
J. K. Ginning Factories, Kanpur, Etawah and Karvi

WOOLLEN TEXTILES :

The Raymond Woollen Mills Ltd., Bombay
J. K. Woollen Manufacturers, Kanpur

JUTE TEXTILES :

Juggilal Kamlapat Jute Mills Co., Ltd., Kanpur

SILK TEXTILES :

Tollygunge Silk Products Ltd., Calcutta

HOSIERY :

Juggilal Kamlapat Hosiery Factory, Kanpur
J. K. Hosiery Factory (Calcutta) Ltd., Calcutta

SUGAR :

Kamlapat Motilal Sugar Mills, Kanpur and Fyzabad
Motilal Padampat Sugar Mills Co., Ltd., Majhauia

METAL AND ENGINEERING :

Aluminium Corporation of India Ltd., Calcutta and Jaykaynagar
Juggilal Kamlapat Iron and Steel Co., Ltd., Kanpur
J. K. Steel Limited, Calcutta
J. K. Alloys Limited, Calcutta
Behar Mines Limited, Calcutta

FOOD, OIL, SOAP AND ICE :

J. K. Oil Mills and Soap Factory, Kanpur
Kamla Ice Factory, Kanpur
Reform Flour Mills Ltd., Calcutta
Snow White Food Products Co., Ltd., Calcutta
Howrah Soap Co., Ltd., Calcutta
Bhopal Oil and Flour Mills Ltd., Bhopal

MANGANESE :

Madhya Pradesh Mines Limited, Nagpur

PLASTICS :

The Plastic Products Limited, Kanpur

PLYWOOD AND STRAWBOARD :

The Plywood Products, Sitapur
The Straw Products Ltd., Bhopal

CHEMICALS AND PAINTS :

Eastern Chemicals Co., Bombay
J. K. Chemicals Ltd., Bombay
Hoyle, Robson, Barnett & Co. (India), Ltd., Calcutta
The Ayurvedic and Unani Medicines Ltd., Kanpur

BANKING :

Juggilal Kamlapat Bankers, Kanpur
Hindustan Commercial Bank Ltd., Kanpur (with 46 Branches)

INSURANCE :

National Insurance Co., Ltd., Calcutta (with 45 Branches)
National Fire and General Insurance Co., Ltd., Calcutta (with 21 Branches)

INVESTMENT :

J. K. Investment Trust Ltd., Kanpur
Bengal and Assam Investors Ltd., Calcutta
J. K. Investors (Bombay) Ltd., Bombay

ESTATE AND PROPERTY :

J. K. Properties Ltd., Calcutta
J. K. Sultanpur Zamindary, Forbesganj
New India Building and Land Improvement Society Ltd., Calcutta

TRADE AND COMMERCE :

J. K. Commercial Corporation Ltd., Kanpur
Juggilal Kamlapat Distributors, Kanpur
J. K. Traders Ltd., Kanpur
Share Dealers Corporation Ltd., Kanpur
J. K. Limited, Calcutta
Vita Supplies Corporation Ltd., Calcutta
J. K. Industries Ltd., Calcutta
J. K. Eastern Industries Ltd., Calcutta
Juggilal Kamlapat (Agency) Ltd., Calcutta
J. K. (Bhopal) Limited, Bhopal
J. K. Agents, Ltd., Bhopal
The Western India Share Corporation Ltd., Bombay
J. K. (Bombay) Ltd., Bombay

EXPORT AND IMPORT :

Juggilal Kamlapat, Calcutta
Impex (India) Ltd., Bombay
J. K. (England) Limited, London

ADMINISTRATIVE OFFICES :

Central Zone:
Kamla Tower
KANPUR

Western Zone:
J. K. Building
Ballard Estate
BOMBAY

Eastern Zone:
National Insurance Building
7, Council House Street
CALCUTTA



Symbolises Progress & Quality



TT-9468

INDIA'S SUGAR PROBLEM A CHALLENGE THAT SHOULD BE MET SUCCESSFULLY

By P. A. Gopalkrishnan, I.C.S.

INDIA has been the home of sugar-cane from time immemorial and has the largest area under cane in the world. Nevertheless, the per capita consumption of sugar of all forms in India is much lower than in many other countries. The paradox becomes complete with the present situation in which we find it necessary to import large quantities of refined sugar to supplement home production.

Our deficit in sugar is not, however, something to worry about. It constitutes a splendid opportunity for further development of the sugar industry. Before 1930, we were entirely dependent on imports for our requirements of crystal sugar. Under a protective tariff, a number of factories soon made their appearance and within four to five years the necessity for imports was completely eliminated. If we could start from scratch and build up a modern sugar industry in such a short time, the further expansion of the industry which has now become necessary does not present any serious problem. It is a welcome challenge which India can and should meet successfully.

EXPANSION

The installed capacity of the sugar industry was 15 lakh tons in 1950-51. The first Five-year Plan did not make any provision for increasing this capacity, because the average consumption of crystal sugar during the previous five years was only 11 lakh tons. The Plan envisaged intensive cultivation of cane in order to improve its yield and sugar content, so that the industry could work to full capacity by 1955-56. The removal of all restrictions on the consumption of sugar in 1952, however, revealed that the potential demand for sugar was much more than the target fixed in the Plan. The consumption jumped up to 17 lakh tons in 1953 and is estimated to amount to 19 lakh tons in the current year. The Government of India hastily undertook a revision of the target, which has now been fixed at 20 lakh tons by 1955-56. Licences have already been issued for expansion of the existing factories and installation of new units in order to secure this increased target. Proposals for further expansion of the installed capacity are under consideration and will be included in the second Five-year Plan so that self-sufficiency in sugar is not only achieved but continued to be maintained.

RATIONALISATION

The sugar problem of India is not merely one of expansion of the industry but also its rationalisation. Some of the factories built during the thirties are unsuitably located from the point of view of cane supplies, while some others are too small for operating as economic units. Again, while the industry is mostly concentrated in Uttar Pradesh and Bihar, the yield of cane per acre and recovery of sugar from cane are the highest in certain areas of South India. These facts have been taken into consideration by Government in issuing licences for the expansion of the industry. Existing units which are of uneconomic size are encouraged to expand their capacity and those which are unsuitably

located are being assisted to shift to more suitable locations. Before the issue of licences for expansion of existing factories or for the construction of new units, exhaustive enquiries have been conducted not only with regard to availability of cane but such other factors as the probable yield of cane and recovery of sugar and the capacity of the parties concerned for financing the project. Thus, out of the increase in capacity already allowed, aggregating more than 4.5 lakh tons, about 66 per cent. have been allotted to the States in South India. In this manner, a planned attempt is being made to rid the industry of its drawbacks and ensure its expansion on healthy lines.

CANE DEVELOPMENT

While the expansion of the industry is necessary and important, what is much more important is the production of more and better quality cane. The average yield of cane per acre in India is only 14.7 tons as against 17.1 tons in Cuba, 21.3 tons in Australia and 56.2 tons in Java. The percentage recovery of sugar from cane is between 9.5 and 10 in India, while it is 11.5 in Java and over 12 and 14 respectively in Cuba and Australia. It cannot be denied that the high yields of cane and recovery in these countries are mainly due to climatic advantages, but the contribution made by the use of fertilisers and better farming technique is not inconsiderable. The experience gained in our own country establishes this fact beyond any doubt. The yield of cane per acre in some of the well-run farms of Bombay State is as high as 50 tons as compared with 30 tons or less in the holdings of average farmers in the same State. Similarly, the cane drawn from well-managed farms gives a better recovery to the extent of 1 to 2 per cent. or even more. The first Five-year Plan had recognised the need for the production of more and better cane per acre and schemes are already in operation in the various States for achieving this end.

RESULTS

A five-year cane development programme was launched in Part A States in 1948-49 which has been extended by three years to the end of 1955-56. The results achieved are given below:

	Requirement of the programme	Achieved by 1951-52
Uttar Pradesh	12.9	18.4
Bihar	12.0	16.1
Bombay	31.0	40.5*
Madras	25.0	33.5
Punjab	12.9	17.8
West Bengal	16.1	16.8

* Decan canal area.

The main features of the programme include provision of irrigation facilities, establishment of seed nurseries and distribution of disease-free and improved varieties of seeds, distribution of manures and fertilisers, intensive application of fertilisers to the standing crop during the monsoon, control of pests and diseases and organisation of trials, demonstrations and cane competitions. The programme does not, however, cover the entire cane area in each State. By 1952-53, only

10 per cent. of the area was covered in Uttar Pradesh, while in Bihar, Bombay and Madras the area covered was 36.5, 39.4 and 35 per cent. respectively. Besides encouraging the States to bring progressively larger areas under the programme, the Government of India have also recently launched a special drive to step up cane production in Punjab, Uttar Pradesh and Bihar. This campaign initially covers 220,000 acres of standing crop in these States and large quantities of fertilisers have been made available to the farmers on deferred payment basis which will enable them to pay off the prices after they harvest their crop. While these measures are being taken to improve the standing crop, an expert committee is expected to finalise a major plan to cover the total sugarcane acreage in India encompassing all aspects of cane cultivation from sowing to harvest.

A feature which is peculiar to the Indian sugar industry is the existence of a very much larger demand in the country for *gur*. While the annual average production of crystal sugar for the last five years has been only 11.8 lakh tons, the average production of *gur* during the same period has amounted to 29.4 lakh tons. The majority of the people living in the rural areas and a small proportion of town dwellers prefer *gur* to crystal sugar. There is also a small demand for *khand-sari* sugar of which the production is usually of the order of 100,000 tons. There is no control on the production or prices of *gur* and *khand-sari* which are manufactured on a cottage industry basis in all the cane-growing areas.

IMPORTANCE OF "GUR"

While it has been the policy of Government to fix a minimum price for cane crushed by crystal sugar factories, no such minimum price is enforced on cane used for the manufacture of *gur* and *khand-sari*. The amount of cane which factories are able to draw for crushing thus depends mainly on the market price of *gur* in the neighbouring areas. If *gur* fetches a comparatively higher price, the farmer prefers to use his cane for manufacturing *gur* instead of supplying it to factories and, when the price of *gur* falls below parity, the factories are able to draw more than their normal supplies of cane. For this reason, the production of crystal sugar in India fluctuates within certain limits. The production of *gur* also fluctuates from season to season, owing to the price factor as well as favourable or unfavourable weather conditions. If the price of *gur* rules high in a particular season, the farmer has a tendency to put more area under cane during the next season irrespective of the minimum price for cane fixed by Government for payment of crystal sugar factories. Similarly, low *gur* prices in one season result in a shrinkage of the cane area during the next. These fluctuations in the production of sugar and *gur* constitute one of the biggest problems of the sugar industry in India. The following figures for the last five years are illustrative.

	(In lakh tons)	
	<i>Production of gur</i>	<i>Production of crystal sugar</i>
1949-50	27.43	9.79
1950-51	32.54	11.01
1951-52	32.40	14.83
1952-53	28.77	13.16
1953-54	26.93	10.01

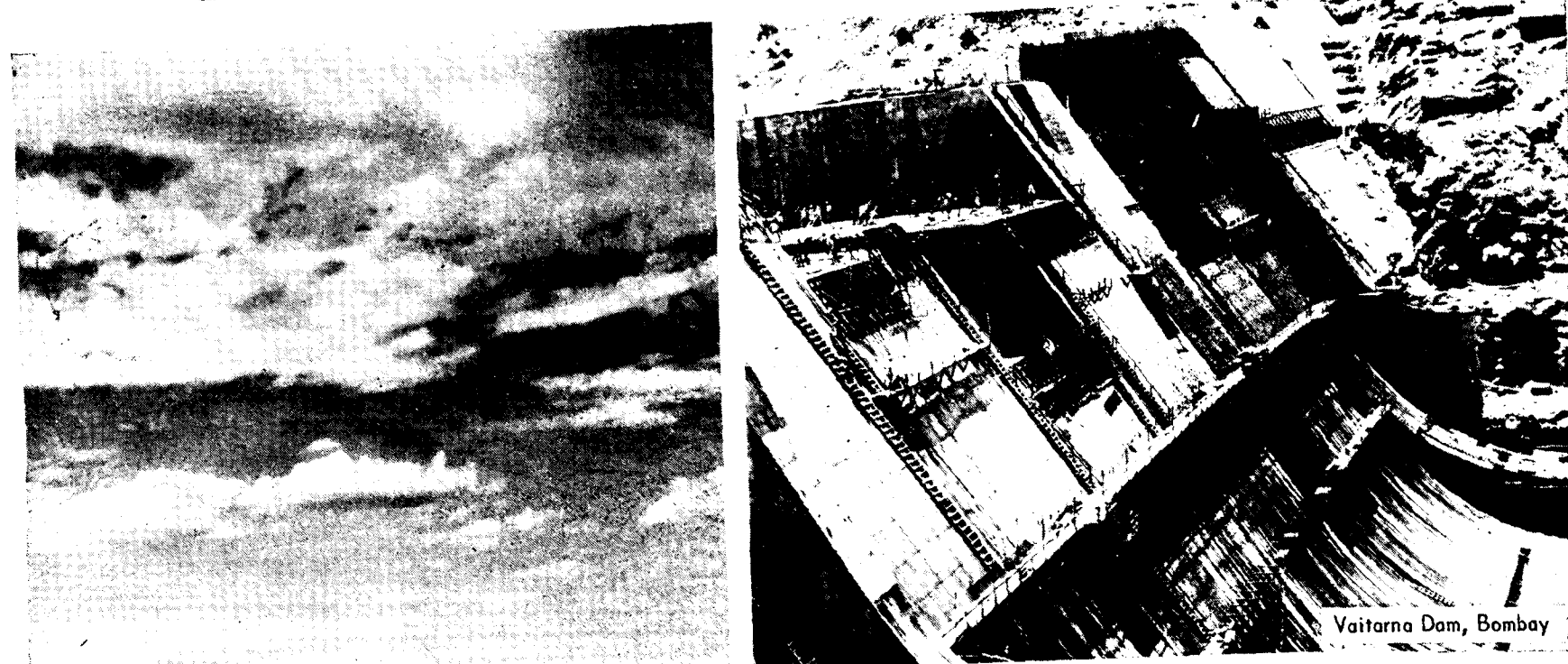
Fluctuations of the area under cane caused by weather conditions at the time of planting can be reduced only by the extension of irrigation facilities to all the cane-growing regions. Fluctuations caused by variation in the prices of *gur* from season to season can only be eliminated by some sort of crop planning. Even if it were possible to regulate the total area under cane, favourable or unfavourable weather conditions may alter the yield and sugar content of the crop. For instance, although the total area under cane in 1954-55 is estimated to be only slightly higher than in the previous year, the estimate of production of *gur* and sugar is very much more. No serious attempt has so far been made to eliminate these fluctuations in the production of *gur* and sugar, but the factors causing the fluctuations are being carefully studied, in order to evolve a reasonable satisfactory solution of the problem.

PRICE POLICY

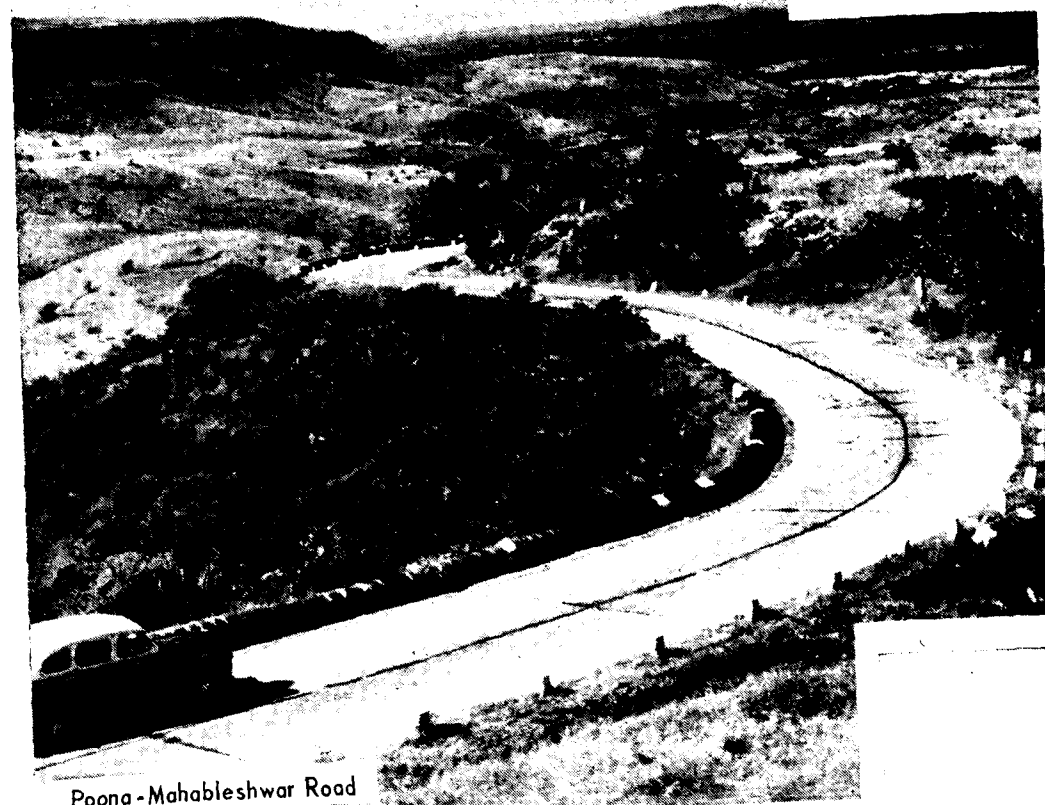
The present policy of the Government is to fix a minimum price for sugarcane payable by factories all over India but no price is fixed for the sugar which factories are allowed to sell in the free market. All that Government have done in the last two years is to exercise an indirect control on the price of Indian sugar by fixing the sale price of imported sugar at an appropriate level. This level is determined by the consideration that, for similar qualities of Indian sugar, the factories should be able to realise a reasonable margin of profit on the basis of the minimum cane price fixed by the Government. Government have also retained the right to requisition up to 25 per cent. of the production from each factory at a price corresponding to the minimum price of cane. In spite of these safeguards, it has not been possible entirely to eliminate fluctuations in the market price of Indian sugar. In order to enable the grower to get a legitimate share of the excess price realised for sugar by factories, a formula worked out by the Ministry of Food and Agriculture was recently considered by a conference attended by representatives of the industry, cane growers and the State Governments concerned. When the formula is finally adopted by Government, several growers of cane in the different regions will become entitled to receive an additional price for cane over and above the minimum price fixed for 1953-54. This should act as an encouragement to these growers for increasing the production of cane.

A DRAWBACK

The biggest drawback of the present system of payment for cane is, however, that payment is made by weight only without any regard for the quality of the cane. Under this system, the cane grower has every incentive for increasing the yield per acre, but he does not get compensated for improving the quality of his cane. Unless the system of payment for cane is varied so that a higher price is paid for higher recoveries, any sustained improvement of the quality of cane grown by farmers is difficult to achieve. The Development Council for the sugar industry is addressing itself to this problem and is expected to evolve a solution in due course.—All Rights Reserved.



Vaitarna Dam, Bombay

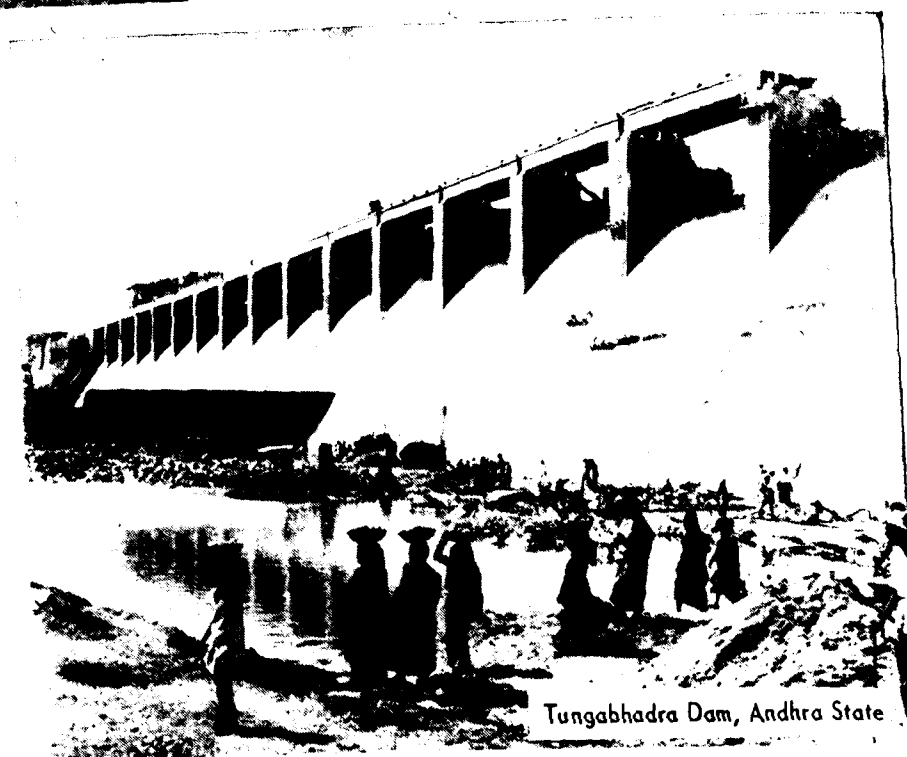


Poona-Mahabaleswar Road



Ozat Bridge, Sourashtra

National projects —
vital to
India's prosperity



Tungabhadra Dam, Andhra State

**Built to last
with
ACC cement**

THE ASSOCIATED CEMENT COMPANIES LTD.
Sales Managers
THE CEMENT MARKETING COMPANY OF INDIA LTD.



ACC

FUTURE OF TEA INDUSTRY

By H. Mackay Tallack

CHAIRMAN, INDIAN TEA ASSOCIATION, CALCUTTA

TEA is no longer an occasional luxury; it has become a necessity to everyone in the United Kingdom, in Eire and in many of the Commonwealth countries. Even in America, where coffee has for so long been the most popular drink, tea is gaining more and more support, for, despite its present price, tea is still the cheapest drink, and the easiest to prepare. No other drink is so admirably suited for every hour of the day; no other drink can fulfil so appropriately the demands of every social occasion. Instances in which the luxury of one era becomes the necessity of succeeding eras are not uncommon, but tea's advance has been exceptional, and India's trade with Britain has increased a million-fold since the first Indian teas were sold in London in 1839. It is inevitable that the future of the vast tea industry should be a matter of concern, not merely to those who produce tea, but to the Governments which derive revenues from the industry, and to the millions of consumers who regard tea as an essential element in their way of living.

Tea is not a commodity like oil, or like coal, the unmined stocks of which are limited. Tea can continue to be produced so long as the land is kept in good condition and so long as the incredibly hardy bushes are replaced when they grow old. Tea's quality, too, can be maintained, for, though bad climatic conditions may affect the produce of individual seasons, quality in general depends upon human considerations, upon careful plucking and manufacture, and upon good packing and care in transit. Thus, the demand for tea would seem assured; supply is assured; and quality is a matter which it is within the power of individual producers and dealers to control and to maintain. Need an industry of which all these things be said have any fears for the future? And is not the tea share as gilt-tipped as the tea itself? Yet, in the midst of seemingly assured prosperity, there are factors which must give cause for alarm.

High Prices Dangerous

First, there is the high price of tea itself. High prices are dangerous for many reasons. In the first place, consumer resistance may develop. Already questions are being asked in the British Parliament, and already tea is becoming a political issue, for tea is pre-eminently the drink and the comforter of the aged, most of whom live on fixed incomes, the value of which is falling. The older generations are undoubtedly tea's greatest supporters, and it would be damaging to tea's prospects if the drink became so expensive that consumption amongst the ranks of the elderly was reduced. This damage would extend to more than a fall in demand; it would lead to resentment, with inevitable results upon tea's general popularity even amongst those who could afford the high prices. Goodwill is vital to any commodity.

In the second place, high prices may induce existing producers to pay less attention to quality, and may encourage excessive expansion of acreage. Poor quality goods admittedly find a ready market when there are shortages, but when supply and demand are equalised, the process of readjustment is an extremely painful one, as many gardens found in 1951 and in 1952. If, therefore, today's strong demand for tea leads producers and distributors to abandon quality, the industry's future will be seriously jeopardised. Fortunately, producers in general seem to have resisted the temptation to neglect quality; the Indian Tea Association, for example, has not withdrawn the recommendations which it issued some years back to its members that waste teas and tea

sweepings should be destroyed, and that local sales should be confined to teas which would be acceptable on the Calcutta and London auctions. These recommendations derive from the belief that it is to the interest of neither the producer nor the consumer that market shortages should be made good with defective articles, and, though there has been uninformed criticism of the Association's policy, the Association still believes that it is better that the consumer should go without than that he should be cheated.

New Gardens

There is a general belief that the cost of laying out new gardens, and even of expanding existing gardens, is now so great that few will undertake the work. Those who argue in this vein emphasise their opinion by pointing out that four or five years must elapse before there is any return on the capital invested; that, meanwhile, the market position may have changed entirely; and that, even if it has not, the tax-gatherer and the social reformer will be so firmly entrenched that there will be no worthwhile profit in the business.

It is unquestionably true that the cost of laying out new tea is now so high that only the very wealthy can afford it. A process which in the past was financed out of revenue has become so expensive that any substantial expansion would need fresh capital. It is equally true to say that the establishment of a new garden would be extremely expensive, and would involve the raising of more capital than seems likely to be attracted from the private sector in the present "economic climate." It needs a great deal of courage to sink money in private enterprise these days, especially when five years must pass before the profits come in; and though tea dividends are good in 1954, memories are not so short that 1951 and 1952 have been forgotten. Moreover, Governments have shown a readiness to share in prosperity that must act—and may have been intended to act—as a deterrent to those who think that the laying out or the purchase of a tea estate is the quick road to affluence.

Spate of Labour Legislation

Finally, there is the endless spate of labour legislation, which, while it leaves untouched the vast bulk of India's population, affects most vitally those who are engaged in industry. This legislation is particularly voluminous in the tea industry, where, by reason of earlier isolation, the employer is deemed to have a special responsibility. So onerous is this responsibility becoming that, save perhaps in the sphere of law and order, the tea estate is expected to provide all those services which elsewhere in India are the recognised obligation of the State.

Thus, though the temptation to lay out new land under tea may at present be very great, it is probable that the private investor would prefer to use his money in buying interests in existing concerns, rather than in floating new companies. Nevertheless, what applies to the private investor may not apply to the public sector, or to countries like East Africa or even China, which may wish to re-enter the world markets. The probability is that money will for some time continue to be attracted to the tea industry, but that if this money is used for expansion instead of for improvement, and if consumer resistance strengthens, tea prices are bound to fall, perhaps seriously. The history of

the industry records a series of booms, which have been followed by overproduction, and then, all too quickly, by disastrous depressions. To avoid a recurrence of such a depression in the present context may require a good deal of ingenuity and forbearance.

To the dangers of consumer resistance and of expanding production must be added the danger of taxation upon the industry itself. Tea is a very easy article to tax. It can be subjected not merely to general taxes, but also to special taxes, and the special taxes can be varied according to the market in which the tea is sold. Thus, the present export duty is seven annas, though the excise duty (in theory, the counterpart so far as the consumer in India is concerned) is only one anna. This "tendency to taxation" is one of the tea industry's weaknesses, because, though there is a limit to what the general taxpayer will stand, even a large industry has few means of resisting specialised taxation imposed on the industry itself. It is only when the industry goes into a decline that the danger is recognised; and by then it may be too late.

Prosperity Brings More Taxation

Each wave of prosperity brings on its crest some form of additional tax or some increase of existing taxes, over and above the general run of taxation; but, when the tide of prosperity recedes, the taxes remain, because by then the revenues are said to have become an essential part of Government's finances. It is this fear of increasing taxes which discourages investment, and which, together with the absence of an adequate surplus, makes it so difficult for the smaller gardens to improve either the quality or the extent of their output. The average tea company is a very small unit judged by present-day standards, and, left to its own resources, is unlikely to be able to gain strength. Admittedly many companies have joined in the type of federation which the managing agency system makes possible, and have been protected by that federation in times of trouble; but there are still many gardens which have to rely on their own resources, or upon the resources of the families which control them; and, for such gardens, high taxation, high labour costs, and high costs of production leave little margin for the difficult year. They are, in fact, too small for the modern world; they are under-capitalised. The vulnerability of such gardens is one of the most disturbing and intractable features of the industry as a whole.

There is a good deal of difference of opinion amongst labour leaders regarding the manner in which labour should participate in the industry's present prosperity. There are those who give an improvement in working conditions priority. Others prefer that there should be an increase in wages, while some feel that payments of bonuses should take precedence over everything else. The employer recognises both the value of a contented labour force and the reasonableness of labour's desire for further amenities; but he is equally clear that emoluments based upon years of exceptional prosperity are dangerous, and lead either to financial difficulties or to disappointment and disaffection; just as the failure to maintain the customary rate of dividend aggravates the shareholder.

The Problems

Thus, though the tea industry is passing through a period of excep-

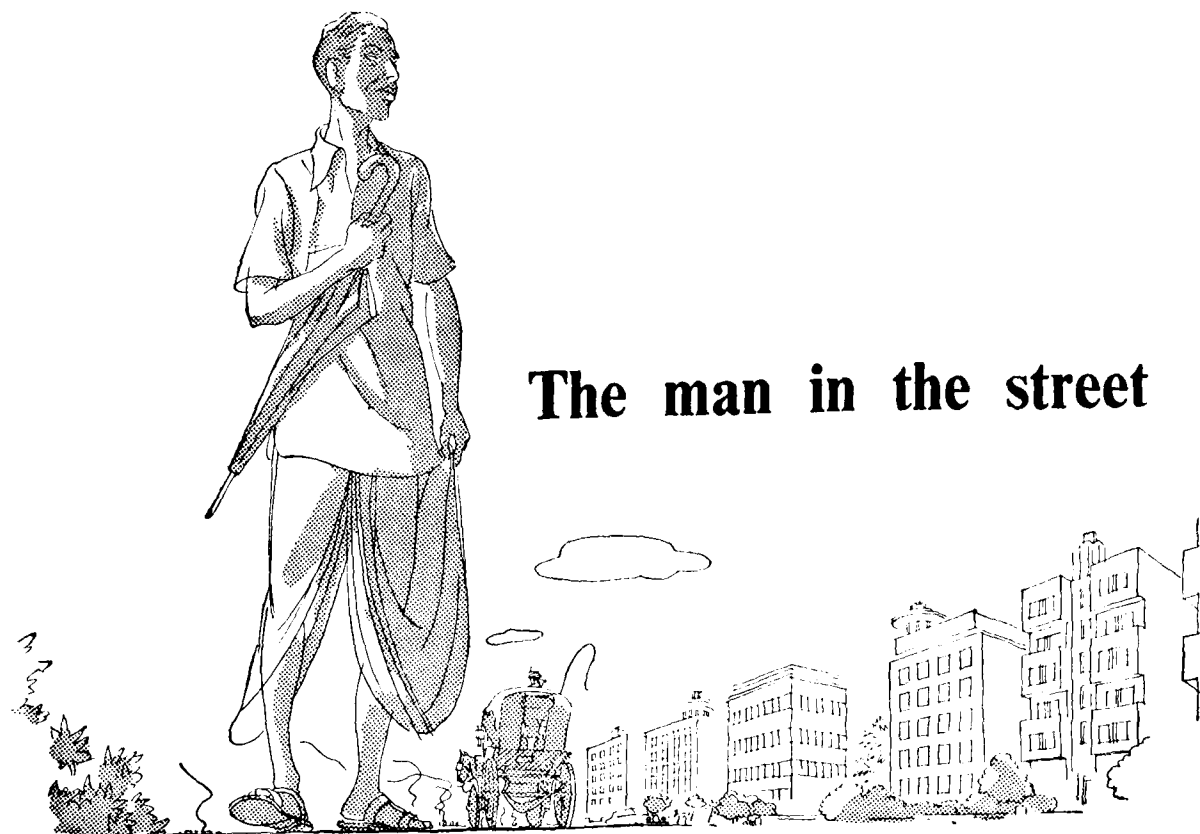
tional prosperity, that prosperity brings with it dangers and problems. Will there be consumer resistance? In the alternative, will there be overproduction? Will taxation not merely take away the bulk of the profits, but be established at embarrassing levels? Will the demands of the employees set a standard which the trading results of future years will make it impossible to maintain? And will the foreign buyer seek—and find—relief in other markets and in other commodities? Or are these high prices a temporary phase, the reaction, as it were, to the wretched prices of 1952? And will the year's results, for the producer, be quite as sensational as the market believes?

That the producer is being called upon to pay dearly for even the right to do business is evidenced by the heights to which the price of export quota has risen. If a producer, or a buyer of tea on the Indian auctions is short of the right to export tea, he must pay no less than one rupee a pound to secure that right, quite apart from the seven annas export duty and the recently enhanced tea cess. Thus, a tea which sells in London at six shillings a pound may have cost nearly two shillings and sixpence just to export, bringing the producer's price down to three shillings and sixpence. It is scant comfort to the producer to be told that the price of quota represents the difference between the London price and the Calcutta price; what the producer wants to know is why he should have to pay so high a premium for the exercise of what he regards as his right to sell tea where he can get the best price.

The answer, of course, is that the producer's right to sell where he pleases is not an absolute right; it is a right which is limited partly by the International Tea Agreement (which lays down how much tea a signatory country may export) and partly by the extent to which the signatory country permits exports under the Agreement. India, with a large internal market, must always exercise caution in the extent to which it allows exports, if the price of tea in India is not to rise to world levels; and though the temptation to secure more export duty and more foreign exchange must be very great, the Government of India has placed the interest of the Indian consumer above revenue considerations. As a result, the Indian consumer can buy his tea at prices well below those which would obtain where there is a "free" market, while the difference between the "internal price" and the "external price" is reflected in the amazing cost of export quota.

Prospects Bright Provided

To sum up—the future of the existing tea industry seems eminently sound, provided that the transition from present high prices to more stable levels can be made without violent fluctuations, and provided that the industry can pass to the lower level without too many permanent burdens, imposed on the basis of present prices. It is doubtful at the moment whether there will be any substantial increase in the acreage under tea in India, partly because of the cost involved and partly because of the uncertainty attaching to long-term enterprise in the private sector. The possibility of increased production from existing acreage cannot be ruled out, but, if this increase is secured by a lowering of standards of quality, those responsible will soon bitterly regret their action. If, on the other hand, shareholders, Government and labour leaders exercise restraint, the inevitable process of adjustment to a lower price level will be a painless one, and the industry will enjoy steady, if less spectacular prosperity.—All Rights Reserved.



The man in the street

THE past few years have brought about many changes. Some have been surface changes only. Some have driven deep into the fabric of the nation.

There is one thing that has not changed and will never change... the desire of the man in the street for a better way of life. In the constant effort to realise this ideal the people of today recognise the need to improve and raise their standards of health and hygiene. Only then will they have gained a foothold on the future.

The struggle to fight dirt and disease is made easier today by the scientific manufacture of soap. The responsibility which the soap-maker owes to the man in the street is told in his continual effort to widen the base of the distribution of soap products and to stabilise prices at a level which can be

comfortably afforded by everybody.

One organisation which has linked arms with the consumer in India since 1934 in this desire to raise the standards of life is Lever Brothers (India) Ltd., which has maintained throughout the years of war and peace the same high quality which has made such names as Sunlight, Lifebuoy, Lux Toilet, Lux and Vim famous the world over.

Lever Brothers (India) Ltd. remain constant in their aim to provide high quality and fair prices to a loyal and growing public which has purchased their Indian-made goods for nearly 20 years. In continuing to meet the increasing demands of the Nation, Levers employ Indian labour, use Indian raw materials and Indian skill in perfecting the latest methods in their honest endeavour to give the man in the street a square deal.

LEVER BROTHERS (INDIA) LIMITED

Makers of Sunlight Soap, Lifebuoy Soap, Lux Toilet Soap, Lux and Vim

L. Com. 75 x 75

the wealth of the country is augmented, that living standards can show an upward trend. The rise in individual and national incomes can bring those goods and services within reach of all citizens, including workers, which will be the real beginning of the retreat of poverty and squalor. Government policies can ensure equitable distribution, the progressive attitude of managements can make available to workers the share in higher productivity that is their due; but it is the workers themselves who are the principal contributors in this process by making a success of the measures for increasing the national wealth. In so far as the trade unions can mould the attitude of workers along correct lines depends the effectiveness of the positive role they can play in raising the structure of a Welfare State.

RAISING PRODUCTIVITY

In all discussions regarding measures for raising productivity, it is emphasised that the management should place its plans first before workers for consultation and suggestions. For it is the latter who have to show results. It is natural that all workers cannot be consulted by the management at the same time; that is neither feasible nor worthwhile. It is the workers' representatives, and precisely union representatives, who, by their co-operative—as opposed to restrictive—attitude, and with the fullest sense of responsibility, can give their thoughts to such plans. While on the one hand they can advise union members along proper lines, they can, on the other, ask for assurances from the management that (1) workers will have an adequate share in the benefits accruing from higher productivity in the form of higher wages, and better amenities, (2) the new measures will not mean speeding up or any deterioration in working conditions, and (3) they will not lead to displacements. Besides interpreting the management's plans faithfully to their members, the trade unions can arrange for the training of workers' representatives in the scientific techniques of method study, work measurement—time and motion studies, job evaluation, etc., so that these representatives can sit together with production engineers and jointly draw up plans for the application of systems of payment by results, if the management decides to apply them. This is the principal direction in which the trade unions can make or mar the prosperity of an industry, and in turn of the nation and their own.

Second only to the sphere of productivity is the sphere of education. It is common knowledge that the financial weakness of trade unions is an important factor for their lack of strength. Even more disheartening is the fact that about 45 per cent. of the income of the unions is being spent on establishment and salaries, and not more than about 7 per cent. is devoted to educational activities. This is an unsatisfactory state of affairs, partly due, of course, to the paucity of the total funds available. Nevertheless, the need for greater attention to this aspect of work needs no emphasis.

Other directions in which trade unions can be of inestimable help are as varied as the innumerable needs of workers themselves in a progressive society. These are:—

The unions can help in improving the housing conditions of indus-

trial areas by promoting housing co-operatives.

They can inculcate thrift habits and encourage the formation of multi-purpose co-operatives.

By helping in the promotion of cottage and subsidiary industries, they can contribute to the welfare of families, the retired people and temporarily unemployed colleagues.

The promotion of physical culture, sports and games is another important sphere in which trade unions can provide initiative.

All these points would appear to be so obvious. But they need stressing, for trade unions in India have not spread out their activities in these and many other directions in which they can render useful service to their members.

To sum up, trade unions can be of active assistance in building up a new social order by strengthening their own movement, and making it vigorous and pulsating with life.

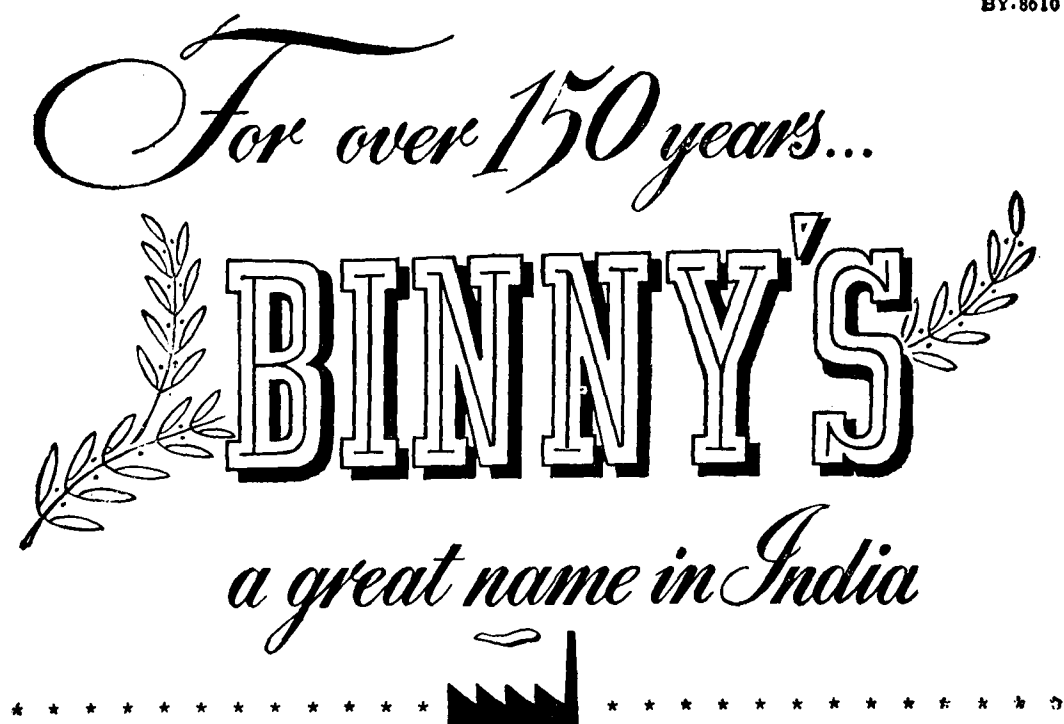
Secondly, they can expand their activities in the fields of education, health, sanitation housing and recreation and encourage among their members a consciousness for participating in civic and social activities.

Thirdly, they can initiate and promote co-operative activities among their workers in order to improve their economic condition.

And, fourthly, they can help in widening the horizon of their members by cultivating an awareness in them that their work is not only important for themselves or the undertaking for which they work but for the country as a whole, and that, by translating into practice all progressive policies, they can contribute their mite to the building up of a State, whose objective is the welfare of all its citizens.

If I have said some things which are in the form of criticism, I have done so with the best of intentions. In doing so, I have not been oblivious of the progress made in a relatively brief period in a country's history. One has only to look at the subjects covered and listen to the discussions and conclusions reached at important sessions of the largest central organisations of workers and compare with what happened fifteen or twenty years ago. Or again, the masterly grasp of the subject displayed by representatives of workers at tripartite conferences. Indications of progress will then be only too apparent.—*All Rights Reserved.*

BY-8610



BINNY'S

cloth is a household word all over India,

and the reputation of the cloths produced by

The Buckingham & Carnatic Co. Ltd. and

The Bangalore Woollen, Cotton & Silk Mills Co., Ltd.

has helped to spread the fame of

Indian textiles throughout the world.

BINNY'S

engineering connections

offer commodities vital to the expansion of India's

economy — heavy electrical goods, diesel and gas

engines, boilers, bearings, beltings, mill stores,

ropes and cables, high grade paints, pumps, air

conditioning plant, plywood, tallow and a host of others.

BINNY'S

own Engineering Works fabricates steel tanks

and all kinds of steel structures, cuts gears, casts

in iron, brass and Meehanite, carries out oxy-acetylene

and electric welding and marine and boiler repairs.

BINNY'S

offer shipping, stevedoring,

clearing and forwarding and insurance facilities.

BINNY'S

... a great name indeed!

NOTICE

BENGAL PAPER MILL CO., LTD.

THE DIRECTORS HAVE DECID-
ed to recommend to the forth-
coming General Meeting of the
Shareholders to be held on 30th De-
cember, 1954, dividends for the half-
year ended 30th June, 1954, as
follows:—

- Dividend on Cumulative Preference Shares at 7 per cent. per annum, free of Income-tax.
- Dividend on "A" Cumulative Preference Shares at 7 per cent. per annum, free of Income-tax.
- Dividend on "B" Cumulative Redeemable Preference Shares at 6 per cent. per annum (subject to deduction of Income-tax).
- Dividend on Ordinary Shares at 12½ per cent. per annum, free of Income-tax.

By Order of the Board,

BALMER LAWRIE & CO., LTD.,

Managing Agents.

21, NETAJI SUBHAS ROAD,

CALCUTTA.

ARE CONTROLS ON COAL INDUSTRY NECESSARY? SOME FALLACIES IN PRESENT THINKING EXPOSED

By R. K. Ramadhyani, I. C. S.

COAL COMMISSIONER AND CHAIRMAN, COAL BOARD

UNLIKE other countries, notably of the West, coal in India is not quite the familiar and vital raw material. This is partly because the coalfields in this wide country are located in certain areas only, and in large tracts it is not known to occur at all. Secondly, in the climate of this country, coal has not the importance which it has in countries of the temperate zone as a domestic fuel. In many countries, the climate and the lack of alternative fuels has made coal or coke an indispensable domestic fuel. In India, on the contrary, there are areas where even today firewood, derived from village or State forests, is still plentiful and comparatively cheap. Even in areas where firewood is scarce and expensive and is supplemented by cow-dung and other materials, coal is comparatively expensive and difficult to obtain. Over wide areas in this country coal is, therefore, known to local inhabitants only through its use on the railways. The Iron Works at Bhadravati (Mysore State), established some 30 odd years ago, was based upon charcoal instead of coke which is in universal use as a blast furnace raw material. The only alternative to the use of charcoal was to obtain coke from the distant Bengal and Bihar coalfields. Even today, the transport conditions are such that dependence upon hard coke alone is difficult for this Iron and Steel plant.

Not being in general use as a domestic fuel, the consumption of coal in this country may be regarded as an index of its industrial development. The Bengal/Bihar coalfields commenced production as early as 1774, but it took many years before substantial quantities of coal were mined. At the commencement of the twentieth century, the total Indian production was only about 6 million tons, of which nearly 5 million tons were obtained from the Raniganj, Jharia and Giridih fields. It was only after the First World War that the production exceeded 20 million tons. The Second World War brought about another advance in coal production which ultimately reached a level of 36 million tons in the year 1952. Of the present production of about 36 million tons, approximately 30 million tons come from the Bengal/Bihar coalfields and the remaining 6 million tons from the coalfields in Assam, Central India, Madhya Pradesh, Singareni and Orissa.

VARIETIES OF COAL

Coal in India is not all of the same variety. Coke is produced from varieties of coals known as coking or caking. Generally speaking, the coking coals are found almost entirely in the Jharia coalfields, certain deposits being known to exist in M.P. and Assam. The coals of the Bengal coalfields and most of the other coals are non-caking and generally contain a fairly high percentage of moisture and volatile matter. Such coals are mainly consumed for production of steam or other general heating. The coals of India also vary greatly in their ash and moisture content. To put it simply, the greater the proportion of ash or moisture, the lower the carbon and volatile contents and, consequently, the lower the calorific or heating value.

The total resources of coal up to a depth of 2,000 feet have been estimated to be approximately 44,000 million tons. Of this quantity, only about 5,000 million tons consists of low ash and low moisture coals of high calorific value. The coals of

Bengal/Bihar have been graded on the basis of their ash or ash and moisture content into selected grades (15 to 17 per cent. ash) and other grades (grades I, II and III, with 19 to 35 per cent. ash). Coals in the fields other than Bengal/Bihar are generally of the lower grades. Certain coals in Assam have ash as low as 7 to 8 per cent. but, on account of their high sulphur content, are unsuitable for metallurgical purposes, even when strongly caking. The range of fuel value of Indian coals covers 4,000 to 8,000 calories roughly.

COMPARISON WITH WORLD PRODUCTION

Although the reserves of coal amount to over 40,000 million tons, a considerable margin will have to be allowed in estimating the actual possible recovery. It has been estimated that only about 2,000 million tons of the reserves are metallurgical coal (including lower grades). The Washeries Committee of the Coal Board reckoned that, without extensive stowing, not more than about 60 per cent. would be extracted. Although the reserves of coal in this country are considerable, they are not large in comparison with the world total of about 7.8 million tons, the U.K. reserve of 176,000 million tons, the U.S.A. reserve of 2,900,000 million tons and so on. Even allowing for losses in extraction, at the present rate of about 36 million tons per year, India's coal should last for very many years. On the other hand, it should be kept in mind that production in the United Kingdom is about 220 million tons per year and in the U.S.A., the quantity of coal produced in India in a whole year is raised approximately in one month or less. With the industrialisation of the country, the development and consumption of coal will surely increase. With the depletion of forests and the rising cost of firewood and charcoal, coal in this country is likely to become more and more common as a domestic fuel as well.

NUMBER OF COLLIERIES

The total number of collieries in the Indian Union is well over 800. In the main producing areas of Bengal/Bihar, which is responsible for 80-85 per cent. of the coal produced in India, there are about 700 collieries. The collieries cover a wide range on the basis of monthly production or area and no less than 18 per cent. are very small enterprises, producing not more than 100 tons per month. At the other end of the scale, there are 21 collieries producing over 20,000 tons per month. About 50 per cent. of the collieries produce between 1,000 and 20,000 tons.

The collieries vary greatly also in the manner of production of coal. In many cases, coal seams occur at small depth below the surface or even actually break the surface (outcrop) and are directly accessible. The coal is excavated directly in such collieries or by removing the upper layers of soil, in a manner similar to the quarrying of stone or other mineral and little equipment is required. Excavation of coal is also carried out by driving an "incline" direct through the coal seam and at the same angle as it lies. Generally, the incline type of mine is to be found where the depth of the coal is too great for quarrying but still comparatively close to the surface. In an incline, the mine and its equipment is somewhat more

elaborate than that of a quarry and steam or electric power for haulage generally becomes a necessity where the angle is steep. Vertical shafts, with power equipment, are common where the coal seam is either at a considerable depth or is parallel to the surface over an appreciable area. In the large mines, coal cutting machines are employed for obtaining a high rate of output and over 400 machines are at present in use in the Indian Union. The labour strength of coal mines amounts to 340,000 miners and other workers.

OTHER FEATURES

Other features of coal mining in India are that the coal seams are often variable in the quality of coal, in the angle of inclination of the seam to the surface, the existence of what are known as faults, dykes, etc., caused by geological disturbances. Where the seams cover an appreciable area, it has been found that there are not only substantial variations in quality and calorific value but even the type of coal may change from coking to non-coking. In coal mining, water is, of course, encountered and the existence of dykes, faults, etc., not only introduce difficulties and extra cost in working but reduce also the output. Fields, such as the Singareni, Karanpura, Assam, etc., are in comparatively early stages of development but, in the Pench Valley and in the Bengal/Bihar coalfields, there are cases where mines have been practically worked out. Where the coal is "standing on pillars," the coal is exposed to the action of the atmosphere or of water and is liable to deteriorate; in this condition, it is also subjected to a high degree of pressure (on account of neighbouring coal having been removed) which results in crushing.

IMPORTANCE OF STOWING

Where extraction of coal is carried out without stowing, heavy losses of coal are common as the roofs collapse and where that happens, the coal is crushed and interspersed with the layers of rock or earth and recovery becomes virtually impossible. The installation of stowing and other scientific arrangements for extraction of coal is naturally a matter which entails considerable cost. Consequently, full recovery of the coal has not been the main objective of many collieries. The tendency has been to work the most profitable sections and to leave the less paying sections. Coal seams often lie in a number of layers, one above the other and it frequently happens that some of the lower seams are better in quality than the higher seams. Mining may, therefore, take place in a seam at an appreciable depth below the surface with other seams closer to the surface remaining unworked. Depillaring of such a seam may result in collapse of the upper strata bringing about crush and damage in the higher seams and rendering their extraction difficult and costly if not impossible.

Depillaring of coal, accompanied by subsidence and crush, has often resulted in spontaneous fires which have devastated substantial areas of coal. In spite of legislation and rules, which seek to enforce certain standards of safety in mines, the tendency is to adopt the less meticulous or scrupulous methods, for it is obvious that, as in many other matters, legislation by itself does not yield the desired results. It is generally realised that proper regulation of

mining and preservation of the reserves can be brought about not by any one piece of legislation but by several co-ordinated measures which can reduce the incentive as well as the opportunity for violation of the prescribed laws and regulations.

QUALITY

Till about a decade ago, when the production of coal had to be stepped up to meet various requirements and new collieries opened up, there was no controversy about the quality of coal. In fact, the establishment of collieries was on the basis of the best available coal and the market was also being supplied in a fairly uniform manner with high grade coal. As production increased and new collieries were opened up, a good deal of the less valuable coal had to be mined and started coming into the market. For some time, the coal was being sold and priced according to the name of the seam or colliery where it was mined, but, during the last world war, it was found necessary to introduce a more specific way of determining the quality and hence the price of the coal. A system of grades was then introduced and is still in force in that form. The price was fixed also roughly on the basis of quality.

In the outlying fields, however, coal is still known by the name of the colliery or area. The present production of the selected grades of coal in Bengal/Bihar is placed at approximately 7 million tons of selected grade A and about 10½ million tons of selected grade B in round figures. Similarly, rather less than 6 million and 5 million tons, respectively, are produced in grade I and grade II and about 1½ million tons in grade III. Thus, of the total production of about 30 million tons in Bengal/Bihar, about 55 per cent. is produced in collieries carrying selected grades; this constitutes about 46 per cent. of the total production of the Indian Union. Nevertheless, the production of selected grades true to the specifications is probably considerably less and the Washeries Committee, appointed by the Coal Board, has estimated that hardly 30 per cent. is of true selected grade. That Committee also found that, in the last two decades, during which production increased from 18.7 million tons to 36 million tons, the average ash in coal produced in India increased from 14 per cent. to over 20 per cent. This increase is mainly due to the exhaustion of easily obtained coal of the best quality. However, while the reserves of selected grades are barely one-ninth of the total reserves, the production of high grade coal is even now about 50 per cent. roughly of the total output. In other words, the extraction of high grade coal has proceeded in the past and is proceeding now at a far higher pace than the proportion of the reserves to the total reserves.

COKING COAL

In the case of coking coal, it was estimated that the total availability was far less than the likely demand and, unless a drastic policy of conservation was followed, there would very soon be no coking coal left in the country. Hence it is that, in 1952, the Coal Mines (Conservation and Safety) Act was enacted. It was further found necessary to reduce the demand for the selected grades of coal and to encourage the use of the lower grades to the maximum possible extent. At present, therefore, a system of regulation of the quality

or grade of coal obtainable by different categories of consumers exists, and the selected grades of coal are generally allowed only to consumers who cannot without great sacrifice of efficiency or economy use the lower grades of coal.

The raising of coal in India is about 36 million tons per year. The despatches of coal/coke to the various consumers is between 31 and 32 million tons. The balance of the production is either utilised for domestic purposes or generation of power in the collieries, or lies accumulated at the pithead. During the last three years, there has been 3 million tons in round figures lying at the pitheads. The total demand for coal is over 36 million tons but the available transport capacity (mostly rail transport, for road, river or sea transport is very costly) falls short of the figure by more than 10 per cent. It is on account of the shortage of railway transport that control on the distribution of coal has to be maintained. The production of selected grades is at best unable to meet even half of the total demand. Thus, the best quality coal is a commodity which is in short supply and the disparity between demand and supply may increase rapidly from year to year.

The production and distribution of coal and the price at which it may be sold is regulated by the Colliery Control Order, which was originally promulgated in 1944 and has been continued in force under the Essential Supplies (Temporary Powers) Act, 1946. In addition to various powers of control of production and distribution, the main feature of this order in relation to coal is that it prohibits the offer or sale of coal at prices different from the prices fixed under it. That is, coal cannot be sold by a colliery at a price either higher or lower than the statutory price. Particularly in this respect, coal control is different from most other Commodity Controls, under which the prices fixed are usually ceiling prices.

NOT A PERMANENT LEGISLATION

The Colliery Control Order is not a permanent piece of legislation. Control on coal, like control on various other commodities, was imposed on account of circumstances which emerged during the last world war which necessitated such control and the continuance of such controls are under review from time to time. A review was recently conducted by the Commodities Control Committee appointed in 1952 by the Government of India. That Committee examined the necessity for the maintenance of control on price, distribution and production of coal and came to the conclusion that, except in respect of coking coal, the aim of production control is mainly to increase production (although now the provisions are useful to prevent overproduction); price control was necessary and distribution control should continue in the present context of the transport conditions.

The need for continuance of control of coal may be questioned in different aspects by different interests. For the industry, it implies control of production and restriction of certain qualities. Control of production may limit the production of a colliery directly, as has been done by the Coal Board, or the opening of new mines (since permission is required to open or re-open a mine) and a policy of restriction has been followed in the Bengal/Bihar coalfields. The distribution control operates in two ways; first, consumers are allotted a certain quota and cannot be supplied with more; secondly, certain consumers cannot take any grade of their choice. Distribution control is necessitated principally from shortage of transport and save an increase in transport, there is no way

of escaping the restriction. As for restriction of quality, certain collieries may view it as a disadvantage. For the consumer, distribution control prevents him from getting any grade he likes and forces him to use the inferior grades and may result also in curtailment of the quantity which he would like to use. The fixed price policy prevents him from bargaining and obtaining coal at the lowest price.

Generally speaking, at present, the quantitative restriction operates to a marked degree only in respect of certain areas where transport is difficult. Where the consumer seems to feel seriously aggrieved is the fixed price. He has come across collieries which are anxious to get his orders and have shown themselves willing to make a sacrifice in the price. He, therefore, feels that it is the Colliery Control Order which prevents him from paying less for the coal and not the colliery-owners or the middlemen. Consequently, he feels that, if price control was removed, he would obtain coal at a lower price. He would also like to be freed from the irksomeness of getting permits and other documents.

DANGERS OF DECONTROL

For the producers, it may be possible to say that control acts in their favour by eliminating competition and ensuring a satisfactory price, and for these reasons the industry may favour the retention of control. That, however, is contrary to normal commercial instinct which would prefer free enterprise and competition. The coal industry has found in the past that the normal commercial trends have brought it to the verge of disaster. The general economic principle, on which a colliery works, is the larger the production, the lower the cost per ton. Consequently, a colliery, to sell its coal at a competitive price, must produce more. Under competition, therefore, production has a tendency to go up and become overproduction; there is a further tendency for prices to fall which may again provide incentive to further overproduction. Competitive production in coal mines has, in the past, resulted in cutting margins of safety and producing coal regardless of the loss or damage of existing coal reserves. Unlike many factories, an abandoned coal mine may prove extremely costly to reopen and work.

A FALLACY

The main objection to control is that it encourages uneconomic and badly managed collieries and protects them. "Control leads to bad quality, inefficiency and corruption." It is in order to enable assessment of the validity of these criticisms that the various features of coal production have been set out at length. It is possible that the management of a colliery may be more or less efficient than that of another colliery. But it is a moot question whether, in the conditions in which coal is mined, it is possible to decide that the price at which a colliery is able to sell coal is a reasonable index of its efficiency. Generally, where units are fairly comparable, one could conclude that the cost of production depends upon the efficiency of management. But coal mines vary from quarries, requiring very little organisation, to shafts, requiring machinery and large capital investment. A quarry may be able to produce coal for little more than the cost of the minimum wages to be paid to labour. A mine of the shaft type which produces coal from a deep seam cannot possibly produce coal as cheaply as a quarry. Consequently, a statement that the quarry is a more efficient producing unit would not be valid, although quarry coal can be sold at a lower price.

It must be remembered that, in the shaft and incline types of mines,

safety is a far more important factor and necessitates comparatively large expenditure. In surface working, for example, women workers, who get lower rates of pay, may be employed, while men alone can enter the pits. Consequently, if a colliery offers coal at a lower price the inference that the other collieries are inefficient is not necessarily correct. Further, one colliery may find easy mining conditions, while another, even mining the same seam, may meet with various difficulties due to water, faults, stone bands, etc. A colliery, which installs arrangements for stowing, is definitely more efficient than a colliery which does not but follows methods of obtaining coal by wasteful and dangerous methods. And abandonment of the fixed price policy is an encouragement to the latter type. If production comes only from the easier mines, the consumers' demand would not be met. The easiest mines are not necessarily those which contain the best coal and, in the Ranigunge field, a shaft has been sunk to nearly 2,000 feet in order to get at the good coal.

CONSUMER MAY NOT BE BENEFITED

If competition is permitted, it may well be a fallacy to assume that a consumer will get cheaper coal of better quality. The production of high quality coals is limited and the reserves are also limited. It has also been mentioned that, on account of the exhaustion of the best qualities, the tendency has been for the quality to deteriorate and this is a feature not only in India but in many other countries. The production of selected grade 'A', which is the coal every consumer would like to get, is less than 20 per cent. of the total production and demand. Consequently, if control were to be removed, this grade would tend to be at a premium, following the heavy demand on it. Many consumers have found that the coal of collieries graded as selected 'B' do not supply coal of that quality; this fact has been confirmed by the Washeries Committee of the Coal Board.

So far as other grades are concerned, it is probable that decontrol would result in a fall of the price. However, it must not be overlooked that the offer of coal by some collieries at lower prices is partly the result of distribution control itself which places the consumer in an advantageous position. Once a consumer obtains his permit or sanction, he is almost sure of a supply of coal and the Coal Commissioner's distribution office ultimately takes special action to assist movement. Thus, it is the colliery which has to go searching for orders, which are limited on account of the limited transport capacity, and is glad to get them even at a sacrifice of price.

Assuming a sufficient improvement in rail transport, if distribution control is removed, it is the colliery which would indent for wagons and consign the coal to various consumers. Therefore, if a colliery finds itself at any time in circumstances where it is to its advantage to send its supplies to one consumer and not to another, the consumer may have to offer a premium. It should also be kept in mind that demand and production are now about equal and the net quantity of coal available, after meeting colliery requirements, is actually less than the gross demand. Increased production cannot well accompany the closure of even the marginal collieries and there is not much scope left for opening new collieries in which the coal would either be better or be won at a lower cost than existing ones. In fact, most of the existing collieries are based on the easiest and best coal.

These are the main considerations on which a decision must be taken

on the continuation of control on coal. All control and many aspects of administration are associated with undesirable features which it is the aim to minimise or mitigate and the decision must rest on the balance of advantages over the opposite factors. It may appear attractive to suggest exploitation of the best coal and leave the future to look after itself; perhaps, the inferior coal can be benefited by washing or some other process. A rapid increase in the supply of high grade coal is more than problematical and, in fact, the trend is very significantly in a fall in quality even in mines purporting to produce the selected grades. The Washeries Committee has drawn pointed attention to this feature and that Committee has, moreover, reached the conclusion that the lower grade coals are far more difficult to wash than the higher grades of coal and washing costs would be heavy. The utilisation of low grade coals by beneficiation would appear to be by blending with washed coal of the selected grades which yield better results. Further, so far as coking coal is concerned, the stage has already been reached where washing is necessary, in order to keep up supplies of high grade coals.—All Rights Reserved.

Notice

THE PHALTAN SUGAR WORKS LIMITED

NOTICE

THE TWENTY-THIRD Ordinary General Meeting of the Phaltan Sugar Works Ltd., will be held on Thursday the 30th December, 1954, at 4 p.m. (S.T.), at the Registered Office of the Company at Bombay, 296, Bazargate Street, Sangli Bank Building, opposite Reserve Bank of India, Bombay, to transact the following business:—

- (1) To adopt the Directors' Report and Audited Statements of Accounts for the year ending 30th September, 1954.
- (2) To sanction payment of Dividend.
- (3) To elect Directors in place of Messrs. Natverlal Bhikhabhai and R. B. Apte who retire by rotation but being eligible offer themselves for re-election.
- (4) To appoint Auditors for the current year and fix their remuneration.
- (5) To transact any other business that may be brought forward by the Chairman.

The Transfer Books of the Company will be closed from 20th December, 1954, to 15th January, 1955, both days inclusive.

By Order of the Board of Directors,
For MAFATLAL, APTE & KANTILAL LTD.,

L. V. APTE,

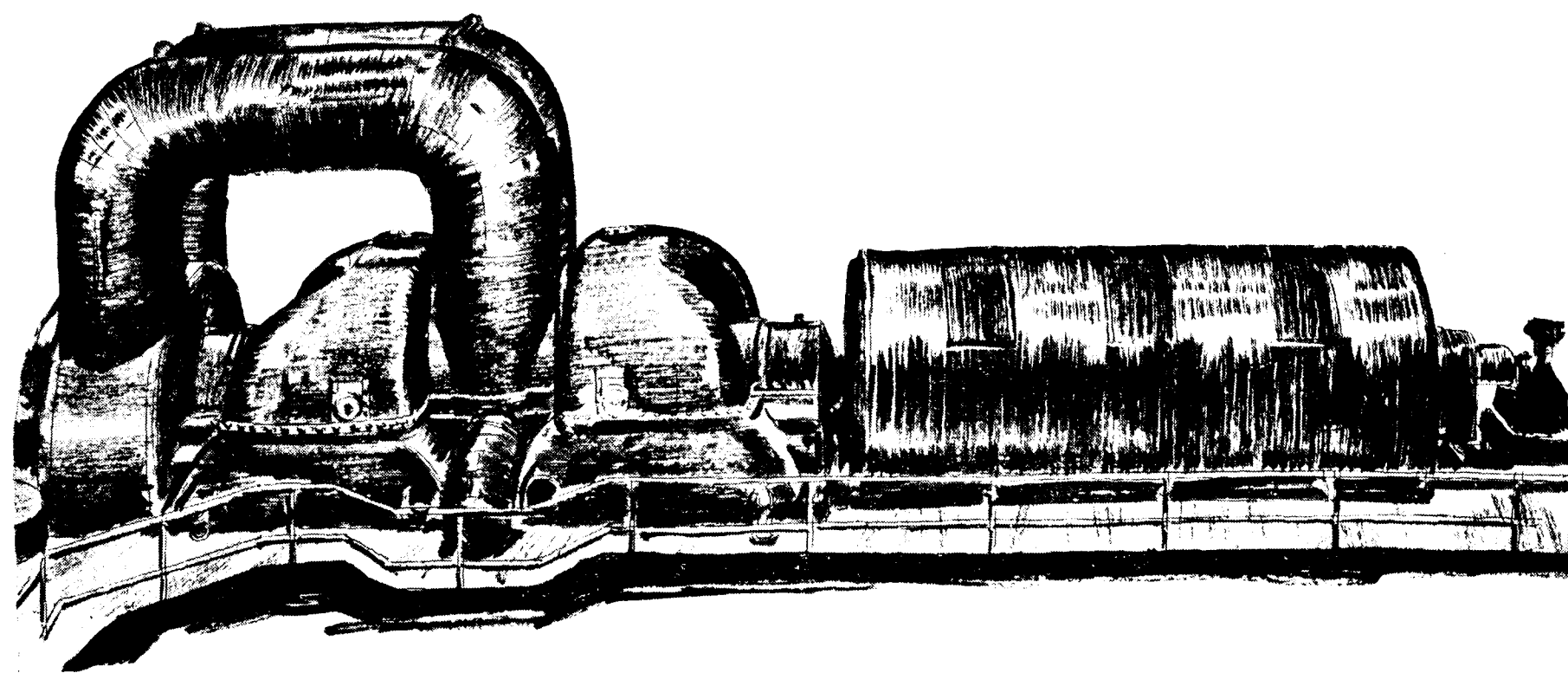
Managing Director,

Managing Agents.

BOMBAY, 30th November, 1954.

N.B.—The Dividend when declared will be made payable at the Registered Office of the Company at Bombay on and after 15th January, 1955. The Dividend Warrants will be posted to those shareholders whose names stand on the Company's Register on 19th December, 1954.

Everything from a LAMP to a TURBINE



AEI

for everything
electrical

HEAD OFFICE:

Crown House, 6 Mission Row, Calcutta 1

Branches at

Bombay New Delhi Madras
Coimbatore Bangalore Nagpur

ASSOCIATED ELECTRICAL INDUSTRIES (INDIA) LIMITED

represent

ASSOCIATED ELECTRICAL INDUSTRIES
MANUFACTURING CO., LTD.

THE BRITISH THOMSON-HOUSTON CO., LTD.

EDISON SWAN ELECTRIC CO., LTD.

FERGUSON PAILIN LTD.

METROPOLITAN-VICKERS ELECTRICAL CO., LTD.

METROPOLITAN-VICKERS G.R.S. LTD.

NEWTON VICTOR LTD.

PREMIER ELECTRIC HEATERS LTD.

TREND OF PRODUCTIVITY OF INDIAN INDUSTRIES

By Dr. M. M. Mehta, D.Phil., D.Litt. (Econ.)

DIRECTOR OF ECONOMICS AND STATISTICS, MADHYA PRADESH

THE question whether productivity of Indian industries has increased or declined in recent years has aroused widespread interest and provoked critical discussions among the industrialists, trade union leaders, and the general public. Even a casual exploration of recent economic controversies would reveal a definite conflict of two fundamental viewpoints—some believing in upward and others in downward trends in industrial productivity. Unless the validity of these conflicting viewpoints is tested by some objective and scientific enquiry, there is no rational basis to accept either of these conflicting contentions.

An attempt has been made in this study to present some factual and statistical data which may indicate whether productivity of Indian industries has increased or declined in recent years. The study is based on the data available in the *Census of Manufactures*. It covers 29 manufacturing industries, and is confined to the period 1946-50. The year 1946 has been selected, because it is the first year for which census data are available on statutory basis, and the year 1950 has been selected, because it is the latest year for which data are available in published form at the time the study has been undertaken.

CONCEPT OF PRODUCTIVITY

It is an essential prerequisite of sound statistical analysis that all terms involved in interpretation are precisely defined and their scope delimited. Unfortunately, there is no universally accepted definition of productivity. Some have defined productivity as "output-input ratio (ratio of output to resources expended); some have viewed productivity as the "overall-effectiveness" of a productive unit while some have confined the use of the term productivity to denote the "ratio of output to the corresponding input of labour" frequently expressed as "Man-hour expended per unit of output (unit labour requirements or u.l.r.)" or "production per man-hour (p.m.h.)"

PRODUCTION PER MAN-HOUR

The most prevalent and widely accepted definition of productivity is the "ratio of output to the corresponding input of labour." The most plausible argument in favour of this measure is that labour time is more readily measurable than other input factors, and that it possesses a universal element common to all plants, processes and industries. This universality provides a common basis for measuring and comparing the relative productivity not only of different units but also of different sectors of a country's economy. In recent years, therefore, productivity is frequently used without qualification as "ratio of output to the corresponding input of labour."

UNIT LABOUR REQUIREMENTS (U.L.R.)

"The ratio of output to the corresponding input of labour" may be expressed either as "output per unit of labour time expended" or in its reverse sense as "labour-time expended per unit of output." The latter is more widely applied in the measurement of productivity, for the simple reason that, whereas the unit labour requirements can be directly added or subtracted, the output data, if expressed in physical units, cannot be combined with similar figures, unless they represent the same physical characteristics.

This definition of productivity, despite its simplicity and widespread usage, has not, however, removed confusion either from analysis or

interpretation, and the reasons are manifold. It is seldom realised that "productivity indices" do not reveal changes in the intrinsic efficiency of labour, but rather the changing effectiveness with which labour is utilised in conjunction with other factors. As such, productivity is not a measure of the specific contribution of labour or of capital or any other factor of productivity. It reflects the cumulative influences of the operation of a large number of separate, though interrelated, influences such as technological influences, the rate of operation, the degree of efficiency achieved in different processes, the availability of supplies and the flow of materials and components, as well as the employer-employee relations, the skill and effort of the workers and the efficiency of management. Definition of "productivity" as "output-man-hour" ratio has, therefore, serious limitations, and its implications have to be viewed in the light of numerous reservations and qualifying conditions.

MEASUREMENT OF PRODUCTIVITY

Students of industrial productivity are familiar with the various statistical and conceptual problems involved in the measurement of industrial productivity. The aggregation of seemingly incomparable and non-homogeneous data; the assignment of proper weightage to production complexes in temporal and spatial comparisons; the definition, measurement and interpretation of the output and input data; the classification of the industry and the specification of the products and the selection of the equation most appropriate for the object in view, are but few of the problems that confront compilers of productivity indices. The recent advances in the statistical techniques have, however, made it possible to overcome these difficulties to a considerable extent. The valuation of output in terms of "constant" prices can eliminate, to a considerable extent, the difficulties involved in aggregating the seemingly incomparable and non-homogeneous data and in eliminating the influences of price changes in temporal and spatial comparisons. The compilation of census data on scientific and rational lines has also helped in overcoming the difficulties involved in the classification of the industry and the specification of the products. The availability of the requisite statistical and factual data has now rendered it possible to measure the changes in productivity over a period of time, if not with scientific exactitude at least with reasonable accuracy.

Table I shows the changes in the productivity of Indian industries between 1946 and 1950. It covers all the 29 manufacturing industries included in the *Census of Manufactures*. In order to eliminate the influence of changes in price-levels, and to overcome the difficulties involved in the physical measurement and comparison of heterogeneous output, production has been revalued in terms of "constant prices." The revaluation is based on price indices most appropriate to individual in-

dustries. Where separate price indices were available for each industry, there was no difficulty in revaluing the output at constant prices. Where, however, no separate price indices were available for an industry, the general manufacturing price index has been used. For convenience of comparison, it has been expressed both as "production per worker" or "per man-hour" (p.m.h.) and in its reverse sense "labour-time expended per unit of output" or "unit labour requirements" (u.l.r.).

The table furnishes some definite indication that "productivity" in the 29 manufacturing industries covered by this analysis has steadily increased between 1946 and 1950. Whether we measure productivity in terms of "output per man-hour" or in its reverse sense "man-hour requirements per unit of output," the upward trend in productivity is unmistakable. Indices of output per man-hour show an increase from 100 in 1946 to 119.3 in 1950—an increase of 19.3 per cent. Similarly, the indices of man-hour requirements show a decline from 100 in 1946 to 83.8 in 1950—a fall of 16.2 per cent. The increase in productivity was slowest between 1947-48, presumably because of the general dislocation of trade and commerce following the Partition of the country and widespread communal disturbances in some parts of the country.

The increase in productivity is not uniformly shared by all the individual industries. Of the 29 manufacturing industries covered by this study, productivity seems to have increased in 25 and fallen in three between 1946 and 1950. In the remaining one, namely, producer gas plant industry, it was not possible to find out the trends, because the figures relating to this industry have been merged with the figures of the general and electrical engineering since the 1950 Census. The three industries in which productivity seems to have declined are distilleries and breweries, match and the electric lamp industries. The fall in productivity is the highest in the distilleries and breweries, presumably because of the partial utilisation of productive capacity and significant fall in output caused by the introduction of prohibition measures in various parts of the country. The fall in the productivity of electric lamp industry is almost negligible. Among the important industries in which output per man-hour seems to have increased between 1946 and 1950 are paper and paperboard, cement, general engineering, vegetable oil, glass and glassware, jute textiles, cotton textiles, iron and steel, sugar and chemicals. The six industries in which output per man-hour seems to have increased by more than 50 per cent, are plywood and tea chests, wheat flour, cement, paper and paperboard, fruit and vegetables and the sewing machine industries. The increase in output per man-hour, however, not been very consistent in case of starch, chemical, aluminium, copper and brass, iron and steel and paper and paperboard industries.

Within the limited space available at our disposal, it is not possible to give the tables of all the 29 manufacturing industries separately as we have done in case of the "all-manufacturing industries." An attempt has, however, been made to give the results of the findings in a consolidated form in Table II.

TABLE II.—Changes in Production per Man-hour and Unit Labour Requirements in the 28 Manufacturing Industries

		1946-50		
S. No.	Name of the Industry	Base Year 1946	Year 1950	
			P.M.H.	U.L.R.
1	Distilleries and breweries	100	57.1	175.2
2	Matches	100	95.0	105.3
3	Electric lamp	100	99.8	100.2
4	Paints and varnishes	100	101.1	98.9
5	Sugar	100	105.7	94.6
6	Ceramics	100	107.9	92.6
7	Iron and steel	100	108.9	91.8
8	Cotton textiles	100	110.9	90.1
9	Chemicals	100	113.6	88.0
10	Bicycle	100	115.0	86.8
11	Glass and glassware	100	116.2	86.3
12	Electric fans	100	118.1	84.6
13	Woolen textiles	100	123.0	81.3
14	Soap	100	125.8	77.0
15	Vegetable oil	100	127.2	78.3
16	Biscuits	100	129.6	77.6
17	Aluminium, copper and brass	100	129.6	77.1
18	Rice-milling	100	129.9	76.9
19	General Engineering	100	136.0	73.5
20	Tanning	100	143.0	69.9
21	Jute textiles	100	148.1	67.5
22	Starch	100	148.9	67.1
23	Plywood and tea chests	100	151.6	66.0
24	Wheat flour	100	154.7	64.7
25	Cement	100	159.1	63.0
26	Paper and paperboard	100	195.6	51.1
27	Fruit and vegetables	100	209.8	47.7
28	Sewing machines	100	215.3	46.5

INTERPRETATION OF FINDINGS

These productivity indices, though simple in appearance and form, are sources of innumerable statistical pitfalls. Utmost care and caution are, therefore, needed both in the analysis and interpretation of the observational data. Productivity indices should never be treated as strictly quantitative ratios, unaffected by any dynamic change either in the behaviour or relationship between different determinants of productivity, nor should the changes in productivity be ascribed to any particular factor. Productivity indices show the combined influences of large number of separate, though interrelated, influences such as the degree of plant utilisation, the economy in the use of input factors, the efficiency and skill of workers, the administrative and executive policy of the management, labour-management relations and the general atmosphere prevailing in the country.

Generally speaking, the productivity advances result from the fortuitous combination of several favourable influences such as the ingenuity of engineers and technicians in devising new innovations and improved techniques; the imagination, judgment and willingness of the management to accept the innovations; the availability of sufficient capital and borrowing facilities; the existence of potential markets; more continuous and uninterrupted flow of raw materials and components, and the favourable attitude and behaviour of workers. No less significant are the administrative and financial policies of the Government which may stimulate or dampen the urge for higher productivity, and the prevailing social, psychological and political atmosphere which may assist or retard further advances in industrial productivity. It would be misleading to attribute the changes in productivity to any individual factor or group of factors.—All Rights Reserved.

HINDUSTHAN GENERAL INSURANCE SOCIETY, LIMITED

for
Service and Security

BOARD OF DIRECTORS:

Dr. N. N. Law, M.A., Ph.D. (Chairman)
Kumar Pramatha Nath Roy
Shri N. C. Datta
Shri J. K. Mitter
Shri P. N. Talukdar, M.A. (Cantab.)
Dr. S. B. Dutt, Ph.D. (London)
Shri M. L. Dahanukar
Shri M. M. Amersey
Raja Radha Raman of Pilibhit

BRANCHES AT:

BOMBAY - - - - - Hornby Road, Fort
MADRAS - - - - - Armenian Street, G. T.
LUCKNOW - - - - - Hazratganj
NEW DELHI - - - - - 64, Queensway
HYDERABAD (Deccan) - - - - - 113, Station Road
CUTTACK - - - - - Ganesh Ghat
NAGPUR - - - - - 216, Raghavendra Rao Road, Civil Lines
INDORE CITY - - - - - Sardar Buildings, Traffic Route No. 2,
622, New Yashwant Road
GAUHATI - - - - - Hindusthan Buildings, Pan Bazar
PATNA - - - - - Rajendra Path
JALPAIGURI - - - - - Anjuman Buildings
ASANSOL - - - - - Hindusthan Buildings, West End, G. T. Road
ERNAKULAM - - - - - 21/353, Padiath Road
BANGALORE - - - - - Kempgowda Road
DACCA - - - - - 4, Chittaranjan Avenue

Head Office:

HINDUSTHAN BUILDINGS, CALCUTTA—13

FIRE — MARINE — MOTOR — MISCELLANEOUS ACCIDENT

COAL

from the famous

DISHERGARH AND PONIATI SEAMS



There is no shortage of these high quality coals and enquiries for them will always be given our prompt attention.

BENGAL COAL COMPANY, LIMITED

8, CLIVE ROW, CALCUTTA - I

Telephone: BANK 4312

Telegrams: 'COLLIERIES'

TABLE I.—Indices of Production, Employment, Man-hours' Productivity, and Unit Labour Requirements in 29 Manufacturing Industries
1946=100

Year	Production (revalued at constant prices)	Production workers	Man-hours	Output		Unit labour requirements	
				Per worker	Per man-hour	Production workers per unit	Man-hours per unit
1946	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1947	110.4	107.2	104.3	103.0	105.8	97.1	94.5
1948	115.1	111.4	108.4	103.3	108.1	96.8	94.2
1949	117.6	109.8	104.0	107.1	113.1	93.4	88.4
1950	122.4	105.9	102.6	115.6	119.3	86.5	83.8

BATLIBOI & CO.

(Electrical, Mechanical and Textile Engineers)
(On Approved Government Lists)

Suppliers of all different types of Machinery

OFFER :-

I—MACHINE TOOLS :

- (a) **MYSORE KIRLOSKAR LTD., Harihar:**—Belt and Electric Driven Lathes, All Geared Head Lathes; Pillar Type Drilling Machines; Planing Machines; Power Presses; Hack Saw Machines.
- (b) **COOPER ENGINEERING LTD., Satara Road:**—Shaping Machines.
- (c) **PRAGA TOOLS CORPORATION LTD., Secunderabad-Dn.:**—Horizontal and Universal Milling Machines, Drilling Machines and Small Tools.
- (d) **CZECHOSLOVAKIAN MAKE MACHINE TOOLS :**—Centre Lathes, Capstan and Turret Lathes, Automatic Lathes; Milling Machines; Universal Horizontal and Vertical Slotting Machines; Grinding Machines; Universal Tool and Cutter Grinders, Vertical Crank Shaft Grinders, Universal Hydraulic Cylindrical Grinders, Surface Grinders; Horizontal Boring, Drilling and Milling Machines; Spring Hammers; Threading Machines; Plastic Injection Moulding Machines and Hydraulic Bakelite Moulding Presses; Die Casting Machines, Foundry Machines.
- (e) **WILHELM HEGENSCHIEDT K.G., Germany:**—Railway Wheel Lathes, Journal Turning and Roller Burnishing Lathes.
- (f) **GEORGE FISCHER LTD., Switzerland:**—Automatic Hydraulic Copying Lathes with latest devices.
- (g) **JOSEPH RHODES, England:**—All Sheet Metal Working Machines including Guillotine Shears, Power Presses, Bending Presses, etc. (Both Mechanical and Fluid Driven).
- (h) **MUHR UND BENDER, Germany:**—Punching and Shearing Machines.
- (i) **ALZMETALL, Germany :**—Drilling and Tapping Machines.
- (j) **INDUSTRIEWERKE RHEINBOLLEN, Germany:**—Pneumatic Hammers.
- (k) **PROLL & LOHMANN, Germany :**—Rolling Mills, Spring Eyelet Rolling Machines, Hot Forging Presses, Spring Leaf Bending Presses, etc.
- (l) **F. A. SCHEU, Germany :**—SCHEU "TURRET LATHES."
- (m) **EMMERICHER MASCHINENFABRIK VON, Germany :**—Spring Testing Machines.
- (n) **CLAUSEN & PETERMANN, Hagen-Haspe :**—Double-ended Pedestal Grinding Machines.

II POWER PLANTS (Steam and Hydraulic) :

- (a) **ALSTHOM (France):**—Boilers, Steam Turbines, Generators, Transformers, H.T. Switch Gear, Electric and Diesel Locomotives, Mercury Arc Rectifiers, etc.
- (b) **C.G.E. (France) :**—E.H.T. Switch Gear upto 400 K.V., Transformers, Static Condensers, Electric Cables upto 400 K.V., etc.
- (c) **NEYPIC (France):**—Hydraulic Turbines (Francis, Kaplan and Pelton), Hydraulic Gates, Valves, etc.

III—TEXTILE MACHINERY :

(a) SPINNING :

1. **TEXTOL CO. LTD., Coimbatore :**—Carding Engines, Drawing Frames, Speed Frames, Ring Frames, Reeling and Bundling Presses.
2. **HARTMANN of Chemnitz, Germany :**—Combers; Spinning and Preparatory Machinery for Wool, Worsted, Waste and Jute.
3. **VAG WERKE OTTO GRAF & CO., Germany :**—Card Vacuum Stripping Plants.
4. **JAMES HOLDSWORTH BROS., LTD., England:**—Card Clothing for Cotton, Wool, Waste, Jute, etc.
5. **DAYTON RUBBER EXPORT CORPORATION, U.S.A. :**—Synthetic Rubber Cots, Aprons, etc.

(b) WEAVING :

1. **BARBER-COLMAN CO., U.S.A. :**—Automatic Spoolers, Superspeed Warpers, Warping Machines and Drawing-in Machines.
2. **LOUIS SCHOENHERR of Germany :**—Automatic Pirm Winders, High Speed Hollow Cop Winders, Hot Air Sizing Machines and Cylinder Sizing Machines.
3. **MYSORE MACHINERY MANUFACTURERS LTD., of Bangalore :**—Plain and Automatic Looms, Drop Box Looms and Dobbies.
4. **EGELHAAF of West Germany :**—Flat Steel Heddles and Frames.

(c) FINISHING :

1. **METAL MOULDERS LTD., Ahmedabad :**—Bleaching, Dyeing, Finishing and Printing Machinery.
2. **HAUBOLDS of Germany :**—Calenders, Water Mangles, Hot Air Stenters.
3. **ZITTAU of Germany :**—Bleaching, Dyeing, Package Dyeing, Printing Plants and Chainless Mercerizers, Hark Yarn Mercerizers.
4. **WEISBACH of Germany :**—Finishing Ranges, Starch Mangles, etc.
5. **ROSSWEINER of Germany :**—Doubling, Folding and Measuring Machinery.

(d) GENERAL :

1. **AMELORAIR of Paris :**—for Industrial air-conditioning.

IV—GENERAL :

- (a) **CAMPBELL** Horizontal Slow Speed Diesel Engines 15/16, 5 H.P. **BATLIBOI** Vertical Diesel Engines 5 H.P.
- (b) **MAK** German Diesel Engines of Capacities higher than 50 H.P. Proof and totally enclosed types.
- (c) **D.P.F.** Centrifugal Pumps and Pumping Sets and **Flow More** Self Priming Pumps and Pumping Sets.
- (d) **MARS** Electric Hoists, Czechoslovakian and German Lifting Tackles.
- (e) Electric and Gas Welding Sets and Electrodes.

V—INDUSTRIAL MACHINES AND EQUIPMENT :

Wood-working Machinery; Tinsmith Machinery; Printing and Card Box making Machinery; Dairy Machinery and Equipment; Pharmaceutical Machinery; Machinery for Leather Industry, Vacuum Cleaners, Time Recorders, etc., etc.

For Advice and Information on Technical and Industrial Matters, Please Contact:—

BATLIBOI & COMPANY

Forbes Street, Fort, BOMBAY I

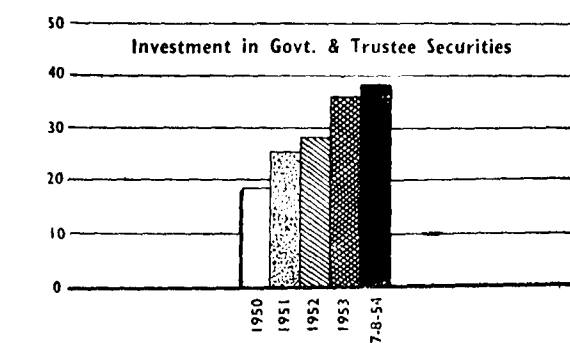
OR

3-153, Broadway, MADRAS 5-355, Avanashi Road, COIMBATORE
P-34, Mission Row 55-5, G. B. Road, New Chowri, DELHI
Extension, CALCUTTA 26-59, Birhand Road, KANPUR
Reid Road, AHMEDABAD 12-20, Convent Street, VIJAYAWADA

ASSOCIATES :

- (1) Messrs. **BATLIBOI LTD.**, Silver Jubilee Park Road, BANGALORE.
- (2) Messrs. **BATLIBOI & CO. (HYD.) LTD.**, New Mody Building, Jeera Corner, Rashtrapati Road, P. B. No. 51, SECUNDERABAD-Dn.

HOW BANK SAVINGS HELP THE FIVE YEAR PLAN



The deposits of the Punjab National Bank stood at Rs. 44 crores on January 1, 1951. By June 30, 1954 they exceeded Rs. 70 crores—an increase of Rs. 26 crores or 59%. This increase reflects the growing confidence of the public in the Bank and the spread of the banking habit to all communities.

It is interesting to note how this increase in Deposits has helped the Five Year Plan, upon which depends the future prosperity of the country. The Bank's investments in Government Securities, which stood at Rs. 19 crores in January, 1951, increased by 95%, i.e. to Rs. 37 crores by August 27, 1954. This shows how a very large portion of the savings of the nation entrusted to us have been placed at the disposal of the Government through investment in national loans to aid the Five Year Plan.

More than half of all deposits placed with our Bank have gone to the Government to help finance nation-building projects.

Our 310 offices are always at your service, helping you to save for the country.

Please open an account today and help the Five Year Plan.

THE PUNJAB NATIONAL BANK LTD.

(Established 1895)

HEAD OFFICE: DELHI.

SOME PROBLEMS OF BANKS IN INDIA FRIENDLY RELATIONS WITH STAFF MUST BE RESTORED

By "Nataraja"

It is only since the newspaper reports of the debates on Government modification of the Labour Appellate Tribunal Decision in the Lok Sabha and the Rajya Sabha in September, 1954, when some members of the Indian Parliament adversely criticised the working of Indian banks, that the public has begun to realise that all is not well with the working of Indian banks. Until then, the public believed that Indian banks had continued to enjoy the ease and prosperity which had been engendered by the War and that all was well with them. The feeling of uneasiness in the mind of the public has been increased by the strike of bank workmen on 23rd September, 1954, which was completely successful in Calcutta, largely so in Bombay and partially so in a few other centres, to protest against the Government modification of the Labour Appellate Tribunal Decision. There is justification for this feeling of uneasiness in the public mind, because, although most major industries in India have been able to expand their activities and their production during the last two or three years, banking is the only major industry in India which has continued to experience a setback since the Partition of the country. All well-wishers of private enterprise in India should find out the causes of this condition of Indian banks as a whole and seek measures to remove them. Otherwise, there is the danger that the cry for nationalisation of banking, which is a small cry at present, may rapidly go on gathering strength, until, in a few years, it becomes so powerful as to compel Government to submit to it and to nationalise banking in India. If banking is nationalised, a death-blow would be given to all other private enterprises in the country. Even before this happens, rapid expansion of banking is necessary for the success of India's Five-year Plans.

SHROFF COMMITTEE FINDINGS

With the consent of the Government of India, last year, the Reserve Bank of India appointed the Committee on "Finance for the Private Sector," under the chairmanship of Mr. A. D. Shroff, to examine, among other things, the possibility of providing, on a larger scale, bank finance for development in the private sector. The Committee has made a number of useful suggestions for the purpose and has recommended that the Government of India should immediately appoint an Expert Committee to examine, among other things, ways and means of rationalising the wage and salary structure in the banking sector and to explore possible avenues of reducing the burden of operating costs to banks. The terms of reference of the Bank Award Enquiry Commission, of which Mr. Justice Rajadhyaksha is the sole member, are wide enough to enable the Commission to deal with these problems. But it is doubtful whether the Commission will do so, in sufficient detail and degree, especially as no person possessing firsthand knowledge of banking is associated with Mr. Justice Rajadhyaksha on the Commission and also because the Commission is understood to have been requested to submit its report to Government within three months. Not much has been done so far to carry out the other recommendations of the Shroff Committee, although it is seven months since the publication of its report. It is hoped that much more will be

done to give effect to them during the coming year.

PROOF OF SETBACK

There are several indications to show that Indian banking continues to suffer a setback since the Partition of the country. The deposits of Indian Scheduled banks in the Indian Union, which stood at Rs. 769 crores at the end of 1948, went on falling and stood at Rs. 671 crores at the end of 1953. The total deposits of Indian banks, Scheduled and non-Scheduled, in the Indian Union, which stood at Rs. 843 crores at the end of 1948 went on falling and stood at Rs. 735 crores at the end of 1953. The total number of banking offices in the country fell from 5,277 at the end of 1948 to 4,839 at the end of 1952. There was a slight improvement in this respect during 1953 and the number stood at 4,879 at the end of 1953. The earnings of Indian Scheduled banks increased from Rs. 29.73 crores in 1948 to Rs. 34.34 crores in 1953, but on account of a more than proportionate increase in their expenses, their net profits fell from Rs. 8.07 crores in 1948 to Rs. 6.51 crores in 1953. The former increased from Rs. 7.52 crores in 1948 to Rs. 9.51 crores in 1953. The latter increased from Rs. 9.50 crores in 1948 to Rs. 13.26 crores in 1953.

STAFF RELATIONS

Thus, it is seen that increase in establishment expenses is the most important cause of the fall in the net profits of Indian banks; increase in interest paid on deposits being the next most important. Bank managements have been stressing the former before Bank Tribunals and the Government of India, with a view to obtaining some reduction in the burden and at least a check to its expansion in future. At the same time, it should be remembered that the dispute between bank managements and their workmen has gone on for more than seven years, that it is becoming aggravated with the passage of each year and that the desired expansion of Indian banking in the immediate future will be very difficult, unless peace is restored in this industry.

Before the war, bank workmen were so docile and quiet that the efforts of labour leaders to organise them into unions did not succeed. Taking advantage of this situation, bank managements paid them low emoluments which, however, were tolerated because the cost of living was low. During the war, although banks went on making large profits and although the cost of living went on rising, there was little improvement in the emoluments paid to bank workmen. Consequently, a severe reaction took place among bank workmen, who organised themselves into unions and became more and more vocal. A number of Tribunals was appointed, which gave their awards. The banks, however, appealed against them for one reason or another. But the setting aside of each subsequent award has made the restoration of peace in the banking industry more and more difficult.

It is not suggested that all or even most of the demands of the bank workmen are reasonable and that they should be conceded by bank managements. All that is intended to convey here is that the appointment of one Tribunal after another to settle the dispute between banks and their workmen is not conducive

to peace in the industry, which is essential for the expansion of the industry, and that banks, Government and bank workmen must join hands to settle the dispute, with a determination to re-establish the long-lost peace. In the interests of this peace, bank managements should be prepared for a reasonable annual expansion in their establishment charges and should make serious efforts to more than make up for it by increasing their earnings by way of raising their interest rates on advances and reducing the expense item of interest on deposits by way of reducing the rates of interest paid on them, as will be indicated later.

For the last seven or eight years, much of the time of the chief executives of banks has been taken up with the dispute and they have not been able to concentrate upon the expansion of the activities of their banks. It is reported that the chief executive of a major bank has had to give most of his time during this period to this matter and has been able to spare little time to the needs of the consolidation and expansion of the operations of his bank. Bank workmen, on the other hand, should be made to realise that their true interests in the long run depend upon the expansion of their banks and that the continuance of the dispute would militate not merely against the interests of the shareholders of banks, but also against their own long-range interests as well as those of the depositors and the nation. They must also realise the necessity of rendering a full day's labour in return for a fair wage.

INTEREST RATE ON DEPOSITS

It has been mentioned above that, next to establishment charges, interest paid by banks on deposits has been the most important cause of the increase in their expenses and the fall in their net profits and that it is desirable to reduce this expense. During the last three or four years, on account of excessive competition among banks, they have been paying higher interest rates on deposits than before. During a part of 1953, for instance, even some of the major Scheduled banks paid 3½ per cent. on call money, 3 per cent. on current account, 2½ per cent. on savings bank account and 3½ per cent. on deposits for one month, three months, six months or a year. The most undesirable part of this situation pertains to call money.

As a result of very keen competition among banks, they allow their large clients to transfer funds from their current accounts to call, and back to their current accounts when the clients need the funds, so that every morning, during a substantial part of the year, banks receive instructions either in writing or on the phone from their large clients to transfer large funds from current account to call or from call to current account, according to the convenience and need of the clients and not of the banks. During a substantial part of the year, the banks pay 3 per cent. or even 3½ per cent. plus brokerage on call money. As this amount used to remain formerly in the current accounts of the clients in these banks, this new practice amounts to paying interest almost at the Bank rate on a large portion of current account funds. All this money used to remain in current accounts earning interest at ½ per cent.

One can understand banks borrowing at such a high rate from each other for balancing their books at the end of the day instead of going to the Reserve Bank for borrowing the funds required for this purpose at the Bank rate. But it is very undesirable that banks should burden themselves with this interest by allowing their clients to transfer large sums from their current accounts with the banks to call deposits or should allow business houses to disturb each other's similar accounts, because the result is that all banks have to bear the burden of higher interest on their deposits. It may be noted that this new practice does not bring any fresh money into the banking system. In equity, the business houses are not entitled to this facility and they enjoy this advantage only on account of the keen competition among banks. In this connection, the following passage from pages 27-28 of the publication of the Reserve Bank of India, entitled *Trend and Progress of Banking in India* for 1953, may be read with interest:

"An aspect of recent banking development which needs to be mentioned here is the trend in deposit rates in this country. With the rise in the Bank rate in the U.K. in March, 1952, there was increasing evidence that Exchange banks, which had hitherto relied in some measure on borrowing in London, were seeking resources in the local market by raising their deposit rates and increasing their savings bank business. This led to an increase in rates offered by the major Indian banks also and, despite the subsequent reduction of the Bank rate in the U.K., the competition for deposits still appears to be keen. The Reserve Bank has had the situation under observation and it is hoped that leading banks will agree amongst themselves on the question of fixing ceilings on certain types of deposit rates."

UNSUCCESSFUL EFFORTS

It is reported that strenuous efforts have been made by banks to arrive at an agreement, under the blessings of the Reserve Bank authorities, to check the above undesirable practice and to limit the rates of interest paid on different kinds of deposits so as to reduce the burden of interest on deposits falling upon them. It appears that a Committee of representative bankers met several times and drafted an All-India Agreement among banks having deposits of Rs. 7½ crores and over for restricting the rates of interest on bank deposits, that the Indian Banks Association, which has all the large and medium-sized Indian Scheduled banks and most of the smaller Indian Scheduled banks as its members, did its best to induce all its members having deposits of Rs. 7½ crores and over to accept the agreement, but that some of the member-banks expressed their inability to accept it on the ground that they would lose deposits to those banks which would remain outside the agreement on account of their deposits being less than Rs. 7½ crores. It is reported that, thereupon, the Committee abandoned the agreement and drafted a restricted agreement which would apply only to those offices of banks, having deposits of Rs. 10 crores and over, which were functioning in the cities of Bombay and Calcutta and only as regards call money. But it is said that, while the Exchange banks might not have been quite averse to accepting the all-India agreement, they have been unwilling to accept the restricted agreement on the ground that it would hit them much harder than it would hit the Indian banks, as the bulk of their operations are in

the cities of Bombay and Calcutta, whereas the bulk of operations of the Indian banks are spread all over the country.

RESERVE BANK MUST INTERVENE

It is now clear that the passive blessings of the Reserve Bank have proved unavailing and that banks have been obliged to abandon their efforts to check undesirable practices regarding interest rates on their deposits, which have resulted from the keen competition among them and which have increased considerably the burden of interest on them. All this seems to lead to the conclusion that this burden upon banks cannot be lightened, unless the Reserve Bank authorities are prepared to play a dynamic and more active role and induce the banks not only to arrive at an agreement in this matter but also to abide by it. Probably an all-India agreement is not practicable in the present economic conditions of the country. But it is essential to induce banks to arrive at regional agreements in this matter, region by region, and to see that they abide by such regional agreements.

INTEREST ON ADVANCES

It is even more necessary for banks, particularly the major and the medium-sized ones, to raise the interest rates which they charge on their advances, as they urgently need a larger income to meet their increasing expenses and as an increase in the interest rates on advances is the principal way in which they can increase their income. But raising the interest rates on their advances is a more difficult proposition for them than lowering the interest rates on their deposits. As they have failed to achieve even the latter, doing the former will prove very difficult for them.

The first reason for this situation is the excessive competition among banks which makes each bank afraid that its clients, particularly the big ones, would go to its competitors, if it were to raise the interest rates on its advances. In fact, on account of this excessive competition, the interest rates on advances to certain industries and in some regions have been lowered by some banks during the last two or three years, in spite of the urgent need for raising them, in order to enable banks to meet their increasing expenses resulting from the higher interest rates on deposits and growing establishment charges.

The second reason for this situation seems to be that the heads of a number of large business houses are directors of some banks and that, as directors, they ensure that their banks make large advances to their business houses at low rates of interest. There is a conflict between the interest of these business men as heads of certain business houses and their interest as directors of banks and it appears that, in this conflict, the former interest has been prevailing over the latter. It seems that banks cannot be extricated from this unfavourable situation also, unless the Reserve Bank authorities are prepared to play a dynamic and more active role in this respect, too, and induce the banks not only to arrive at an agreement to raise the interest rates on their advances but also to abide by it. In this respect also, an all-India agreement is probably not practicable in the prevailing economic conditions. It is, however, necessary to induce banks to enter into regional agreements in this matter also, region by region, and to ensure that they stick to such regional agreements.

BRANCH BANKING

Another aspect of the excessive competition among banks is the permission given by the Reserve Bank of India, in some cases, to the bigger banks to open their branches

in places which already have offices of the smaller banks. The reason given for such permission is that the establishment of offices of the larger banks in such places will raise the tone of banking and improve banking standards in such places. This reason is laudable, but actual experience has been that the branches of the larger banks, when established in such places, make the competition among banking offices there more severe than before, with the result that the difficulties in the way of the smooth and satisfactory functioning of the offices of banks in such places, far from diminishing, are increased. This experience indicates the necessity of the Reserve Bank abandoning its present policy in this respect.

Another problem is the urgent need for the extension of banking to semi-urban and semi-rural areas in India. This is seen from the facts that, whereas there is one banking office per 4,000 persons in Great Britain, 7,600 persons in the U.S.A. and 15,900 persons in Japan, there is one banking office per 90,000 persons in India; that, since the War, there has been a shift in income and saving capacity from the urban areas to semi-urban and semi-rural areas; and that there is a great need for stimulating and tapping the savings of the latter areas for financing India's Five-year Plans.

At present, less than 30 per cent. of the offices of Scheduled banks are in places having a population of over 25,000, whereas more than 50 per cent. of the offices of non-Scheduled banks are in places having a population of less than 25,000. It will be practicable for the Scheduled banks to expand up to taluka (or *tehsil*) towns and *mandis* or market towns or other towns of some commercial or industrial importance. It will be difficult for them to establish offices in smaller places, as their cost of running an office is greater than that of a non-Scheduled bank. Moreover, local non-Scheduled banks have better knowledge of customers in the smaller places, on account of their personal contact with such customers, and they can also cater better to the needs of the latter. Hence, non-Scheduled banks and co-operative banks will find it more practicable than Scheduled banks to establish offices in such smaller places.

LINK THE SMALL WITH THE BIG

There are, at present, over 400 non-Scheduled banks in the country. Some of them are doing useful work and are being managed on sound lines. In their own interest as well as in the interest of the expansion of banking in the country on sound lines, it seems desirable to affiliate or link them to one or other of the Scheduled banks. If five non-Scheduled banks are thus associated effectively with a Scheduled bank, all non-Scheduled banks will be taken care of by the Scheduled banks. The Scheduled banks, with which they are associated, should exercise supervision over them, without destroying their entity, and, in course of time, the former should hold an appreciable portion of the share capital of the latter and make themselves responsible for the sound working of the latter. Every non-Scheduled bank should indicate on its stationery, forms, advertisements, etc., the Scheduled bank to which it is affiliated. After some time, some of these non-Scheduled banks may become Scheduled banks, while some others may get merged with the Scheduled banks with which they are linked. Before this happens, the non-Scheduled banks, with the strength which they will derive from connection with, and supervision of, Scheduled banks, will be able to establish more

offices in smaller places, while the Scheduled banks will establish offices in places which are commercially a little more important, as indicated above. This development will be practicable only if the managements of Scheduled banks adopt a more progressive outlook and if the Reserve Bank authorities are prepared to play a more active role in the development of banking in India.

FRESH OUTLOOK NEEDED

The problems of Indian banking have now become so complex and difficult that they need a fresh outlook and a capacity for quick adjustment to changing conditions on the part of the top executives of banks. It will not be fair to expect these qualities from those executives of banks who are very old in age and who cannot, therefore, be expected to get out of the groove in which they have been functioning for many years. It would be a relief to bank managements if such executives retire voluntarily. Such retirement should be a relief to the executives themselves also and would enable them to spend the remaining few years of their life in peace and happiness, free from the constant worries of tackling difficult problems and worsening industrial relations.

This retirement will prepare the way for another reform which is urgently needed, namely, a reduction in the very high total emoluments which some of the bank executives have been receiving. These high emoluments have produced a very unfavourable psychological effect upon bank workmen and has been one of the causes of the worsening of industrial relations in banks. It may be conceded that considering the constant strain of heavy responsibilities which the chief executives of the larger banks have to bear, they are entitled to high emoluments. But, in view of the low *per capita* income of the country and the spirit of the present times, the chief executives of the bigger banks should be prepared to accept substantially lower emoluments in a spirit of service and sacrifice.

GREAT PSYCHOLOGICAL VALUE

It is true that the financial effect of such a reduction in the emoluments of the chief executives would be very negligible, as the funds released thereby would not enable banks to raise the emoluments of their workmen even by a single rupee per month. But the psychological effect of such a measure upon bank workmen would be very favourable and it will help improve industrial relations in banks. It should be remembered that the psychological factor is very important in all human affairs. If banks do not voluntarily, and with good grace, reduce the emoluments of their top executives, in those cases in which the emoluments are regarded to be too high at present, the strength of public opinion may make Parliament pass legislation after some time, compelling banks to do so.

The Indian Banks Association consisting of all the larger Indian Scheduled banks, except one or two, all the medium-sized Indian Scheduled banks and most of the smaller Indian Scheduled banks, during the last eight years of its existence, appears to have done useful work in representing the grievances of member-banks to the Government of India, some of the State Governments and the Reserve Bank of India and getting some of their difficulties removed. But it does not seem to have been able to check either the severe competition among its member-banks or the jealousies and rivalries among them. An improvement in these matters can be brought about only

by the Reserve Bank by the adoption of a more active and stronger policy.

ALL-INDIA ASSOCIATION

The Shroff Committee on "Finance for the Private Sector" has recommended that an All-India Association of Banks should be established very early for protecting the interests of banks and arriving at agreements among them on matters of common interest. In this connection, it appears that the Indian Banks Association is an All-India Association of banks and that all Scheduled banks, whether registered in or outside the country, are eligible to become its members under its rules. Hence, the Exchange banks functioning in India and the Imperial Bank of India can become its members. But the Exchange banks, however, have associations of their own in Bombay, Calcutta, Madras and Delhi and the Imperial Bank considers itself to be in a special position on account of being the agent of the Reserve Bank. Consequently, they would probably be not willing to join the Indian Banks Association. In view of this situation, a Federation of Banks Associations in India, composed of the Indian Banks Association, the Exchange Banks Associations and the Imperial Bank of India may be established to fulfil the objects of the All-India Association of Banks recommended by the Shroff Committee.

It is reported that the above Associations and the Imperial Bank of India have already been meeting informally to deal with matters of common interest such as employer-employee relations and interest rates on deposits. This can be developed into a regular Federation of Banks Associations in India. The Federation may find it desirable to establish regional committees and to delegate certain powers to them.

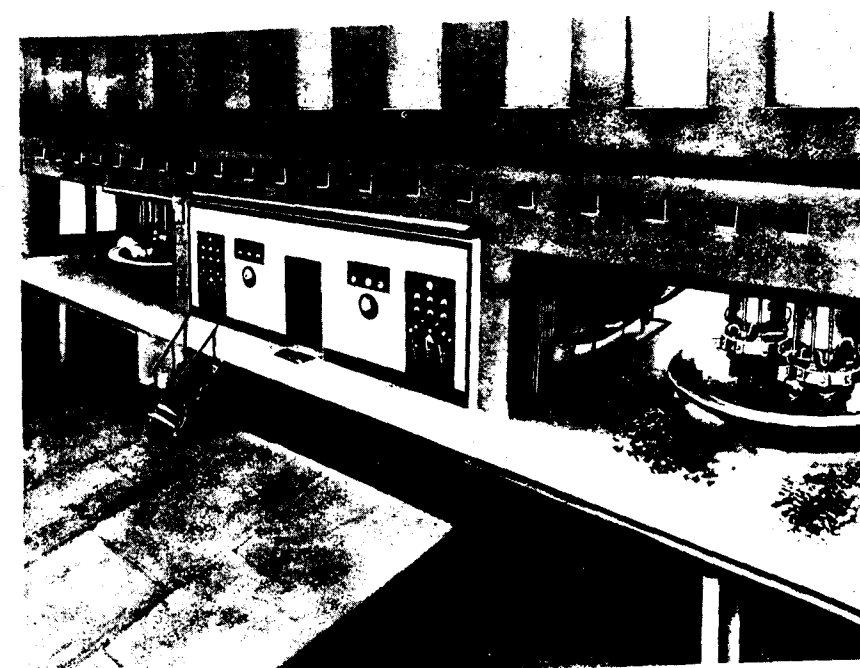
It has been stated before that the Reserve Bank will have to play a dynamic and more active role in the solution of the problems of Indian banking, some of which have been indicated above. This means that the head of this institution must possess a dynamic personality, first-rate drive and abundant energy in addition to sound practical knowledge of banking and finance and that he must have the fullest co-operation of his deputies and other officers. These considerations indicate that the head should not be a very old person and should have personal and friendly relations with his deputies and officers.—All Rights Reserved.

\$50 MILLION LOAN TO BELGIUM

By a combined transaction, the first of its kind, Belgium has obtained a loan of \$50 million (£17.9 million) from an American banking group, headed by Morgan Stanley and Co., and the World Bank. The American banking group has underwritten and is offering to the public \$30 million of Belgian bonds with four different maturities of which \$5 million are for three years at 3½ per cent., \$5 million for four years at 3½ per cent., \$5 million for five years at 3½ per cent.—all offered at par—and \$15 million are ten-year 4 per cent. sinking fund bonds offered at 99½.

The World Bank is granting the remaining \$20 million in the form of a 15-year 4½ per cent. loan. Amortisation will begin on 15th February, 1963, shortly after the redemption date of the ten-year bonds of the public issue. A substantial proportion of the public issue will be sold to foreign dealers in Britain, Belgium, Holland, Switzerland and other countries. Principal buyers of the bonds, which represent Belgium's first public issue in the U.S. for over 25 years, are expected to be large commercial U.S. banks, for their own account and for their clients. Proceeds of the \$50 million loan will be used to finance improvement and modernisation of Belgium's inland waterways and of the port of Antwerp.

G.W.B. - Tagliaferri ARC & ELECTRO-CHEMICAL FURNACES



A complete plant for manufacture of Calcium Carbide supplied to a customer in South America. Furnaces use Soderberg type continuous forming electrodes.

Absence of coal in Italy has acted as a spur to the development of Hydro-Electric Power. M/s. ING. LEONE TAGLIAFERRI & C-S. P. A. & M/s. ALDO TAGLIAFERRI of Milan have made an important contribution in supplying furnaces for utilizing these large blocks of power.

Now by virtue of technical licensing arrangements with our Principals, M/s. G. W. B. FURNACES LTD. of Dudley, England, these well proved designs are available made in U. K. at competitive prices.

We Can Supply

- (1) Direct Arc Electric Furnaces for Iron and Steel Industries—capacities 1/2 Ton to 60 Tons.
- (2) Mains Frequency Induction Furnaces.
- (3) Complete Plants for Electro-Chemical Industries for production of Ferro-Manganese, Ferro-Silicon, Silicon Carbide, Calcium Carbide, etc.

For further details contact Sole Agents:—

INDIAN WILD-BARFIELD COMPANY, LIMITED.

LOTUS TRUST BUILDING, HORNBY VELLARD, BOMBAY 18

Telephone: 74687

Calcutta Office: 'Narayani,' 27/29, Brabourne Road, CALCUTTA I - Telephone: BANK 2441

Telegram: "ELECURN"

INCORPORATED IN PAKISTAN,
LIABILITY OF MEMBERS LIMITED



ESTABLISHED

1941

Habib Bank Limited

Head Office: KARACHI (PAKISTAN)

	Pak. Rs.		Pak. Rs.
Authorised Capital	- 3,00,00,000	Paid-up Capital	- 1,50,00,000
Issued and Subscribed Capital	- 1,50,00,000	Reserve Funds	- 1,00,00,000
Deposits as on 31-12-1953	- Pak. Rs. 37,27,00,000		

PAKISTAN BRANCHES:

KARACHI.	15. LARKANA.	31. LAHORE (The Mall).	45. MINGORA (Swat State).
1. BOMBAY BAZAR.	16. MIRPURKHAS.	32. LIAQUATABAD.	46. PESHAWAR.
2. BUNDER ROAD.	17. NAWABSHAH.	33. LYALLPUR.	BALUCHISTAN.
3. CENTRAL OFFICE.	18. SHAHDADPUR.	34. LYALLPUR (Kohinoor Nagar).	47. HARNAI.
4. INDUSTRIAL TRADING ESTATE B.	19. SHAHDADKOT.	35. MONTGOMERY.	48. QUETTA.
5. MEREWETHER TOWER.	20. SHIKARPUR.	36. MULTAN.	EAST PAKISTAN.
6. NAPIER ROAD.	21. SUKKUR.	37. OKARA.	49. CHANDPUR.
7. NEW CHALLI.		38. RAWALPINDI (Cantt.).	50. CHITTAGONG (K. C. Day Road).
8. SADDAR.	PUNJAB.	39. RAWALPINDI (City).	51. CHITTAGONG (Khatunganj)
9. SAFE DEPOSIT VAULT B.	22. BHAKKAR.	40. RAWALPINDI (Kohinoor Mills).	52. Dacca (Moulvi Bazar).
10. SHOE MARKET.	23. GUJRANWALLA.	41. SARGODHA.	53. Dacca (Saddar Ghat).
	24. JAUHARABAD.	42. SIALKOT.	55. KHULNA.
	25. JHELM.		56. NARAYANGANJ.
	26. KASUR.	N. W. FRONTIER.	57. RANGPUR.
	27. KHANEWAL.		58. SYLHET.
	28. LAHORE (Cantt.).		
	29. LAHORE (Circular Road).		
	30. LAHORE (Shahalam Mkt.).		

FOREIGN BRANCH:

BOMBAY (INDIA)

Habib Bank (Overseas) Limited

Head Office: KARACHI (PAKISTAN)

Branches: 1. RANGOON (BURMA) AND 2. COLOMBO (CEYLON).

All kinds of banking business including foreign exchange business such as opening of letters of credit, collection and negotiation of Foreign Bills, remittances to Foreign Countries and issuance of Travellers Cheques, all over the world, undertaken.

FOREIGN CAPITAL AND ECONOMIC DEVELOPMENT

SIGNIFICANCE OF INTERNATIONAL CAPITAL MOVEMENTS

By Karodt A. Joseph, M.A., L.T.

MADRAS EDUCATIONAL SERVICE

THE world is witnessing today a most paradoxical economic situation—a continuous international disequilibrium and capital shortage—in a world with great technological productivity and resources at the command of the great "industrial giant" of the new world. Before the First World War, with lesser productivity and resources, the world enjoyed a long era of peace and prosperity, with abundant capital resources available in the shape of pound-sterling under the leadership of Great Britain. In this age of controls, planning and rigidities under popular democratic Governments, the real troubles for the free flow of capital for economic development are matters of special significance to all the peoples of the undeveloped regions. In the earlier age, the whole economic system seems to have worked smoothly and successfully, inducing the free flow of capital and resources to the most needy regions under the system of private entrepreneur planning, free trade and gold standard. A historical and factual analysis of the international capital movements would be helpful to an intelligent citizen to judge for himself whether the tried instruments of the old world are preferable to the brand new economic tools of a brave new world.

Capital is an essential factor of modern economic system and economic progress everywhere depends very much upon the availability of capital and capital resources. Either in one's own country or in some part of the world, there must be capital formation by saving—a surplus of income over current consumption—and obviously it is easier for a rich country to save and lend the saved capital to the needy, rather than force a poor country to save and suffer. India's adverse balance of trade, dollar scarcity, capital shortage, foreign borrowings and American Aid—all have given an added importance to the problems of international capital movements and the mysteries of higher finance. In an age of slogans, we may cry down capitalists and capitalism as a vote-catching device in an ill-informed democracy, but no intelligent citizen can deny the solid fact that capital is absolutely essential for all economic developments. Whether that capital is owned and managed by private individuals and corporations, as under the system of free enterprise promoting efficiency and welfare, or owned by an impersonal institution like the State or the Government leading to inefficiency, indifference and a new slavery, is more a problem of socio-political ideology which is not of importance in our present context.

BEFORE THE INDUSTRIAL REVOLUTION

England at one time was a predominantly agricultural country like India today, and in those days, foreign trade, commerce and finance were in the hands of foreigners—Italians, French, Dutch and the Germans. These foreigners in England enjoyed at that time special privileges in the city of London and other commercial centres and the people of the country and the Government helped and encouraged such foreigners. It is only at the close of the sixteenth century and with the foundation of the East India Company that there was an end of this, and English merchants boldly ventured to send out their own ships with their capital to get a share of the trade and commerce of the world.

"We must make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realise their aspirations for a better life. And in co-operation with other nations, we should foster Capital investments in the areas needing development."—H. TRUMAN.

"Foreign capital has played a crucial role in some developments of the last few years and foreign aid has met emergencies fully beyond domestic resources of the countries of the region."—U.N.O. ECONOMIC SURVEY OF E.C.A.F.E., 1953.

From the profits of trading and manufacture came a stream of savings more than sufficient to finance the growth of industry at home. The surplus of savings, guided by London's specialised machinery of banks and financing houses, moved abroad in steadily growing volume freely to undeveloped regions. British capital built railways in Europe, in the United States, in South America, Canada, Australia and India. It encircled the world with cables and telegraphs and participated in the economic exploitation of the world. Plantations and industries; irrigation and electricity; railways and communication in India and elsewhere, were all helped by a free flow of the pound sterling as investment capital. The mines and mills of Great Britain transformed the country of smiling cornfields and prosperous farms into the workshop of the world, with smoking chimneys, grim factories and crowded slums. Britain supplied the expanding needs of a developing world, with the necessary capital, capital goods and consumption commodities, while the overseas countries supplied raw materials and food to Britain.

GOLDEN AGE OF POUND STERLING (1815-1914)

The main field of British Overseas investments till the middle of the nineteenth century was the Continent of Europe, and loans were freely granted to needy European countries. After the Napoleonic war, it was Great Britain that helped the reconstruction and rehabilitation of Europe. Banking houses like the Barings and Rothschilds, with headquarters at London and agents all over Europe, helped to finance the economic recovery of France, Prussia, Austria, Russia and Greece.

London became the centre of world money market and financing centre. The volume of sterling bills constantly coming into the London money market was immense. They chiefly arose out of the financial requirements of purely domestic economic activities as well as of foreign trade. Various causes contributed to the pre-eminence of the pound-sterling as a world currency. Great Britain's paramount position in the international trade as the exporter of manufactured goods and the importer of raw materials and food, her predominant position as an international financier and investor; the stable value of the pound-sterling in terms of gold due to the gold standard system, and above all the prestige and position of the London banks and financing houses helped in maintaining this position. As a result of the continuous accumulation of sterling deposits, the London money market established a smooth operating financial system of international clearance. London thus became the world's great financial centre, furnishing short-term credits to foreign, as well as British importers, to overseas borrowers needing funds to meet a temporary excess of foreign claims over foreign credits and providing through the capital-raising activity of the security-issuing houses, sterling loans, for

foreign long-term capital requirements.

CAPITAL FLOW TO EUROPE

Fifteen years following the battle of Waterloo, England sent £50 million to Europe; £20 million to South America; and £6 million to the United States. This capital distribution and international financing were done by a few individuals and financing institutions without any Government interference or control. A great contractor, like Thomas Brassey from England, planned the main railway lines in European countries, obtained concessions from the Governments and created companies to build them. Thus capital, technical skill and organising ability poured into Europe to build Europe's transport and industries. When the first stage of railway construction ended in Western Europe, British capital had to look to other fields for profitable investments. There was thus an increased flow of British capital to Eastern Europe, South America, United States, British Dominions and India.

These capital movements were directly controlled from London, especially those moving to South American and Indian enterprises, because of the absence of financial skill and business ability. It was during this era that the British public began to take interest in investments and this led to the development of the London Stock Exchange and the money market which became the hope of the newly enfranchised classes in the country. World prosperity was promoted by a steady increase in company flotations, loan arrangements and capital investments. London discount market, where the whole world was both a borrower and a lender, was the crux of the centralised pre-war world credit system. This market was, from the world point of view, an international credit mechanism under expert British control. It centralised and standardised, in the form of sterling bills, the most fluid part of what Bagehot called the world's "Cosmopolitan Loan Fund" in the channel of Lombard Street.

The construction of railways in the New World and India increased the commerce of the world. Wheat, cotton, jute, rubber and other raw materials and foodstuffs poured into Europe, facilitating industrial expansion and increasing foreign trade. Since the bulk of the finance and capital came from Great Britain, the British nation began to enjoy the benefit of a higher standard of life from increased national income. The calculus of private profit gold standard, free trade and free flow of capital, led to a satisfactory distribution of the capital resources based on the principles of competition and free enterprise.

There was greater and growing demand for rails, locomotives and rolling stock and British industries prospered. Between 1856 and 1885, Britain sent £163 million of iron and railway equipments abroad. A third of the capital raised for Indian railways was spent in Britain and in transport charges for British shipping concerns. During this period,

British investments abroad increased from £300 million to £1,300 million. The Civil War in the United States caused a slight interruption in the free flow of capital to that country, but there were other countries like India which were eager to receive foreign capital. In 1872, Britain sent out to other countries £85.2 million for investment, while, by 1907, the annual capital outflow amounted to £140.2 million. On the eve of the First World War (1914), the annual capital investment reached the peak figure of £220 million, and the total British investments abroad in 1914 reached the highest figure of £4,000 million. This amount was greater than the investment by all other countries. France in 1914 had foreign investment amounting to £1,800 million and Germany £1,200 million. One half of the British overseas investments were within the British Empire; Canada had £514 million, Australia and New Zealand £400 million; India, Burma and Ceylon £383 and South Africa £370 million. In the United States, British investments amounted to £754 million, while Argentina had £300 million; Brazil had £148 million and Mexico £100 million. British investments in Europe were comparatively small, the total being only £319 million, of which £100 million was invested in Russia.

DECLINE IN BRITISH INVESTMENTS

Britain's overseas investments began to decline after the First World War. Great Britain had built up her economy under the conditions of *laissez faire* and free trade, leaving a free play to the forces of comparative cost and free buying. She was thus transformed from an easy-going, rustic economy into an energetic, enterprising, manufacturing community; the focal point of world's industry, commerce and finance. But, by the close of the nineteenth century, national policies and natural tendency of revolutions in industry to spread across the boundaries, brought into being strong rivals with a broader base of resources and manpower. Britain, though still the world's greatest trader, slipped from her position of leadership in industry. The First World War brought in its train disruption and disequilibrium and though heroic attempts were made by the British to restore the economic position, these attempts proved unsuccessful. Impulses and efforts towards establishing greater freedom for comparative costs competed with the nationalistic policies. The world economy which had become less free than the Victorian Age moved rather uncertainly towards reliance upon the impersonal price mechanism. This phase suddenly ended with deepening shadow of the Great Depression. The sharp decline in income, the increase in unemployment and steady fall in price level led to world economic chaos. One nation after another adopted more and more stringent controls to export unemployment abroad by dumping and Government restrictions and to build an isolated closed economy. Economics of depression led the way to economics of recovery—all under strict Government control and planning. Flexibility, mobility and freedom in economic matters gave place to rigidity, restrictions, frictions and distortions.

Already by 1939, British foreign investments had declined to £3,692 million, bringing an annual income of £184.9 million. With rearmament and the Second World War the whole economic structure of the

BIRD AND COMPANY LTD.

AND

F. W. HEILGERS & COMPANY LTD.

GENERAL MERCHANTS AND MANAGING AGENTS



ENQUIRIES REGARDING:—

COAL, ENGINEERING, TIMBER, MINERALS, PAPER, JUTE, GUNNIES, INSURANCE, RESEARCH, STEAMERS, OIL, LABOUR, PATENT STONE, SUGAR, CEMENT, LIMESTONE, CANVAS, WIRE ROPES, WALLBOARDS, PNEUMATIC EQUIPMENT, BELTING, WATERPROOFING.

Branch Offices: KANPUR ★ NEW DELHI ★ VIZAGAPATAM

Head Office: CHARTERED BANK BUILDINGS, CALCUTTA

Hyderabad State Bank

Constituted under the Hyderabad State Bank Act with Liability of Members Limited.

PAID-UP CAPITAL - - - O.S. Rs. 75,00,000
RESERVE FUND - - - " " 76,00,000
DEPOSITS AS ON 30-9-1954 - - - " " 16,48,35,000

Offers complete Banking Service through a network of 53 of its Offices and through its Correspondents all over India.

Head Office: HYDERABAD-DECCAN.

OFFICES IN BOMBAY:

FORT BRANCH:
New India Assurance Building,
Mahatma Gandhi Road, Fort,
Bombay.

ZAVERI BAZAR BRANCH:
Bankatesh Bhuwan, 80/92,
Mirza Street, Bombay 3.

MANDVI BRANCH:
262-270, Narsinatha Street,
Bhat Bazaar, Bombay-9.

MADRAS OFFICE:
41, Linghi Chetty Street.

OFFICES IN HYDERABAD STATE

Adilabad, Aurangabad, Bhir, Bhongir, Bidar, Bodhan, City Branch (Pathergatti), Dharmabad, General Bazaar (Secunderabad), Gadwal, Gulbarga, Hingoli, Jadcherla, Jagtial, Jalna, Jangaon, Karimnagar, Khammameth, Kopbal, Kothagudum, Latur, Mahbubnagar, Mahbubgunj (Hyderabad), Mancherial, Manwath, Munirabad, Nanded, Narayanpet, Nalgonda, Nizamabad, Osmanabad, Parbhani, Parli Vajinath, Peddapalli, Purna, Raichur, Sailu, Shahabad, Secunderabad, Secretariat Pay Office (Hyderabad), Suryapet, Sultan Bazaar (Hyderabad), Tandur, Udgir, Umri, Vijapur, Warangal, Yadagiri, Zaheerabad.

Foreign Exchange Business of all types undertaken

Particulars of other services and recently enhanced rates for deposits may be ascertained from any Office of the Bank.

K. P. R. MENON,
Managing Director.

world was switched on to war needs. Britain was forced to liquidate most of her foreign investments and incur additional liabilities amounting to £3,000 million of foreign debts and bear the burden of a heavy internal public debt of £25,000 million. The world economy which was already in an advanced stage of disintegration before 1939 was wrenched from the already weakened foundations. But the Lend-Lease arrangement and U.N.R.R.A. obscured the seriousness of the financial situation.

With the end of the military conflict there arose the need for reconstruction and to weave together the shattered world economy. Britain's finances had been weakened and she had also additional burdens from the responsibilities of the Welfare State. American and Canadian help gave a temporary respite to Britain, but this could not solve the real problem. America's realisation of the crisis led to the evolution of the Marshall Plan, but, even after this help, Britain and all the countries of the sterling area, except Pakistan, had to devalue their currencies. The ineffectiveness of these measures are evident from the repeated financial crisis—Britain has to face, in addition to the huge rearmament programme. Prime Minister Churchill's trip to Washington and the Commonwealth Finance Ministers' Conference and the drastic cut in dollar imports by Britain—all these were symptoms of a deep-seated economic disease requiring more drastic remedies for a permanent cure.

DOLLAR SHORTAGE

A permanent solution of the present economic disequilibrium in the world economy can be brought about only by a restoration of a free flow of capital to the needy and underdeveloped countries and a free-trade policy by capital-rich countries like the United States. International prosperity of the nineteenth century was partly the result of international financing by Great Britain. But, after 1914, this has been considerably changed and, except for a brief period of six years (1920-26), international capital movements have not taken place in a substantial way. Today, the world is buying from the United States annually, commodities and services worth £1,500 million in excess of the exports to the United States and, unless the United States agrees to buy more or lend freely to the rest of the world, reconstruction and development will be difficult.

International payments are in a balance when the country is paying its way internationally, that is, when it is neither drawing upon its international resources to make excess payments, nor accumulating such reserves as a result of surplus receipts. This means that all its outward payments for imports, services or long-term foreign investment, must be balanced by equal "real" receipts for exports, services or long-term foreign investments in the country. More fundamentally, balance of payments equilibrium implies adjustment of the country's productive activities to the structure of factor prices within and outside the country. The distribution of its productive forces is adapted to and reflects its endowment with the particular kinds and qualities of the various factors in the existing state of technology and in the existing social conditions of production.

While such a condition rules out short-term international capital movements, it by no means excludes long-term international investment. A flow of capital for long-term investment is in response to differences in long-term interest rates, and these differences are enduring, and reflect international

disparities in the supply of capital. Long-term capital movements are a reaction induced by the underlying factor-price situation and are perfectly in agreement with continuing international equilibrium. Capital movements are a movement of the factor, as contrasted with a movement of the products of factors.

The present position of the United States is a unique dilemma. If it continues to prosper, it will become increasingly efficient and out-compete the rest of the world and make the balancing of accounts impossible for Western Europe or the rest of the world. If it fails to maintain a high level of employment, deflation and unemployment will spread throughout the world, again making international balance unattainable. If it invests overseas enough to keep its own economy stable and prosperous, the rising burden of debt will soon require such large service payments from overseas borrowers as to swamp their balance of payments. This explains the theoretical need for vast programme of aids like the Marshall Aid and Point Four Programme entailing no repayment problem at a later stage.

INTERNATIONAL LENDING

Foreign aids and free lending of capital by stimulating export may prove a valuable anti-depression device. Overseas investments by capital-rich countries are essential to prevent depression and unemployment. Underdeveloped countries are likely to have a deficiency in saving, relatively to investment opportunities, while mature economies like the United States have a persistent tendency for over-saving and lack of opportunities at home for profitable investments. In this situation an import surplus on current accounts—an adverse balance of trade—is to be welcomed as relieving poverty and accelerating eco-

nomie development rather than to be feared as a sign of economic ill-health, as popularly believed. But an import surplus of a country has to be paid for, and gold and foreign exchange reserve are usually very limited. The system can work only by capital imports by these regions and by a liberal scheme of foreign lending and foreign aid by the United States direct or through international institutions like the World Bank.

As Ellsworth points out, "a policy of international lending is admirably suited to the position of the U.S.A." The United States is the only country with ample financial resources to undertake a large-scale lending programme. It produces the machinery and equipment for industrial development so badly needed in many parts of the world, and it would stand to gain in many ways from a rise in living standard in the backward regions. Europe also would benefit from American Aid and free lending to underdeveloped areas. A considerable part of such loans or aids could and would be used for purchase in Europe, thus supporting Europe's exports and assisting in the permanent solution of Europe's balance of payments problem.

International lending allows the lender to maintain an export surplus which helps to offset excess savings and stimulates employment, and the borrowing country enables resources to be developed more rapidly and with less sacrifice and suffering. A slackening of foreign aid and free capital lending or a mistrust of these by nations will augur ill for the world. America's annual saving was estimated to be £8,000 to £10,000 in 1949 and today the amount must be larger. The national income of the United States, Canada and Australia is estimated to be 350 billion dollars and 2 per cent. of this

if diverted towards the development of underdeveloped areas would provide annually 7 billion dollars (one billion dollars is equal to 475 crores of rupees). Between 1905 and 1913, Britain exported on an average 7 per cent. of her national income for foreign investments, while, during the five years after the Second World War, loans granted by the United States amounted to only 3 per cent. of her national income. The U.N.O. Expert Committee Report on the development of underdeveloped areas has recommended an annual grant-in-aid of 3 billion dollars which is less than one per cent. of the national income of the rich areas and to carry out this work an International Finance Corporation and an International Development authority are recommended to be established in addition to the full utilisation of the existing international institutions like the World Bank and the I.M.F.

CONCLUSION

In the interests of world prosperity and political security, it is necessary for all countries of the world to encourage a free flow of international capital movements by creating the necessary climate. Such a movement of finance is twice blessed, as it helps the lender to avoid depression and benefits the needy in developing the resources and raising their standard of life. Already, the United States, according to the Gray Report, had sent out 43 billion dollars in the first five years of the post-war period, but much remains to be yet done. The food loan to India, the agreement on technical aid and the proposal of at least one billion dollars for Indian economic development by Mr. Chester Bowles are all pointers to the new awakening in the United States for the formulation of a global economic plan. An international political policy and military security cannot be built on the shifting sands of economic chaos and widespread poverty. American prosperity depends upon world peace and a minimum social security for the rest of the world. Just as it is not possible for a great Democracy to be half slave and half free, so also a world Commonwealth cannot long survive with 90 per cent. in want, poverty and distress and 10 per cent. of the lucky rich enjoying God's gifts and nature's resources. We live today in a world in which inter-communication and speedy transportation make self-sufficiency and economic isolation utterly impossible even for the richest and mightiest of the modern nations.—All Rights Reserved.

Notice

THE BRITANNIA BISCUIT COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend of As. 4-6 per share (i.e., 2-13/16 per cent.) on Ordinary Shares and 4 per cent. on Preference Shares has been declared by the Directors for the year ending 31st March, 1955.

The Dividend Warrants will be issued on or after the 17th January, 1955, to those shareholders whose names stand on the Company's Register on the 14th January, 1955.

By Order of the Board,
(Sd.) A. P. CHANDA,
Director and Secretary.

15, TARATALA ROAD,
CALCUTTA 27, 18th December, 1954.

THE INDIAN OVERSEAS BANK LTD.

ESTABLISHED 1937

CENTRAL OFFICE: MADRAS

Subscribed Capital	..	..	..	Rs. 50,00,000
Paid-up Capital	..	..	..	Rs. 49,04,925
Reserve Fund	..	..	..	Rs. 22,50,000

★

BRANCHES IN INDIA

Alleppey	Devakottai	Madras—Mount Road	Quilon
Bangalore City	Guntur	Madras—Theagarayanagar	Salem
Bombay—Fort	Karikal	Mangalore	Sirkali
Bombay—Mandvi	Karasavalpatti	Mathurai	Sivagangai
Calcutta	Kozhikode	Mayuram	Tirunelveli Town
Cannanore	Kumbakonam	Nagapattinam	Tiruvarur
Cochin	Madras	Pondicherry	Tiruchirappalli
Coimbatore		Pudukottai	Trivandrum
			Tuticorin

PAY OFFICES AND OUTSTATIONS

Koothanallur	Perambavoor	Burma	..	..	..	Rangoon
Kuttalam	Pudupatti	Ceylon	..	..	..	Colombo
Mysore	Tanjore	Malaya	..	..	..	Ipoh, Kuala Lumpur, Malacca, Penang, Singapore
		Thailand	..	..	..	Bangkok

OVERSEAS BRANCHES

FOREIGN CORRESPONDENTS AT IMPORTANT CENTRES

The services of the Bank's Foreign Department are available to all constituents. Direct contact with correspondents in all important world-centres enables the speedy handling of all types of Foreign Business and provides constituents with introductions to Foreign Exporters and Importers all over the world.

C. P. DORAICANNU,
General Manager.

for **Q**uality
and **D**urability

THE PODAR MILLS LIMITED

BOMBAY

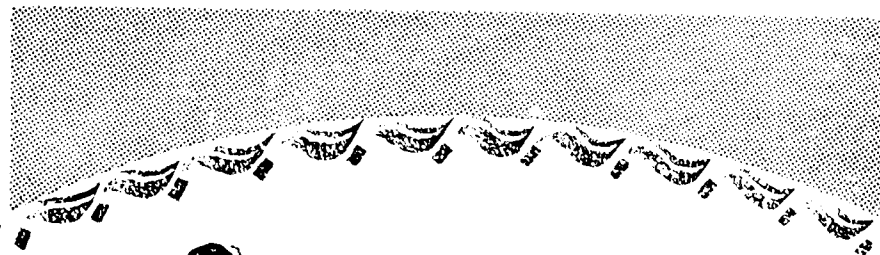


MANUFACTURERS OF :
GREY DRILLS, SHEETINGS, DHOTIES, LONGCLOTHS,
LEOPARDS, ETC., ETC.

MANAGING AGENTS :
PODAR SONS LIMITED
"Podar Chambers"
109, Parsee Bazar Street, Fort, BOMBAY

Telegrams :
"PODARGIRNI"

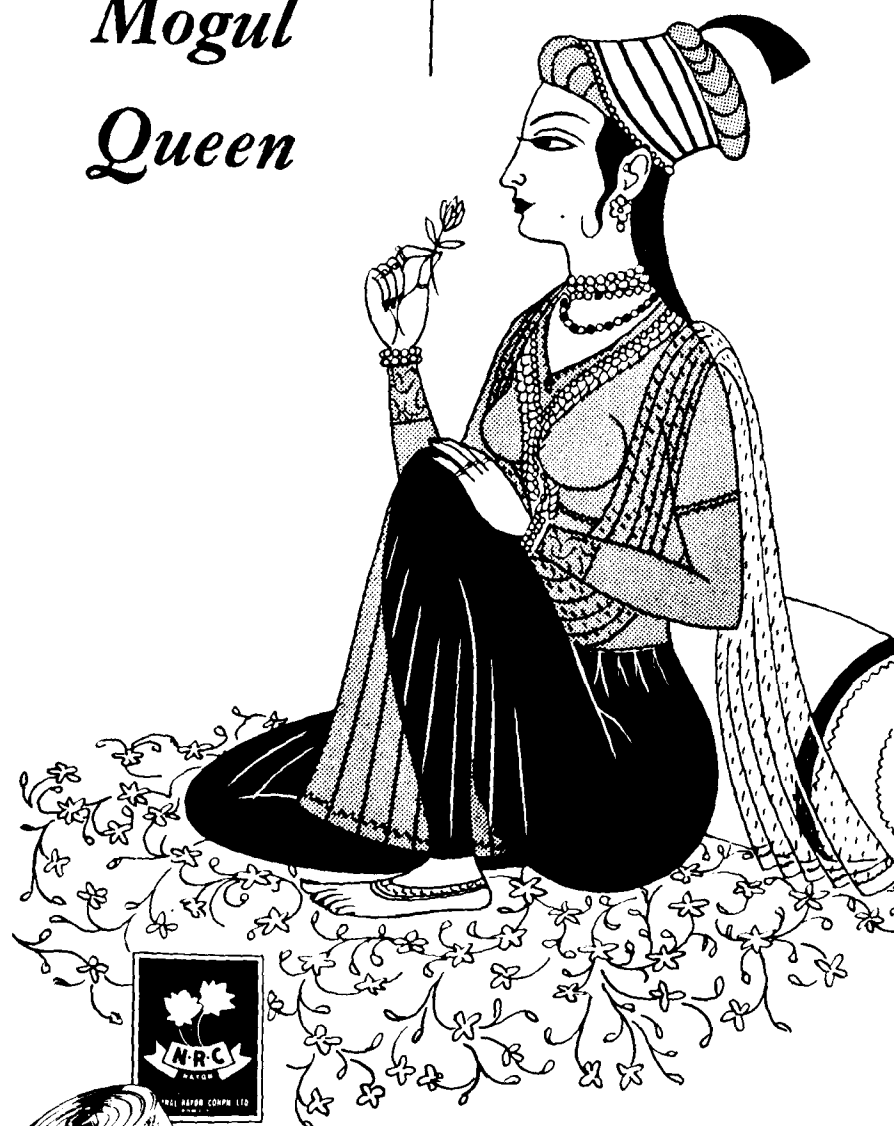
Telephones :
Office : 27065 (6 Lines), Mills : 40149



THE well known empress, Noor-Jehan, was only a refugee girl from Iran, but her ravishing beauty helped her to become the beloved Queen of the Moguls. Her beauty was always enhanced by garments

made of lavish material. This privilege of the princely few is now within your reach, because such lavish material is now made with the help of N. R. C. rayon yarn, known for its quality and strength. N. R. C. rayon yarn is now available in 120 and 150 deniers.

refugee girl becomes
Mogul
Queen



THE NATIONAL RAYON CORPORATION LIMITED

Managing Agents: CHINAI & CO. LTD.,
Office: Ewart House, Bruce Street, Bombay. 1.
Factory: Mohane, Kalyan, Bombay State.

Distributing Agents: M/s. RAMANLAL AMARNATH (Agency) LTD.,
Registered Office: 79, Masjid Bunder Road, BOMBAY-3.
Sales Department: 88, Tamba-Kanta, BOMBAY-3.



National prosperity needs....

more dams for power and irrigation, more schools and colleges for education, more hospitals and clinics to maintain better health, more buildings, both private and public, for better living.

We make a basic contribution to prosperity by supplying Cement—a vital need in the Five Year Plan.

For

SOUNDNESS
STRENGTH
STABILITY

Always Use

SANKAR
BRAND



PORTLAND
CEMENT

THE INDIA CEMENTS LTD.
FACTORY: SANKARNAGAR, TIRUNELVELI, DT.
REGD. OFFICE: 11/12, SECOND LINE BEACH, MADRAS - 1

INCOME-TAX INVESTIGATION COMMISSION SOME LESSONS FROM ITS WORK

By S. Vaish

CHARTERED ACCOUNTANT

THE curtain has been finally wrung down on the career of the Income-tax Investigation Commission set up more than seven years ago. The recent pronouncements of the highest judiciary in India, the Supreme Court, in *Suraj Mall Mohita & Co. vs. A. V. Visvanatha Sastri and another*, and *Shri Meenakshi Mills Ltd. vs. Shri A. V. Visvanath Sastri and another* have disabled the Commission from functioning any further. The inevitable consequence is the winding-up of the Commission.

The history of the working of the Income-tax Investigation Commission is largely a history of an all-out and powerful effort to detect and book war profiteers who made substantial fortunes but evaded the proper incidence of tax. The Commission which came into being "to get to the bottom of this matter" enjoyed full and extensive powers, unprecedented in recent history, to fulfil their assignment. The measure of success achieved by the Commission during the period it has functioned should, therefore, serve as a guidance on the subject of 'evasion' of tax even for the future.

The circumstances leading to the creation of the Commission may be briefly recapitulated. The conditions created by the last war had succeeded in accentuating the disparities between the "multi-millionaires" and the "vast multitudes." The rich had become richer and the poor, poorer. Enormous earnings it was openly said, had been made by a few without being subjected to proper taxation. Numerous transactions, in which big businesses and properties changed hands for vast sums of money, had taken place. This appeared to have the effect of tightening the hold of "big money" over the economy of the country which in turn tended to negate the principles of social justice. The first and foremost proposal to combat this evil came to be the setting up of the Commission to investigate such vast accumulation of private wealth vis-a-vis incidence of tax.

PROGRESS MADE

The Taxation on Income (Investigation Commission) Act providing for the constitution of the Commission, came into force on 1st May, 1947. As the Report of the Commission for 1953 shows, in all, 1,668 cases were referred to it for investigation. Out of these cases, the Commission had disposed of, till the 31st December, 1953, 1,031 cases involving reported concealed income of about Rs. 46 crores. According to the figures given in the said report, the cost of the Commission in relation to the demand of tax on income detected by it, is almost the same as that of the Income-tax Department in respect of the tax demand created by the latter, namely, about 1.6 per cent. on tax. With regard to the actual collection of the tax levied in cases investigated and reported by the Commission, the report says: "It appears from the information obtained that, out of a total tax of about 24½ crores that was levied on the basis of the Commission's reports upto the end of 1952, a sum of about 8.85 crores has already been collected by the Government." The arrears on account of the tax liability imposed pursuant to the Commission's reports are thus, indeed, heavy.

Progress made by the Commission in the matter of disposal of cases after 31st December, 1953, is not authoritatively known. There is no doubt, however, that, during this

period, the Commission's hands were stayed on account of motions preferred before the various High Courts and the Supreme Court for alleged infringement of fundamental rights guaranteed under Part III of the Constitution of India. The Commission itself has referred to these motions in their report for 1953 as explaining "the low disposals of the year." It can thus be safely presumed that not much 'disposal' was effected by the Commission during the said period.

Pursuant to the verdict of the Supreme Court in *Suraj Mall Mohita & Co. vs. A. V. Visvanatha Sastri and another*, however, a substantial portion of the work already accomplished by the Commission has become infructuous. Disposal of a large number of cases (under sub-section (4) of section 5 of the Taxation on Income (Investigation Commission) Act) has been reduced to a nullity. The fate of the other cases dealt with and concluded by the Commission [under sub-section (1) of section 5 of the said Act] on or after 26th January, 1950, when the present Constitution came into force, whether on 'settlement' basis or 'investigation' basis, also does not appear to be free from doubt. The following extracts from two other judgments of the Supreme Court may be quoted in this behalf:

(i) In *Dewan Bahadur Seth Gopal-das Mohita vs. The Union of India and others*—

"In this situation, unless and until the petitioner can establish that his consent was improperly procured and that he is not bound thereby, he cannot complain that any of his fundamental rights has been contravened for which he can claim relief under Article 32 of the Constitution."

(ii) In *Laxmanappa Hanumanappa Jamikhandi vs. The Union of India and others*—

"... it is plain that the proceedings taken under the impugned Act XXX of 1947 concluded so far as the Investigation Commission is concerned in September, 1952, more than two years before this petition was presented in this Court. The assessment orders under the Income-tax Act itself were made against the petitioner in November, 1953. In these circumstances, we are of opinion that he is entitled to no relief under the provisions of Article 32 of Constitution... it has to be held that the petition under Article 32 is not maintainable in the situation that has arisen and that even otherwise in the peculiar circumstances that have arisen it would not be just and proper to direct the issue of any of the writs the issue of which is discretionary with this Court."

INCOME-TAX ACT AMENDED

To meet the situation as it has now emerged, section 34 of the Income-tax Act has been amended with effect from 17th July, 1954, to enable the regular machinery under the said Act to deal with cases which have either not been disposed of by the Commission so far or disposed of by it with infructuous result as aforesaid. A new sub-section (1A) has been added to the said section 34. The intention and implication of this new sub-section is undoubtedly wider and more comprehensive than the provisions of the original section 34. The impact and legal effect of the new sub-section yet remains to be seen. There is, however, no doubt that even if the new sub-section has its full and free play, it cannot produce the same results or achieve the same success which the extraordinary powers of the Commission could. Progress of work under the new sub-section is beset by greater difficulties and hurdles than the working of the Commission suffered from. From the point of view of

the tax collecting machinery, therefore, results cannot be expected to be as good or satisfactory as the Commission could produce.

The questions which immediately occur are:

- What has been the net result of the Commission's working?
- Could ways and means be not adopted to produce more gratifying result?
- What should be the approach in future?

Answers to the above questions require the examination of the work and activity of the Commission from a different aspect. The taxation policy of the Government also has to be considered in a wider context. Practical values, as distinguished from theoretical values, also have not to be lost sight of.

AVOWED OBJECT NOT ACHIEVED

The Income-tax Investigation Commission supplemented, in effect, the regular machinery provided for under the Income-tax Act. The Commission consisted of highly talented people. It was assisted in its work by the cream of officers of the Income-tax Department. The Commission as also these officers enjoyed vast and unparalleled powers. Still, the avowed object of tapping the hidden wealth could not be achieved by the Commission. The treasure and jewellery kept underground, if any, is as little known today as it was before the Commission was set up. The Commission has generally concluded investigation on the basis of acquisitions and investments which have seen the light of day, leaving determination of total earnings from various 'sources' as impracticable. The following observation of the Commission in their report for 1953 bears this out.

"In most cases, however, the relevant account books, which would show precisely the practices adopted by the assessee for evading the taxes, were not made available to the Commission and the investigations could not, therefore, be carried on on what is termed as the 'source method.' In such cases, the Commission was left to determine the evasion on the basis of acquisition of assets or other investments outside the account books."

The Commission was intended to deal with cases of 'substantial' evasion of taxes on income. In its disposal programme also, the Commission sought to give priority to bigger cases over smaller ones. In its report for 1951, the Commission said: "A hunt for the small fry leaving breathing time to the big game to adjust themselves and to obliterate the available evidence would not have been fair to the revenue or to the general public." The fact, however, remains that a large number of the bigger cases could not be disposed of by the Commission till the end of its career. It is not necessary to analyse the causes leading to this result.

COLLECTIONS NOT UPTO THE MARK

The total income taxed in cases disposed of by the Commission also does not appear to disclose a gratifying state. According to the information contained in the Finance Ministry's Annual Report for 1953-54, disclosures made under the voluntary disclosure scheme initiated in 1951 stood at Rs. 80 crores, whereas the total income reported by the Commission from 1948 to the end of 1953 was to the tune of Rs. 46 crores only.

As already said, actual collection of tax in respect of the aforesaid sum of Rs. 46 crores has been meagre and a major portion of the tax liability

remains in arrear. The progress regarding the realisations against this tax liability has, it is understood, not been even as satisfactory as in the case of tax demand raised by the regular machinery under the Indian Income-tax Act, though even the latter has been showing huge outstandings. These outstandings relating to the past several years amounted to Rs. 186 crores on 30th September, 1953.

The fact that the above arrears remain outstanding, in spite of the powerful machinery which the Government has at its disposal to realise its dues, unmistakably shows that the tax levied both by the regular machinery and pursuant to the findings of the Investigation Commission was much beyond what could be realised. In practical economy, it is tax realised and not tax levied, that matters. Tax realised alone makes a contribution towards national economy and helps in removing, mitigating or reducing inequality. Tax levied but not realisable or realised not only remains a subject of mere academic interest but it succeeds in doing definite harm to the economic prosperity of the country. The unpleasant relations and the game of hide-and-seek, which such unrealisable outstandings succeed in creating between the taxgatherers and the taxpayers, render the contribution which the latter can otherwise make to the economy of the country, difficult and even impossible. This inevitably retards the economic progress and well-being of the country, with consequent adverse effect on the masses. It will thus be appreciated that, in the process of seeking to ameliorate the condition of the masses through high taxation, the object itself is lost or, at any rate, its attainment is made more difficult. Such a result should be avoided. This leads us to an analysis of the potential causes of such high outstandings.

A GLARING CONTRIBUTORY FACTOR

One most glaring contributory factor responsible for the above outstandings is the fixation of the tax liability of an assessee without any regard or proper regard to his means and capacity. It is obvious that one cannot pay beyond what he possesses. Imposition of a liability beyond one's capacity is, in all probability, as human nature goes, not likely to evoke a response even to the extent of the capacity that exists. Fixation of a liability beyond the capacity of the taxpayer does not thus yield the practical result which a liability based on his capacity alone can produce. This factor was undoubtedly recognised to some extent by the Investigation Commission, inasmuch as in 'settlement' cases the Commission agreed to take into account, as a matter of concession, depreciation in the market value of shares and other capital assets in which the evaded income might have been invested, in determining the net tax liability of the assessee concerned. As results, however, show, this wholesome principle appears to have been observed by the Commission only in a half-hearted manner, with the result that, in a number of cases, the Commission could not help fixation of the tax liability in excess of the taxpayers' capacity and net resources. In assessments through regular machinery under the Income-tax Act, the observance of this principle is, however, quite unknown.

It may, perhaps, be argued by some that consideration of "capacity to pay" in assessing tax liability implies allowance for 'capital' losses which is basically repugnant to the very conception of taxation on income. The argument has full force, provided other basic requirements, both express and implied, are also fully complied with. To be able to realise full tax on income, the tax needs to be determined correctly and expeditiously. Failure to determine the tax liability correctly and in accordance with the business conception of the term 'profits' is bound to cause difficulty and hardship to the taxpayer in meeting the liability. Again, if the liability is determined, not expeditiously but pretty long after the year when profits are earned, these profits may well get dissipated in the meantime as revenue and/or capital losses. In either case, it would mean loss of capacity to pay the tax properly levied. In the present context, it should not be forgotten that the Commission was, and the regular machinery of the Department will now be, required to assess the tax liability in respect of war profits long after the years in which they were earned and, undoubtedly, in many a case these profits have subsequently assumed the shape of capital investments and, with the loss in the market value of these investments, the profits have substantially disappeared. It is too late, and of no practical value, at this stage to analyse why proper tax could not be levied and collected in respect of such profits in the respective years of earning or assessment. Consequences inevitably arising from this belated action to tax these profits cannot be escaped. Consideration of capacity and indirectly, therefore, of even 'capital' losses of the taxpayers cannot be avoided in the particular circumstances.

Adjudication or determination of 'capacity' undoubtedly bristles with its own peculiar problems and difficulties. The magnitude of the work involved is to be judged not only by reference to the present huge tax arrears in respect of regular assessments and cases disposed of by the Commission but also to the liability which may arise in future as a result of action under the new sub-section 34(1A). In the very nature of things, a meticulous calculation in the matter cannot be possible. A gesture and spirit of accommodation has to be displayed. At the same time, the maximum payment which the taxpayers may be capable of making has got to be ensured. Considerations which a prudent creditor brings to bear in the settlement of his claim against a failing debtor, should have equal play in the present context. The purpose can, perhaps, best be served by a high-power board of independent assessors or valuers who may be required to screen all outstanding tax arrears, determine the 'capacity' of the taxpayers and negotiate and effect, subject to the Government approval, a compromise or settlement for the liquidation of all arrears.

SOME SUGGESTIONS

As already indicated, causes giving rise to the necessity of consideration of 'capacity' as against actual 'liability' should be avoided in future as far as possible. Right of the State to get its full taxes should not be jeopardised or tinkered with. At the same time, business enterprises are to be saved from violent jerks and jolts. This can be achieved only if some primary considerations are not lost sight of. These are summarised below:

(a) An assessment should, as a rule, be completed as speedily as possible in the relevant assessment year itself. Only in exceptional cases the completion of an assessment should be deferred till after the assessment year concerned and, in those cases too, the time-lag between the assessment year and the year of

completion should be reduced to the minimum. In many big cases, at present, the assessment is made and tax liability determined long after the assessment year—at times just when the statutory time limit of four years is about to expire.

(b) The present disparity between assessable 'income' and 'profits' in the business or commercial sense should disappear as far as possible. An item such as bad debt, advertising or publicity campaign, bonus to employees, expense on procuring a loan on capital, etc., should not be added back to 'profits' to arrive at assessable 'income' on the mere technical consideration that the item does not relate to, or exclusively to, the year concerned. The assessable income should normally represent corresponding equivalent accretion to the capital. If necessary, the law may be suitably amplified or amended in this behalf.

(c) The tax collector should not assume to himself the role of an expert in business affairs. He should have consideration for the taxpayers' point of view in technical matters. He cannot expect optimum results in all cases. The Government may evolve a suitable machinery to enable the tax collectors to avail of the advice of technical and business experts in different lines, on appropriate matters. Generally speaking, the performance of the public sector should be taken as a guide, wherever possible.

(d) In cases where the tax liability is genuinely contested, the same should be put off till the final disposal of the relevant appeals. In such cases, if necessary, a taxpayer may be required only to furnish satisfactory personal sureties or valuable securities. Payment extracted by coercive methods may cause irreparable damage to the taxpayer and his business and no adequate amends can be provided if he subsequently succeeds in appeal.

(e) Even in respect of an uncontroverted or agreed tax demand, if the assessments for several years are completed together at one time or the total liability determined is otherwise too heavy for the available liquid resources of the taxpayer to meet forthwith, the demand may be required to be paid in suitable instalments. Business may thereby be saved from violent jerks and adverse effects which may otherwise become inevitable.

DUTY OF THE TAX-COLLECTOR

A word may as well be added about the relations between the tax-collector and taxpayer. The former should avoid pin-pricks and undue bias for the revenue. While safeguarding the interests of the revenue, he must be equally zealous to safeguard the interests of the taxpayer. A tax-collector not doing his duty towards the taxpayers causes much greater harm to the general economy than a taxpayer not doing his duty to the State. The Government has no doubt issued

instructions, from time to time, to improve the public relations and to give the taxpayers their due but, in actual practice, it must be said, the instructions are not fully observed by many in the field who are disposed to be over-cautious and aggressively enthusiastic. That the importance of public relations is greater than that of rates of taxation, yet remains to be fully realised.—All Rights Reserved.

TAX ON FOREIGN PROFITS

The Government of India does not insist upon investment in Government securities through the Reserve Bank of the accumulated profits received in India, for securing exemption from taxation. The condition that half the amount should be deposited with the Reserve Bank for investment in Government securities has been removed in respect of remittances of foreign profits received in India after 30th September, 1954. About the reasons for making the concession, the condition was prescribed as an anti-inflationary measure and circumstances have now changed. The total amount of such accumulated profits during the three years ended 1953-54 was Rs. 37.56 lakhs, out of which Rs. 18.78 lakhs have been invested in Government securities.

A definite decision in regard to sales tax on inter-State transactions in India will be taken, after considering the report of the Taxation Enquiry Commission. The Government is aware of the difficulties experienced by trade in this connection. Article 386 is very clear on the point. If the Government comes to the conclusion that things cannot be straightened out, it would then consider what action should be taken under that Article.

Standard ROUND TOURS

For BUSINESS PLEASURE & PILGRIMAGE

At Concessional II, Inter & III Class Fares

Tickets Valid for 3 Months.

Tickets issued from stations on the Central Railway en-route of tour, open for through booking, except for tours 5, 6 & 8. Journey to commence and terminate at the same station.

TOUR No.	Mileage	STATIONS COVERED	Adult Fares	Children Half Rates
TOUR No. 1	3,697	Bombay, Nasik Road, Sanchi, Agra, Cantt., Mathura, Delhi, Ambala Cantt., Hardwar, Allahabad, Kanpur, Lucknow, Banaras, Gaya, Howrah, Tatanagar, Son Nagar, Moghul Sarai, Allahabad, Jubbulpore, Bombay.	II Class Rs. 234 as 2 ps. 6 Inter " 153 " 4 " 0 III Class " 87 " 12 " 6	Children Half Rates
TOUR No. 2	3,825	Bombay, Nasik Road, Wardha, Nagpur, Itarsi, Jubbulpore, Allahabad, Gaya, Howrah, Patna, Banaras, Lucknow, Kanpur, Delhi, Mathura, Agra, Bhopal, Bombay.	II Class Rs. 242 as 2 ps. 6 Inter " 158 " 8 " 0 III Class " 90 " 12 " 6	Children Half Rates
TOUR No. 3	4,719	Bombay, Jubbulpore, Allahabad, Banaras, Gaya, Howrah, Puri, Madras, Conjeevaram, Tiruvannamalai, Trichinopoly, Dhanushkodi, Rameshwaram, Madras, Tiruchendur, Ambalamudram, Coimbatore, Mettur Dam, Bangalore, Pandharpur, Poona, Bombay.	II Class Rs. 294 as 11 ps. 6 Inter " 194 " 14 " 6 III Class " 111 " 8 " 6	Children Half Rates
TOUR No. 4	3,542	Bombay, Pandharpur, Madras, Conjeevaram, Tiruvannamalai, Trichinopoly, Dhanushkodi, Rameshwaram, Madras, Tiruchendur, Ambalamudram, Coimbatore, Mettur Dam, Bangalore, Pandharpur, Poona, Bombay.	II Class Rs. 220 as 10 ps. 0 Inter " 145 " 12 " 0 III Class " 83 " 6 " 0	Children Half Rates
TOUR No. 5	2,017	Poona, Dhond, Manmad, Secunderabad, Kurnool, Dronachellam, Guntakal, Madras, Bangalore, Mysore, Hubli, Belgaum, Poona.	II Class Rs. 126 as 8 ps. 0 Inter Class " 82 " 15 " 0 III Class " 47 " 8 " 0	Children Half Rates
TOUR No. 6	2,438	Poona, Pandharpur, Wadi, Secunderabad, Kurnool, Dronachellam, Guntakal, Madras, Bangalore, Dwarka, Baroda, Surat, Bombay, Poona.	II Class Rs. 152 as 12 ps. 0 Inter Class " 100 " 5 " 0 III Class " 57 " 5 " 0	Children Half Rates
TOUR No. 7	2,843	Nagpur, Bhopal, Sanehi, Agra, Delhi, Bandikui, Jaipur, Ajmer, Chitorgarh, Udaipur, Marwar, Viramgam, Dwarka, Junagadh, Veraval, Rajkot, Ahmedabad, Surat, Jalgaon, Nagpur.	Rs. 26 ps. II Class 178 13 0 Inter Class 117 4 6 III Class 67 1 0	Children Half Rates
TOUR No. 8	1,741	Agra Cantt., Kanpur, Lucknow, Banaras, Allahabad, Jubbulpore, Itarsi, Bhopal, Ujjain, Chitorgarh, Ajmer, Jaipur, Delhi, Agra Cantt.	II Class Rs. 111 as 2 ps. 0 Inter Class " 72 " 9 " 0 III Class " 41 " 10 " 0	Children Half Rates

Tickets issued at stations, open for through booking, between Poona to Dronachellam (both inclu.) and Limbagan to Dronachellam (both inclu.)

CENTRAL RAILWAY

FULL PARTICULARS FROM STATION MASTERS

THE SOUTH INDIA INSURANCE CO., LTD.

(INCORPORATED IN INDIA)
(Established 1934)

Transacts
Fire, Marine, Accident
and
Miscellaneous Insurance
Business

Authorised Capital - - - Rs. 1,00,00,000
Subscribed Capital - - - Rs. 50,00,000
Paid-up Capital - - - Rs. 10,00,000

HEAD OFFICE:

NEW INDIA ASSURANCE BUILDING
MAHATMA GANDHI ROAD, FORT
BOMBAY

NOBLE

paints that protect



NOBLE PAINT & VARNISH CO. LTD.

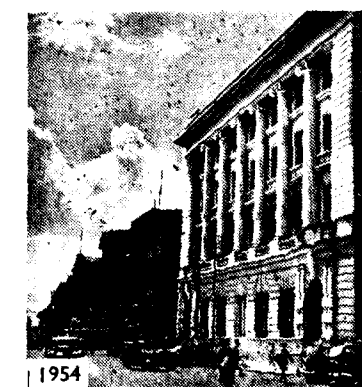
CHIEF SELLING AGENTS:
JOHN FLEMING & CO. LTD.
21, BASTION RD. FORT, BOMBAY.
'PHONE: 26053

Enquiries invited from exporters.

Also correspondence invited from large Importing Firms abroad with a view to be appointed as Agents.

McLEOD & COMPANY, LIMITED

JUTE MILLS
RAILWAYS
INSURANCE



McLEOD HOUSE

TEA GARDENS
SHIPPING
ENGINEERING

Telegrams: 'OUTLINE'

3, NETAJI SUBHAS ROAD, CALCUTTA

Phone: CITY 5321/7 (7 Lines)

Managing Agents: **BRITANNIA ENGINEERING CO., LTD.**

Manufacturers of:

Jute Machinery • Tea Machinery • Railway Engineering Components • 'Colfix' Bitumen Emulsion for Road Dressing

IMPORTERS AND AGENTS:

Anti-Malarial and Anti-Blight Spraying Equipment • Automatic Counting and Measuring Instruments for Industrial Purposes • Ball Bearing Jute Spindles • Ball, Roller and Taper Roller Bearings • Bucket Elevators • Chain Pulley Blocks • Concrete Mixers • Concrete Vibrators • Cranes • Crushing Plants • Deflector Tea Fanners • Digging Buckets • Dumpers • Elevators • Excavators • Hammer Mills • Hoists • Hot Asphalt Road Dressing • Jaw Crushers • Jute Sizing Machines • Loaders • Locomotives • Mobile Cranes • Mortar Grinders • Oil Engines • Pruning Knives • Shunting Tractors • Stackers • Tea Chest Paper Lining • Trough Mixers

TAXING THE INCOMES OF BANKS SOME ANOMALIES POINTED OUT

By R. B. Shah

CHIEF ACCOUNTANT, UNITED COMMERCIAL BANK LTD.

IT is said that an assessee gets more law than justice at the hands of the Income-tax Department. This statement is further extended by some to say that the assessee gets law, not as it is, but as it is interpreted by the Income-tax Department. Complaints are often received that income-tax officers, in their zeal to collect tax, do a lot of injustice to assessee, which is, many a time, not remedied by the Appellate Assistant Commissioner, with the result that appeals to the Income-tax Appellate Tribunal and to the High Court become necessary. The increase in the number of reported cases of income-tax before the High Courts and the Supreme Court indicates the sad plight in which the assessee finds himself in relation to the Income-tax Department. If the Department is to be fair to not to say friends of, the assessee, it must change its methods and liberally interpret the law, wherever permissible, in favour of the assessee rather than levy taxes by stretching even a remote point in favour of the Department.

Importance of Banks

Taxation plays an important part in capital formation and in the economic development of a country. Banking companies have a special role in the economic life of the country. They play a very important part in planning and development. The Income-tax Act has given special concessions to new and important industries, with a view to hastening the development of the country's economy. No such concessions are shown to banks. It is hoped that the Taxation Enquiry Commission would have taken into account the importance of banking companies to the development of the country and given special consideration to their problems of taxation.

Here it is proposed to deal with some of the tax problems that are ticklish and affect assessment of profits of banking companies. A bank's main source of income is from interest on investments, both in Government and other securities, and on loans, advances and commission and exchange on bills. The main items of expenditure are interest on deposits, establishment charges and other expenditure. In addition to the normal expenditure of running a bank, it is required to provide not only for losses on account of bad debts, embezzlements and frauds but also for depreciation in or loss on sale of its investments in Government and other securities.

Hardships

Though the business of banking is an integral business and indivisible, its income is taxed mainly under three sections, namely, (1) under section 8 of the Income Tax Act under the head "interest on securities," (2) under section 10 under the head "business," and (3) under section 12 for dividends. Apparently, this method of splitting up a bank's income under three heads does not make much difference as the total assessable income of a bank would be arrived at by clubbing together incomes or losses under sections 8, 10 and 12, but it does cause some hardships in certain circumstances dealt with below.

Interest on securities is taxed under section 8 on the basis of interest received on due dates, even though the bank takes credit for such interest on accrual basis in its accounts. According to the custom of the stock exchange, a buyer of Government securities has to pay to the seller not only the cost as expressed by the price but also interest accrued from the last due date of interest collected to the date of sale and on this interest income-tax at the maximum rate is deducted. The purchaser thus pays to the seller interest less income-tax, which he receives in full on the due date as

interest on the security. The income-tax deducted from interest received for the broken period by the seller is not treated as income-tax paid on his account. Such interest paid for a broken period is not allowed as admissible expenditure in the hands of the purchaser but is taken as an additional cost of securities though it is a practice in some States to allow such interest as expenditure during the year. Similarly, interest for broken period received by the seller is not treated as his income but is considered as additional sale price.

Treated as a Dealer

A bank is treated not as an investor but as a dealer in securities and a profit or loss on sale of securities is arrived at for the purpose of income-tax by preparing a trading account of securities for the year. The valuation of closing stock of securities sometimes forms a matter of difference of opinion between the income-tax officers and a bank but normally "cost or market value whichever is lower" basis is accepted. Depreciation as in the case of fixed assets is not allowed in the case of securities for banks.

Taxing of interest on securities separately under section 8 results in gross income from securities being taxed. No provision is made under this section for allowing any expenditure for earning this income though such income forms a major portion of the bank's gross revenue. No doubt this section provides for an allowance of interest paid on money borrowed specifically for the purposes of investment in the securities and commission paid to banks for collecting interest, if any. As the process of borrowing money on deposits is a continuous one for a bank and as securities are purchased or sold by a bank from time to time to suit its own requirements—seasonal or otherwise—it is difficult to state that interest paid on deposits to the extent of securities purchased is interest on money borrowed specifically for buying securities and as such no deduction of interest paid on a portion of deposits can be allowed as a deduction from interest on securities under this section.

Expenses Not Allowed

Even though a substantial portion of a bank's income is from interest on securities, no deduction is allowed for any expenditure of the bank except for a nominal amount for commission paid to other banks for collecting interest. Taxation of interest on securities, therefore, results in taxation of gross income from securities and the entire expenditure of running the bank and interest paid on deposits are set off against other income, namely, interest on loans and exchange and commission earned and taxed under the head "business" under section 10. As the entire expenditure of the bank is set off against its remaining income in the case of most of the banks, the result is a loss under the head "business" under section 10. No doubt the loss under the head "business" is set off against income under the head "interest on securities" in the year of assessment, but, in case the resultant figure works out to be a loss in any year, the bank would not be able to set off the loss against profits in future years under section 24 as the bank would not be

able to show profits under the head "business" on account of the artificial division of income under section 8 and section 10.

The income-tax assessment on the basis of the combined figures of profit and loss accounts of Indian Scheduled banks for 1953, as published by the Reserve Bank of India, will indicate how banks would in many cases show loss under the head "business."

(Value: In lakhs of rupees)			
Income from Government and other securities	838		
Other income	2,696		
			3,433
Less—Interest paid	965		
Establishment charges and other	1,817		
			2,782
Net profit			651

For the purpose of income-tax, the income under section 8 would be Rs. 836 lakhs (assuming the whole interest is received on due date), while under the head "business" under section 10, there would be a loss of Rs. 187 lakhs, though for the year the net assessable income would be Rs. 651 lakhs.

Fallacious Treatment

Section 8 is primarily meant for the assessment of income received as interest on securities held only by way of investment. The section has not envisaged the cases of a bank or a dealer whose main business is to deal in securities. Paradoxically, as a dealer in securities, the bank's profit or loss on sale of securities is taxed under the head "business" under section 10, while interest received on securities is taxed gross under section 8. The contention of a bank that securities are in the nature of stock-in-trade, that is, the business asset of a bank just like loans and advances and that the business of a bank is one whole and indivisible and that interest on securities is profit arising out of business assets and as such it would be taxed as a business income was negated by the Calcutta High Court. The fact that the investments of every bank and of the banking system as a whole are several times the paid-up capital and reserves of the banks was not taken into consideration. Where then does the money for investment come from except out of deposits on which interest is payable. Is not the cost of money to be deducted from the income derived from the investments, so that the net profit from the investment operations may be correctly determined?

Furthermore, there is no warrant for treating the capital and reserves of banks as invested exclusively in securities. Items of capital nature like lands and buildings, dead stock as furniture, fittings, equipment, machines, etc., should be set off against capital and reserves. Then, there is also the question of cash balance of banks which exceeds the paid-up capital and reserves. How can the expenses be deemed to be a charge only for the advances and bills business of the bank? The scientific way, therefore, of determining the profits of each individual section of a bank's business would be to allocate capital and reserves *pro rata* to the various types of assets and allow deduction of interest on deposits and of working expenses from the income derived from the various earning assets. It would, therefore, appear that a new "head" has to be evolved for the taxation of banking companies. However, all these niceties can be dispensed with, if the

business of banks is treated as one and indivisible and profits are taxed accordingly under section 10. It is to be hoped that, when the Income Tax Act is next amended, this anomaly will be removed.

Tax Deducted At Source

Another problem which the banks face is with regard to refund of tax deducted at source in respect of interest on securities. Most of the banks have to get refund of tax from year to year. This results in locking up of large amounts recoverable by way of refund for a number of years as income-tax officers are not always anxious to complete assessments in cases where refunds are due, as, on their own statement, they would not like to spoil their record of tax collection by paying refunds of tax. The balance-sheets for 1953 of two banks alone show a sum of Rs. 123 lakhs as refund due, on which banks earn no interest. The Income Tax Act provides for payment of interest at 2 per cent. on advance payment of tax in excess of actual liabilities, but no provision is made for payments of interest on tax deducted at source in excess of a bank's liability to tax. Some provision should be made in the Act as would result in speedy disposal of cases and help banks to have large sums of money released for its own use.

The other income of a bank, namely, interest on loans and commission on bills less entire expenditure is taxed under section 10, that is, income from business. The income is arrived at on the basis of the profit and loss account after adjusting income from securities taxed under section 8. The usual deductions are allowed in accordance with the Income Tax Act and no special difficulties are faced by banks. The losses on account of embezzlements and frauds are allowed as permissible deductions. Objections were raised with regard to interest paid by branches of banks in the former Native States and in foreign countries to their depositors on the ground that no deduction of income-tax was made at the time of payment of interest to those who were non-residents in India. The Indian Income Tax Act cannot be made applicable to foreign and formerly Native State branches. This matter has, however, been set right by the decision in the Pambur State Bank case, which held that such interest is allowable as admissible deduction.

Pensions And Gratuities

Pensions and gratuities paid are allowed as deduction at the time of payment, though no deduction is allowed for provisions made in the profit and loss account for future liability on accrual basis in any year. An amendment should be made in the Act for allowing provision made for gratuities, as this is now to be considered as a liability under the recent Industrial Tribunal Awards. Contributions made to a pension fund from year to year are allowed only in case an irrevocable trust is made for such fund and provided that the employer has no right to claim back any contributions from the fund. The Act should be so amended as to allow contributions to pension funds, even though the bank reserves the right of the final decision as to whether an employee should be paid pension or not.

Bad and doubtful debts of a bank are allowed as admissible deductions. The Act provides for allowance of bad and doubtful debts of such a sum "as the income-tax officer may estimate to be irrecoverable in the books." The opinion of the income-tax officer is final as to whether a debt is irrecoverable and this gives room for argument between the income-tax officer and a bank regarding admissibility of a particular bad

Metal Box supplies new industries with INDUSTRIAL COMPONENTS

A considerable increase in tool and die making capacity and the opening of their Technical Development Section in Alipore has enabled Metal Box to embark upon manufacture of light industrial components. Superior know-how in the field of tool making ensures perfect finish and accuracy within fine limits. Large or small, simple or complex, Metal Box industrial components are better because they are backed by the technical skill and engineering efficiency achieved through long experience and ceaseless research.



THE METAL BOX COMPANY OF INDIA LIMITED

CALCUTTA BOMBAY MADRAS DELHI MANGALORE

MBX 45/54

Is your electrical equipment overloaded?

Are you penalized for reactive power consumption?

ASEA Capacitors

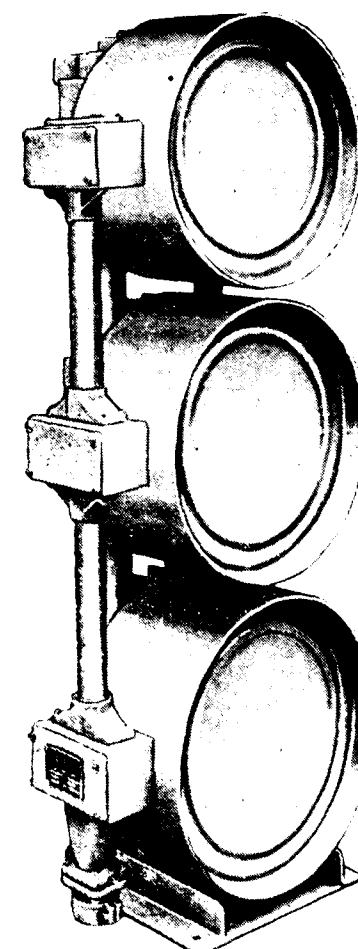
- reduce transmission losses
- improve voltage conditions in the supply mains
- permit higher active loading of generators, cables and transformers
- entail lower costs for energy consumed
- reduce penalties for excessive consumption of reactive power and energy

ASEA Capacitor Batteries are built up from standard units, and can therefore easily be enlarged when required, or the rating altered by transferring units from one battery to another according to prevailing load conditions.

ASEA Capacitors are designed to contain very little oil, and batteries of upto 500 kVAR can be installed in Mills without the special enclosures required by the Bombay Fire Insurance Regulations.

ASEA Capacitors have a low initial cost, which is recovered in a very short time by the bonus granted for high power factor.

Consult ASEA for free advice on your power problems.



87 kVAR, 440 V, 50 cycles
Three phase Capacitor Battery for wall or floor mounting.

ASEA
ELECTRIC INDIA, LIMITED
BOMBAY CALCUTTA MADRAS

debt. Banks always provide for or write off a debt, as soon as they feel some doubt about its realisability but the judgment of banks in this regard is not accepted by the income-tax officer in several cases. Sometimes, an officer contends that a particular debt is prematurely written off or that the debt became bad in earlier years, even though a bank might have written it off in later years. The bank should be the final judge as to whether a debt is bad or doubtful and income-tax officers should be instructed to accept the bank's judgment as final. Banks are credit institutions. They should not be called upon to pay taxes on losses suffered on account of bad debts suffered by them merely on some technical ground which the income-tax officers raise regarding non-admissibility of a bad debt. Transfer to reserve for bad debts in excess of actual bad debts during a year would not, of course, be allowed as a deductible expenditure.

The words "actually written off" in the Act also tends to create, at times, difference of opinion between the income-tax officer and the assessee bank. The income-tax officers would do well to follow the interpretation of these words given by Mr. V. S. Sundaram, the well-known authority on Income-tax Law, namely, it is not necessary that a bad debt should have been forgiven or finally written off from all the accounts of the assessee but, at the same time, it should be deducted as a loss in preparing the profit and loss account.

Reserves

It is customary for banks, as a matter of prudent policy, to transfer from income, every year, a certain sum to reserve for bad and doubtful debts, irrespective of the fact whether there are doubtful debts in a particular year or not. The *raison d'être* behind this practice is

that the risk of bad debts is incidental to the business of banking and a portion of the interest earned every year should be set aside as some of the book debts on which interest is earned and taken as profit in the year may turn out to be bad in future. This principle is recognised by the U.S. and Japanese Tax Laws. A certain percentage of income from interest on loans and advances based on past experience of banks in general is allowed for the purpose of assessable income as a deduction by way of reserve for bad debts and such reserve is carried forward from year to year. Any specific bad debts in a year are first set off against the accumulated reserve and in case the bad debts in a particular year are in excess of the accumulated reserve, they would be allowed as an additional deduction in that year. This procedure enables banks to strengthen their financial position by laying by every year a certain sum to meet future losses, and at the same time the revenue does not lose tax spread over a number of years. Some such provision should be made in the Income-tax Law in India also, so that the financial position of banks in general may be strengthened by accumulation of reserves for bad debts created year after year. This will enable them to meet losses, of an extraordinary bad debt in any particular year without disturbing their financial position.

Liberal Treatment Needed

Transfers to reserve fund and to reserve for contingencies, too, should be treated on the same basis. The Banking Companies Act requires a banking company to transfer 20 per cent. of its profits to reserve fund till the fund is equal to the paid-up capital. This provision is made with a view to strengthening the financial position of banks who have an important part to play in the economic well-being of a country. To encourage

age transfer of adequate profits to reserve fund such profits so appropriated or at least the profits compulsorily required to be transferred to reserve fund under the Banking Companies Act should not be subject to tax or if they are to be taxed they should be taxed at a lower rate. This principle has been accepted in part by Finance Acts where a rebate of some tax was given in case of profits not distributed as dividend and ploughed back in business and the same principle should be extended to banks by granting further rebate of tax in case of profits transferred to reserve fund.

The entire tax structure of the country is under review by a commission of experts under the chairmanship of Dr. John Matthai. We hope that the tax problems of banks would receive adequate consideration, so that they may be enabled to play a much greater part in the economic development of the country. Let us also hope that the Government will give due consideration to the tax problems of banks, with a view to helping them to take greater part in the execution of the second Five-year Plan by providing additional finance for development of industries.—All Rights Reserved.

(Concluded from next column) being investigated. The primary wealth of India is human even more than natural. Education, health, art, science, culture are all being promoted through the broad and comprehensive vision of Pandit Nehru and his colleagues.

India thus has received a fresh impetus in life both in worship and in work in such a manner that the fullness and balance of her way of life will be strengthened and maintained. Such success in India will be an example and inspiration to others in the world who, in the long course of history, have learnt to look to her for guidance.—All Rights Reserved.

WORK AND WORSHIP

(Continued from page 20)

In the three years that have elapsed of the first Five-year Plan, there has been widespread and sustained improvement in irrigation, so much so that, as soon as the long and abnormal drought ended, irrigation resources were ready to receive and store water so as to produce sufficient food for the country. No longer is it necessary for India to beg other countries for food and waste her resources in foreign exchange on the import of food.

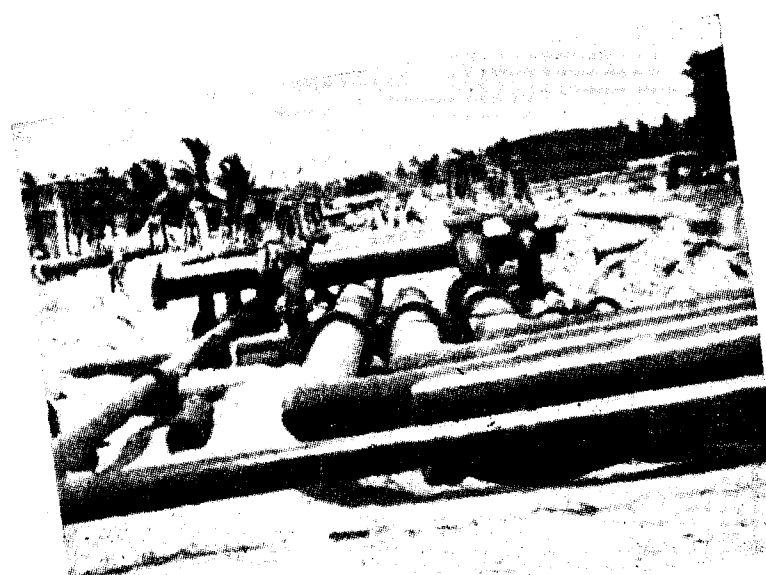
Hydro-electric power projects have received vigorous attention along with irrigation. A potential target of 2 million kilowatts of hydro-electric energy has been raised to one of 35 million kilowatts. Indeed, India bids fair, in States such as Mysore, to have power available to her people on a scale comparable to Japan. The policy of providing power for a large number of small users rather than a small number of large users helps to raise the social advantage of power production. While large and heavy industries are being vigorously helped, the need to spread small-scale and cottage industries is being firmly recognised and measures taken for their development. Lands left waste through weeds long neglected are being brought into use by tractor cultivation; lands left waste through swamps and unhealthy conditions are being reclaimed with the help of anti-malarial measures.

India is looking to colonisation of the homelands to even out overpopulation and underdevelopment in different parts of the country and to avoid the growing evils of our overseas colonisation in the British Empire. The vast mineral resources right down to the many materials required for use in the peaceful development of atomic power are

(Continued in previous column)

WESTERN CONSTRUCTION & WELDING CO., LTD.

POST BOX NO. 174, BOMBAY



PIPE WORK



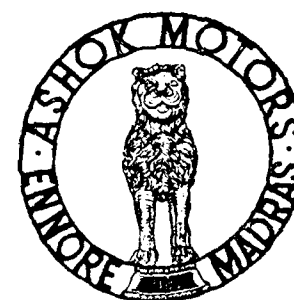
TANKAGE

GENERAL OIL FIELD CONSTRUCTION

Leyland Comet '90'

In common with other shrewd Transport Owners Overseas, various State Transport Organisations in this country realise the great money saving qualities of LEYLAND. Climate and route conditions present no difficulties and this fine vehicle — THE COMET '90' — is maintaining superb performance in every part of this country at a lower fuel cost than any other make.

Leyland Road Transport forms the back-ground of economical passenger service all over the world. And remember . . . LEYLANDS last longer.



ASHOK MOTORS LTD.

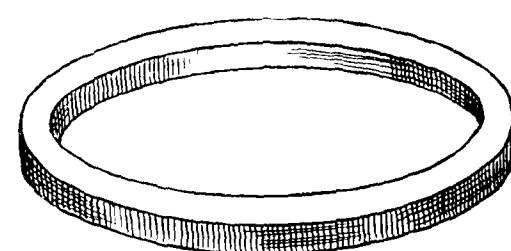
Progressive Manufacturers

ENNORE — MADRAS



From A WELL RING

To A SKY-
SCRAPER



For

SOUND STRENGTH

and

FINE FINISH

DURGA BRAND
PORTLAND CEMENT

GIVES FULL SATISFACTION

Manufactured by

THE ANDHRA CEMENT CO., LTD.

Registered Office:

337, THAMBU CHETTY STREET, G. T., MADRAS-1

Post Box No. 1896,

Telephone: 3502.

Telegrams: "ANDHRACEM"

Factory Office:

BUCKINGHAMPET POST, VIJAYAWADA-2

Post Box No. 301,

Telephone: 357 (PBX).

Telegrams: "CEMENTS"

INDUSTRIAL DEVELOPMENT IN SECOND FIVE-YEAR PLAN

By P. Chentsal Rao

THESE words of the Prime Minister should form the keynote of the second Five-year Plan. It is heartening that he stressed also the point that "we have arrived at a very definite stage in planning." Now that we are in the fourth year of the first Plan, it is time that Government, as well as the public, start thinking seriously about the structure and composition of the next Plan. This article attempts to outline very broadly the possible plan for industries in the second Five-year Plan. It would be satisfying if its conclusions prove provocative enough to encourage discussion.

The first Five-year Plan envisaged a total expenditure on industry, agriculture, transport, etc., in the public as well as the private sector, of about Rs. 3,500 to Rs. 3,600 crores. And though it would appear from present indications that the outlay in the public sector of planned development might fall short by 12½ to 15 per cent, there can be no doubt that the achievements of the first Five-year Plan have been significant. The economy today is sounder and healthier than in 1951. One of the most creditable achievements of the first Five-year Plan would be that, by the end of the Plan period, we would have created new irrigation assets in the form of minor and major projects to an extent equal to what the country inherited after the Partition. This, along with the unusually good monsoons, has enabled the country to overcome one of the major problems in the immediate post-war years, namely, the shortage of food. Beginnings also have been made in many directions including diversification of our industrial structure.

BASIC PROBLEM

It is against this background that one must discuss the place of industrial development in the second Five-year Plan. The basic problem of an economy like ours is industrialisation and emphasis must be laid on faster industrial development in the second Five-year Plan. Of course, this emphasis does not and must not mean that development of agriculture is in any sense less important. Industrial and agricultural developments are not mutually exclusive but are, in fact, complementary to each other and substantial improvement in agricultural production and techniques is an implicit assumption in rapid industrial development.

If the first Five-year Plan may be termed as an Irrigation and Power Project Plan, the second Five-year Plan should be an Industry and Transport Plan. In regard to the industrial sector, the first Five-year Plan only envisaged fuller utilisation of the existing capacity in producer goods industries and some consumer goods industries, expansion of capacity in certain capital goods industries like iron and steel, aluminium, cement, fertilisers, heavy chemicals, etc., and completion of industrial units work on which had already started. The objective of the first Five-year Plan was limited, by and large, to restoring pre-war availabilities of consumer goods and to a limited extent expanding the capital base of the economy.

IMPORTANCE OF STEEL

The industrial targets in the first Five-year Plan were at best modest. For instance, the expansion schemes of the existing steel producers envisaged in the first Five-year Plan were expected to provide an installed capacity of only 1.6 million tons of steel and even when the proposed steel plant goes into operation, the total production of steel by 1957-58 is expected to be only a

"We must aim at producing machines, the basic things here. We have to get them from abroad to begin with, but we should not go on getting them, we should build them here."—SHRI JAWAHARLAL NEHRU in his address to the National Development Council on 9th November, 1954.

little over 2 million tons. This is indeed a very meagre target. In fact, as early as 1940, the consumption of steel in the country was estimated to be 1.6 million tons and the Iron and Steel (Major) Panel, which examined the prospects of the development of steel industry in India in 1946, estimated that the normal consumption of steel in future would be about 2 million tons. In April, 1950, the Sub-Committee on Iron and Steel of the Economic Commission for Asia and the Far East calculated the probable demand for steel in India to be of the order of 2.9 million tons even by 1954. In the second Five-year Plan a very high priority has, therefore, to be given to the iron and steel industry.

A point which needs emphasis here is that, in basic things like power, transport or iron and steel, the basis of planning must not be current demand or even estimated demand. In all these cases, our Plans should anticipate demand rather than wait for it. For one thing, normally, there is a time-lag of four or five years between the decision to construct a steel plant and its going into production. To that extent, one must always keep the installed capacity or the capacity under installation somewhat ahead of expected demand. It is on this basis that a target of installed capacity of some 7 to 7½ million tons of steel by 1960-61 seems to be a basic condition of our industrial planning.

Leaving aside the United States, the U.S.S.R. and the United Kingdom, which are amongst the largest steel-producing countries in the world, the production of steel in Germany is of the order of 15 million tons, in France 10 million tons, in Japan 7 to 8 million tons and Belgium 4 million tons. Even a tiny country like Luxembourg produces more steel at present than we do. For a country of the size of India, with its immense iron ore resources and development needs, a steel production of some 7 or 7½ million tons is, therefore, not large.

RANGE OF STEEL PRODUCTION

Apart from the increase in installed capacity, there is also need for increasing the range of steel production in order to meet the demand for a variety of steel products and specialised steels which at present have to be imported. In this, as in many other cases, we seem to be involved in a vicious circle. Many of these products, it is argued, cannot be produced in the country on an economic basis because the demand for them is too small. And yet, at the same time, the demand continues to be limited partly because of the high prices we have to pay for the imported product and the difficulty in obtaining it. The proper way to tackle a situation like this is to have an integrated plan of development which simultaneously increases both the demand for and the supply of steel products and specialised varieties of steel. In this light must be viewed the importance of developing both the iron and steel industry as also the manufacture of railway rolling stock, heavy machinery, etc. Development must proceed simultaneously along all these lines, in order that it may be consistent and sustainable.

Besides iron and steel, considerable scope exists for development of non-ferrous metals, particularly

aluminium and copper. We have abundant mineral resources of bauxite and also of copper and it should be possible to substantially increase the manufacture of these two important materials within the country. This, in turn, would greatly assist particularly the electrical-engineering industries which require both these materials.

MANUFACTURE OF MACHINERY

As pointed out earlier, the accent in the second Five-year Plan must be on the manufacture of machinery within the country, because on the progress in this sector will depend the pace at which we can make advances on the industrial front. No country which depends more or less entirely on imported machinery can hope for a rapid industrial development. It is, therefore, essential that in the second Five-year Plan we should expand the heavy engineering industries such as the manufacture of railway rolling stock, textile, sugar, cement and paper machinery, machine tools, ball bearings and heavy electrical equipment. Some of these lines of production have come to be recently established in the country but a much greater expansion in production is necessary before India can get on the industrial map of the world. For instance, currently the production of graded machine tools is about 2,000 per year; by 1960-61, our aim should be to manufacture 10,000 graded machine tools per annum. The pro-

duction of locomotives is about 120 currently and by the end of the second Five-year Plan we should manufacture 300 locomotives per year. Similarly, we should undertake the manufacture of electric motors of 200 h.p. and above, high-powered transformers, bare copper conductors, winding wires and A.C.S.R. cables and other types of electrical equipment. In view of the fact that the present plans for electricity generation will increase the demand for electrical goods of all types and the electrification of the rural areas will provide the new source of power which will transform our country-side in the years to come, the target for the electrical industry as well should be at least double its present production.

FERTILISERS AND CHEMICALS

The other field in which substantial advance should be attempted in the second Five-year Plan is the field of fertilisers and chemicals. We should have at least another two or three fertiliser factories of the size of Sindri, so that our production of fertilisers may rise to 1.5 million tons per annum by 1960-61. The experience during the last three years suggests that the Indian cultivator is willing to utilise synthetic fertilisers and that these have an important part to play in expanding agricultural production. Apart from fertilisers, heavy chemicals like caustic soda, soda ash and sulphuric acid should be produced on a much larger scale within the country. Production of minor chemicals such as bichromates, zinc chloride, calcium chloride, etc., which are needed for the development of other industries like drugs and pharmaceuticals, paints and varnishes, should

also be undertaken. Our aim should be to produce by 1960-61 ten times as much as we did in 1951. This might seem a very high target, but it should be remembered that, at the beginning of the first Five-year Plan, production of many of the important chemicals was either non-existent or negligible.

Any large-scale industrial development would necessarily involve considerable construction activity, quite apart from the fact that residential and other non-industrial construction must also figure largely in any developmental plan. In recent years, the cement industry in this country has taken large strides in augmenting its capacity and production and the objective should be to increase the production of cement to more than 10 million tons by 1960-61. Incidentally, the production of this order would make India the third largest cement-producing country in the world, excluding the U.S.S.R.

TRANSPORT

So this is the broad picture of industrial development in the second Five-year Plan—a steel target of 7 to 7½ million tons, cement 10 million tons, the production of electrical engineering goods to be double, the production of chemicals to reach a level about 10 times as much as in 1951 and the manufacture of machinery of all kinds to be undertaken on a substantial scale. Of course, development of this order will involve corresponding developments in transport, mining, power generation, consumer goods industries and so on. For instance, in the case of transport, which, at present, is a serious bottleneck for easy and speedy movement of industrial and agricultural goods, its extension is a pre-condition for an accelerated economic development. Our transport targets will have to be pitched much higher than in the first Five-year

Plan. As regards the railways, it would be worthwhile not merely to think in terms of rehabilitating our railways but of laying new track of about 1,500 miles per year, that is, about 7,000 or 8,000 miles during the second Five-year Plan. This would also mean having a much larger stock of locomotives and wagons so as to utilise fully the potentialities of our railway system. We will be requiring by 1960-61 some 10,000 wagons and some 500 locomotives, annually.

Again, roads have a very important role to play in the process of development. The first Five-year Plan had a very modest target in respect of roads which was 12,500 miles of National highways and 20,600 miles of State highways. By 1960-61, we should increase our road mileage to at least some 20,000 miles of National highways and 50,000 miles of State highways. In addition, large sums will need to be spent on constructing interconnecting village roads and in this it should be possible to fully encourage voluntary labour and local effort.

CONSUMER GOODS

It needs to be borne in mind that, essentially, the purpose of development is a better standard of living for the people and, therefore, unless steps are taken to expand consumer goods industries like textiles, sugar, vanaspati, etc., the process of development will place an unduly heavy sacrifice on the population. The thesis that, in the programme of development, priorities are implicit and that development of capital goods industries necessarily implies curtailment of consumption in the initial stages can be overstated. In fact, the main impetus to the capital goods industries will have to come from the increase in the standard of living and higher levels of consumption in the community. The dynamic

impulses which enable an economy like ours to take substantial strides must be released by increased consumption, because, without it, it would be difficult, if not impossible, to sustain higher levels of installed capacity and production.

And, therefore, when one speaks of an accelerated rate of industrial development, it really amounts to a much higher rate of investment in the economy generally. In the first Five-year Plan, investment of the order of Rs. 3,500 to Rs. 3,600 crores was envisaged. And of this, investment on expansion, modernisation and replacement of industries was of the order of Rs. 383 crores, that is, a little over 10 per cent. The second Five-year Plan in broad terms should envisage an investment of about Rs. 7,500 crores in five years and the investment in industry, both public and private, should be of the order of Rs. 2,000 crores, that is, a little less than 25 per cent.

BOMBAY PLAN

It may be interesting to compare this rate of investment with the one envisaged by the Bombay planners. Of course, the context of circumstances is materially different and, to that extent, any detailed comparison would be misleading. But the Bombay planners had envisaged a rate of investment of Rs. 2,900 crores in their second Five-year Plan. This was in terms of pre-war price level and translated in current prices the investment would be of the order of Rs. 10,800 crores. But making a deduction of 20 per cent, for those territories which are now in Pakistan, the comparable figure would be about Rs. 8,740 crores. In other words, the second Five-year Plan as envisaged here would not be substantially lower than the Bombay Plan. Or to put it differently, the Bombay planners had suggested that the total investment in the second

Five-year Plan should be a little more than double that in the first Five-year Plan. An investment of Rs. 7,500 crores would also be more than double that contemplated in the first Five-year Plan.

To some, and this includes, it would appear, a section of opinion in Government, these broad targets may seem too ambitious. To some people these targets may seem on the high side, because, in their opinion, finance would not be available on the requisite scale. This is partly because the approach to these matters has been conditioned by the slow rate of development of our economy over the past half a century or so. It is very necessary that, in thinking about the future, we should not be unduly influenced by historical analogies which in a dynamic world have only a limited relevance. If the problems that beset our country are to be tackled effectively and speedily, then planning will have to be bold and imaginative. One must always remember that finance is the servant and not the master; that the capacity of a nation to build dams or factories, to produce textiles or machineries depends ultimately not on the financial resources, however important finance is, but on the physical resources of the nation in terms of manpower and materials and technical knowledge all of which the country possesses or can get from abroad. Finance is only an agency to make these resources available at the right time and for the right purpose. Therefore, as long as we are sure that we have the necessary resources—and I for one have no doubt in this respect—the bottleneck of finance need not and should not hold us back.—All Rights Reserved.

THE BOMBAY STATE CO-OPERATIVE BANK, LIMITED

9, Bakehouse Lane, Fort, Bombay—1

ESTABLISHED IN 1911

Chairman: SHRI RAMANLAL G. SARAIYA, O.B.E.

★

Money Deposited with this Bank helps the Indian Agriculturists and Co-operatives.

★

PAID-UP SHARE CAPITAL:

Subscribed by the Shareholders—

Individuals Rs. 10,20,300

Societies Rs. 24,26,800 Rs. 34,47,100

Subscribed by the Govt.

of Bombay - - - Rs. 26,00,000 Rs. 60,47,100

RESERVE AND OTHER FUNDS - - - 57,21,900

TOTAL DEPOSITS - - - 8,98,11,600

WORKING CAPITAL - - - 12,17,03,000

BRANCHES 69 IN 14 DISTRICTS

Collection arrangements in many of the important Cities of the Indian Union. Deposits of all kinds accepted. Terms on application.

V. P. VARDE,
Hon. Managing Director.

THE INDIAN PAPER SALES ASSOCIATION (BOMBAY)

Representing:

THE TITACHUR PAPER MILLS CO. LTD., CALCUTTA.

THE BENGAL PAPER MILL CO. LTD., CALCUTTA.

THE INDIA PAPER PULP CO. LTD., CALCUTTA.

These Mills which have the largest production in India are very old in the history of Paper making in this country. They are equipped with up-to-date machinery for the manufacture of superior quality Writings, Printings, Ledger and other varieties of papers for all purposes and these are marketed under the well-known Trade Marks "ELEPHANT," "TIGER" and "BAMBOO."

Insist on these brands for quality work.

THE PRODUCTS INCLUDE:

PRINTINGS M.F. AND S.C.
CREAM LAID AND WOVE
LEDGER
BANKS AND BONDS
MANIFOLD
CARTRIDGE
TINTED WRITINGS
ANTIQUE LAID AND WOVE
BLOTTING
DUPLICATOR AND TYPEWRITING
PULP BOARDS

WHITE AND BUFF AHMEDABADI
COVER PAPERS
BADAMI
BROWNS
CASING PAPERS
MANILLA
IMITATION ART
COATED ART
CHROMO PAPERS AND BOARDS
ART CARDS
STATIONERY ITEMS, ETC.

Making orders for any of the above qualities in standard specifications can be accepted for a minimum of 1 ton per specification, and for special qualities for a minimum of 5 tons per specification.

The supply position is improving and we can offer you better service than hitherto. If you are unable to obtain your requirements from your suppliers, please contact us or phone 30901.

THE INDIAN PAPER SALES ASSOCIATION (BOMBAY)

Forbes Building, Home Street, Bombay, 1.

ECONOMIC TRENDS IN UNITED STATES OF AMERICA

HIGH LEVEL OF ACTIVITY EXPECTED IN NEW YEAR

By Our American Correspondent

THE majority of competent observers, from professional economists to analysts in the United States trade organisations, seem to be convinced at this point that 1955 will be a very good year, but not a boom year resembling those of the war-time periods. There are the cynics who say the majority is always wrong, but all evidence points to the reasonable expectation that these forecasts may be true. The securities markets in the U.S. have said so, ever since election time, in unmistakable terms of higher prices, although there have been inevitable sinking spells.

Corporate profits and dividends in 1954 will measure up very well, mainly because of the elimination earlier this year of the excess profits tax, also lower overtime payments which, in past years, had been great cost items. The *Fortune* magazine estimates, in its round-up, that corporate net profits in 1955 will be up from \$18,000 million in 1954 to between \$18,700 million and \$21,000 million in 1955. The low figure would result from continuation of the 52 per cent. corporate tax rate and higher depreciation charge-offs allowed in the 1954 tax bill. The high figure, on the other hand, might materialise if the corporate tax rate is allowed to drop on schedule next year and if corporations fail to take full advantage of the new depreciation provisions.

This would mean that, even if the rise is only to \$18,700 million, corporate funds available in the form of profits and depreciation should be up 12 per cent. or \$3,700 million next year for bigger book profits and possibly higher dividends. Corporate profits and dividends in this day and age are no longer enjoyed by the few, but by the broad masses of the people, who have benefited from the redistribution of national income since the evolution of the early 1930's. Savings and accumulation of investible funds come today in dribbles, not in hunks. But they are reaching very respectable proportions. As a result, about \$250,000 million of bond and stock securities are now held by the six major groups of institutional investors.

LESS EMOTION AND MORE ACTION

The New York Stock Exchange has made various test studies and has found that, on certain test dates, institutional buying and selling has amounted to nearly 20 per cent. of all trading. This means, in simple terms, that there is less emotion in the markets and more action, either way, which is arrived at by reason and slide rules. It means less hazard in an upswing or downswing and less danger of a mass panic developing or a mass buying spree. All these are stabilising factors which should be taken into account when the U.S. economy is judged here and abroad.

Of the \$250,000 million of institutional investment in the U.S., the largest single type are Government obligations—Federal, State and municipal, totalling more than \$134,000 million, according to a recent survey by *Trusts and Estates* magazine.

The second place is held by corporate stocks. The aggregate of common and preferred stock holdings, based on official reports by banks, insurance companies, savings and investment concerns and on projections of official reports for fiduciary institutions is now more than \$68,000 million. Corporate bond holdings total \$57,000 million.

The six major institutional groups which are emerging as a dominant force in the investment markets are trust institutions, including fiduciary funds, commercial banks, life insurance companies, mutual savings banks, fire and casualty companies, investment trust and companies and savings and loan associations which may be compared with the building and loan societies in Britain.

INSTITUTIONS DOMINATE

It cannot be overemphasised how important institutional holding of securities has become in the U.S. trust institutions which hold no less than \$56,000 million in corporate stocks with the addition of \$18,000 million in corporate bond-holdings. It is by far the largest interest in all corporate securities.

Pension trust funds, estimated by the Federal Reserve Bank of New York to be well in excess of \$20,000 million, are expanding so rapidly both in new accounts and in additions to established funds that complete data from all State and Federal banking supervisory authorities are impractical of comparative and current compilation.

Since the security holdings of chartered trustees constitute nearly 42 per cent. of the institutional total, it is pertinent to note that these funds are administered for the benefit of more than half a million accounts.

This indicates more than 1 million beneficiaries, since there are usually two or more immediate or prospective beneficiaries for each account. In addition, possibly 2 million employees are beneficiaries of trust company administered pension funds which belies the frequently heard charge that such funds are only for the wealthy.

FOREIGN TRADE

In the field of foreign trade, reliable estimates are that U.S. exports of goods and services will reach \$17,200 million, an increase of about \$250 million. Imports will probably decline \$500 million in the face of a decline of \$750 million in foreign aid and no foreign nation really got hurt owing to an improvement in local conditions.

There is a basis for another rise in exports next year, considering the growth of foreign gold and dollar reserves and recent relaxation of trade restrictions abroad. The question is whether American business men will be able to cash in on the opportunities since competition in overseas markets is stiffening.

When world trade in machinery dropped \$1,000 million in 1953, almost all the cut was absorbed by the U.S. Now, however, most foreign firms are producing at close to capacity and U.S. machinery exports could improve considerably in 1955, if world markets expand. Next year, in fact, American prosperity could be more closely related to world prosperity than it has been for a long time.

HIGHER CAPITAL OUTLAY

One of the most important indices of internal U.S. business will be the corporate outlay for plant and equipment. Reliable projections are that such spending in 1955 will be nearly \$1,000 million above the 1954 fourth-quarter annual rate of \$34,500 million. Mr. Arthur F. Burns, Chairman of the Council of Economic Advisers to the President, has indicated that the capital goods market may expand to \$42,000 million here, if the gross national product attains

the figure of \$440,000 million which is regarded as feasible. Indeed, the entire U.S. economic concept is built around the idea of expansion, of a steadily increasing population which is familiar to India and of the growing influence of technocracy which makes machines five years old obsolete and requires their replacement. Advances in the technical, physical and chemical sciences are rapid these days and they account for much of the outlay for plant and equipment, since every succeeding machine is more complicated and more expensive than the preceding one. This trend has its impact on manpower, engineering and industrial development as a whole.

POLITICAL SITUATION

Now that the question of Senator Joseph McCarthy has been disposed of in the U.S. Senate to the likes and dislikes of many people here and abroad, the political situation in the U.S. remains in equilibrium. As stated in previous despatches, there are as many Democrats who vote for President Eisenhower's progressive policies as there are progressive Republicans and the party lines have been washed out by issues. Typical of this trend are orders from the White House to review the entire securities programme on a bi-partisan basis. It is now admitted that many injustices have been done. In the popular interpretation, those dismissed from Federal service were held to be disloyal, not knowing that the Administration, in its eagerness to clean house, adopted a wider interpretation of "security risks" as the people had.

Individuals who, in the investigators' opinion, smoked too much, drank too much, talked too much or went to bed too late were regarded as security risks. In other words, the pendulum swung just a little too far away from the reasonable assumptions of the facts of life. The elections have shown clearly that the voters did not consider pro-Communism a partisan issue, as much as both parties tried to make it so appear. That is why a non-partisan review of the security programme is held important.

INVESTMENT ABROAD

Equally bi-partisan is the approach of the Administration to foreign trade. The Industrial Credit and Investment Corporation of India, mentioned previously, has the blessing of Washington. Beyond that, President Eisenhower has sent a memorandum to Cabinet officers recently, suggesting that ways and means be explored to do more to help private American investors abroad.

The memo, in effect, calls for and backs the support of a proposed International Finance Corporation. Such a company would have the power to lend and buy securities of industries in countries still under intensified development. It would be in line with President Eisenhower's desire to stimulate international trade by sound means.

It was disclosed that, since the last war, the U.S. businesses and individuals had invested about \$10,000 million in foreign business enterprises which they now control. Investment in the petroleum industry accounts for slightly more than one-third of the total, centering primarily in Canada, the Middle East and Latin America. In the same period, U.S. citizens have invested more than \$1,250 million in stocks and bonds of foreign corporations.

WAR WILL BE AVOIDED

At this writing, business and financial leaders have the impression that

war, even a small one, will be avoided at almost any cost. Formosa, it seems, will be defended, but the islands around it are no longer included in U.S. defence plans. The whole point of the matter is that Formosa is an important part of the perimeter of U.S. defence which Washington does not want to let go of. The new agreement with President Syngman Rhee of South Korea has been received favourably in the U.S. Military aid is to total \$450 million and economic aid \$250 million. Japanese goods are to be bought with U.S. aid dollars whenever bids from Japan are lowest.

Tariff talks with Japan are in the preliminary stages with 20 countries. Hearings in the U.S. will begin shortly to give business men a chance to say what they think about lower duties for Japanese goods. Full dress tariff negotiations will begin in February at Geneva. It would be the first tariff parley with Japan since 1945.

Vigorous pleas for business backing of the Administration's drive to open wider American markets for Japanese goods were made here by Government officials at the forty-first National Foreign Trade Convention. Warning that all free Asian countries are now vulnerable to expansion of Communist control, Mr. Robert Murphy, Deputy Under-Secretary of State and former Ambassador to Japan, said that the enlargement of Japanese trade opportunities within the free world is of "special importance" as a means of reducing undue Japanese reliance upon the Communist Chinese markets.

Turning back to the domestic scene in the U.S., indications are that 1954 will set a new construction record, one of the mainstays of the American economy. Forecasts also are that 1955 will be about \$2,500 million ahead of 1954. Aggregate 1954 building was originally estimated at \$34,000 million, but before final figures are compiled, it looks as at this writing more like \$37,000 million. The total for 1955 for home building is forecast at \$39,500 million. Both the Commerce and Labour Departments suggest that housing starts in 1955 will total 1.3 million units, considerably higher than the 1.18 million units figured for 1954 so far.

CHASE NATIONAL'S VENTURE

In closing, it may be mentioned that the Chase National Bank is organising, with the blessings of the U.S. State Department, a new multi-million dollar corporation, designed to meet the requirements of U.S. industries for medium export credit of, say, five years. Basically, the new Corporation would purchase foreign importers' notes from U.S. exporters who would be required to participate in the programme as shareholders. Thus, they would assume a share of the risk of financing the importers' notes. A generally favourable response is reported from industrial quarters and close co-operation is being maintained with the Export-Import Bank which is expected to have an important part in the operation by guaranteeing repayment of 25 per cent. of the face amount of foreign importers' notes, when purchased by the company.

To sum up, all is well in the U.S. Retail trade this holiday season is expected to equal or better last year's figures and there is no need for apprehension—barring the outbreak of a total war.—All Rights Reserved. New York, 30th November, 1954.

THE UNITED COMMERCIAL BANK LIMITED

(Registered in 1943)

Head Office:

2, Royal Exchange Place, CALCUTTA

Rs.

Authorised Capital - - - 8 Crores
Issued & Subscribed Capital 4 Crores
Paid-up Capital - - - 2 Crores
Reserve Fund - - - 80 Lakhs
Total Working Funds - 57 Crores
(as at 31-12-53)

Chairman

G. D. BIRLA

Vice-Chairmen

R. G. SARAIYA

I. P. GOENKA

Directors

M. L. DAHANUKAR

M. L. SHAH

NAVINCHANDRA

P. D. HIMATSINGKA

MAFATLAL

A. C. LAW

M. R. RUIA

R. L. NOPANY

M. L. TAPURIAH

G. L. BANGUR

General Manager

B. T. THAKUR

BRANCHES

IN INDIA—In all cities and towns of commercial and industrial importance including those at Ahmedabad, Bombay, Poona, New Delhi, Lucknow, Patna, Allahabad, Calcutta and Madras.

IN PAKISTAN—Chittagong and Karachi.

IN BURMA—Rangoon, Moulmein, Akyab, Mandalay and Bassein.

IN MALAYA—Singapore and Penang.

IN UNITED KINGDOM—London.

OTHER FOREIGN BRANCHES—Pondicherry and Hongkong.

AGENTS THROUGHOUT THE WORLD

BUSINESS AND SERVICE

The Bank receives deposits, gives advances against approved securities, purchases bills, sells drafts and telegraphic transfers and transacts all types of Foreign Exchange business. Through its internal and external network of branches and world-wide arrangements, it provides every kind of banking service.



The BRITISH INDIA CORPORATION Ltd.

KANPUR

BRANCHES:

CAWNPORE WOOLLEN MILLS BRANCH

KANPUR

CAWNPORE COTTON MILLS BRANCH

KANPUR

COOPER ALLEN BRANCH

KANPUR

NORTH WEST TANNERY BRANCH

KANPUR

NEW EGERTON WOOLLEN MILLS BRANCH DHARIWAL (PUNJAB)

SUBSIDIARY COMPANIES:

G. McKENZIE & CO. (1919) LTD.
CALCUTTA

SMITH STANISTREET & CO., LTD.
CALCUTTA—KANPUR—BOMBAY—MADRAS

THE PENINSULAR MOTOR CORPORATION LTD.
CALCUTTA—BOMBAY

BEGG, SUTHERLAND & CO., LTD.
KANPUR

Managing Agents For:—

The Balrampur Sugar Company Limited

Brushware Limited

The Cawnpore Sugar Works Limited

Cawnpore Textiles Limited

The Champarun Sugar Co., Limited

Elgin Mills Company Limited

Purtabpore Company Limited

Ryam Sugar Company Limited

Samastipur Central Sugar Company Ltd.

Saran Engineering Company Limited

Secretaries of:

The Beta Picker Co., Ltd.



ECONOMIC TRENDS IN BRITAIN

By Our Correspondent

LONDON, 29th November

THE year began under the shadow of a fear that an American recession would have such a damaging effect on Britain's export markets that it might be difficult to maintain the level of activity. In fact, the movements in American trade have not been sufficient to influence the progress of the best post-war year this country has known. 1954 has been a year of rising output, rising wages and incomes, rising profits for industry, rising stock markets, an improved balance of payments, a steadily increased strengthening of the £ externally, and, internally, no more rise in prices than the minimum that can be expected with a prosperous and expanding economy.

MANPOWER SCARCE

If the evidence of the eyes is not sufficient to show the state of business activity in Britain in 1954, there are innumerable statistics to help. Unemployment has never since the war been a serious problem in this country, but, over the past year, the numbers have been reduced from 323,000 to 264,000 in Great Britain, a negligible figure when related to the total working population of 23½ million—and about two-thirds of these have been unemployed for less than two months. In every industry and occupation, the difficult thing is to find workers and to keep down the curse of a high labour turnover and it is evident that the small numbers of long-term unemployed persons are virtually unemployable. This position has given labour immense strength in bargaining over wages and working conditions and contributed to the readiness of workers to strike unofficially if they felt their case was being considered with insufficient celerity or understanding.

The indices of industrial production based on the year 1948 did not move significantly between 1950 and 1952 when they fluctuated around 115. Last year, the main index rose steeply to 121. The first half of this year showed a rise on 1953 of nearly 8 per cent., and, although the rate of percentage increase could hardly be expected to be maintained, so far the second half of this year shows an increase of over 5 per cent. over the corresponding period last year. In the manufacturing industries the increase is nearer 8 per cent.

AUTOMOBILE INDUSTRY

But this main index covers every commercial activity and a better picture is given by random glances at some of the component parts of the economy. The generation of electricity, for instance, has increased 12 per cent. over the past year and the industry has, with difficulty, met the demands put on it, but even so there have been no power cuts because of failure to take the load. Steel production has shown a 7 per cent. rise and the country's output of motor cars is today one-tenth greater than it was a year ago.

This latter industry is absorbing fresh capital in all its branches on an apparently extravagant scale and causing the gravest concern to the authorities responsible for transport control. Indeed, proposals are now under consideration for the City of London that would prohibit the entry of the large numbers of vehicles that have already effectively blocked rapid progress. The annually growing traffic congestion in London is becoming an important economic factor, such is the slowing down of transport, and it is interest-

ing to note that, in Oxford Street, the greatest shopping street of the Metropolis, a new system of traffic regulation has had to be introduced which in the busy period it is expected will speed up traffic to a rate of eight miles per hour. If progress of this sort continues, it may soon be possible in the busy parts of London to move almost as quickly as in the days of horse and cab!

From the large increase in the number of new factories approved in the course of the last few months, as compared with the corresponding period a year ago, it is clear that industry expects the rise in activity to continue; yet the very volume of business can sometimes bring its own difficulties as in merchant ship building where more vessels are being laid down than last year but substantial orders are being lost because of the delays in ensuring completion.

AGRICULTURE

There is nothing very spectacular to record in agriculture except that, in spite of nearly a 15 per cent. reduction in subsidies at the beginning of the year, production has continued to expand and the farming community do not seem unduly upset by the Government's warning that there must be further savings in the next Budget. Farmers are acquiring more machinery than ever before and the production of agricultural machinery, which had been declining in the past two years, has now turned upwards, while in tractors alone four are being turned out this autumn for three a year ago.

HOUSING

On the domestic front, last year the Conservative Government exceeded its target of 300,000 houses to be completed with a figure of 327,000. In the first nine months of this year, 30,000 more houses have been built than in the corresponding period of last year, and, if this rate is continued, the completions are likely to be 20 per cent. over the target. But fewer houses are now under construction and fewer contracts are being placed than this time last year, because of a drastic fall in the orders placed by local authorities who up to now have been the mainspring of house-building activity. More houses are being built by private persons than at any previous time since the war, but this does not make up the falling short by local authorities. The difficulty here is that the rents of the new houses so much exceed the controlled rents of the older properties that many persons are deciding to

endure cramped living conditions rather than pay the higher rents.

But this is not because earnings are in any way less. Wage rates have risen 4½ per cent. over the past year, while retail prices have only gone up 2 per cent., so that real incomes have risen broadly by 2½ per cent. Retail sales, although, very naturally, not showing quite the same meteoric rise as last year, are booming this autumn with a volume 7 per cent. over that of a year ago. There is the evidence that money is circulating, while a further sign of prosperity is an increase in the total volume of small savings.

FOOD RATIONING GONE

The last of the food rationing controls has gone this year and of all the consumer controls over supplies only a light rein is kept over allocation of coal. Competition among producers has kept prices down, while increasing the choice of all manufactured articles, and manufacturers in their turn have been helped by the virtual stability of wholesale prices. The overall index for the latter has only risen 1 per cent. and actually basic materials are slightly cheaper, though engineering materials are slightly dearer.

FINANCIAL FRONT

On the financial front, the Exchequer in the current year is doing a good deal better than it was a year ago. Ordinary revenue has increased since the Budget by £66 million and expenditure is £15 million down: a net improvement of £81 million. It is significant that one of the largest contributors to this has been a gain of £9 million from stamp duties as a result of the exceptional Stock Exchange activity. The banks have also understandably had an active year and the total volume of London clearings heavily influenced by stock transactions has increased by £43 million or not less than 10 per cent. But, more significantly, the provinces whose bank clearings more faithfully indicate the level of business activity have increased their turnover by broadly the same amount.

TRADE

The country's external commercial affairs have also prospered. Imports in the first nine months of this year at £2,521 million have barely exceeded the level of the corresponding period last year, but exports and re-exports of £2,086 million are more than £100 million higher than a year ago. The terms of trade have shifted about 1 per cent. against this country over the period, but no dangerous trend has yet established itself. The improvement in the balance of payments has been paralleled in an improvement in the gold reserves which have risen nearly £150 million over the year, and, in spite of substantial repayments of

debt in one form or another, now exceed £1,000 million.

With this background it is easy to accept the general market view that the Stock Exchange boom is soundly based. The strength of the London market is too well known to warrant detailed comment in an annual review. Suffice it to say that, over the year, industrial ordinary shares rose from a starting index of 131 to 183, almost a 40 per cent. rise; fixed interest shares started at the index 112 and rose to 118; and there was much the same rise in Government securities which started at 101 and rose to 106.

It is also easy to understand the one-time eager desire of the Government to make the pound fully convertible, but, in spite of the rosy picture of this country's affairs, talk of convertibility has now come down to more realistic levels and is seen as a development to follow in due course from the liberalisation of trade and the further strengthening of the balance of payments.—All Rights Reserved.

BRITISH LOCOMOTIVES FOR INDIA

An order has just been placed with the North British Locomotive Company of Glasgow for 25 main-line locomotives for delivery to Indian Government Railways. The order has been arranged under the United States foreign aid programme by the U.S. General Services Administration in Washington. Although full details of the contract are not yet available, the locomotives are probably of the "WG" class. North British has now 42 heavy locomotives on hand for the Sudan and 26 for East Africa. The Company is now also meeting a large demand for spares, including diesel engines. Locomotives of various types are, however, the firm's main production, and it is hoped that the negotiations now proceeding for the allocation to private builders of some of British Railways' requirements will bring benefit to the North British Company. It would provide a basis for competitive production for export markets.

The Metropolitan-Cammell Carriage and Wagon Company of London is to receive an order to build 2,000 wagons for India—1,000 each for metre-gauge and broad-gauge operation. Metropolitan-Cammell submitted low bids for wagons, offering to supply 1,500 metre-gauge wagons at £487 each and 1,500 broad-gauge wagons at £639 each. The Metropolitan-Cammell contract will provide that a large number of each will be purchased at the option of the Foreign Operations Administration (F.O.A.) if sufficient funds are available.

THE EUROPEAN COAL AND STEEL COMMUNITY

By a Special Correspondent

CONCENTRATION on the military aspects of a Western European effort has tended to obscure the day-by-day achievements of the first truly European Government—the European Coal and Steel Community, and its executive body, the High Authority.

For the past two years, the sovereign federal institutions of the Community have been quietly, but effectively, at work in Europe. By 10th February, 1955, M. Jean Monnet, President of the Community's High Authority, will have completed his first term of office. A common market for coal and steel in its six member-countries (Belgium, France, West Germany, Italy, Luxembourg and the Netherlands)—one of the aims of the Community—has already been functioning for over a year. What, at the end of 1954, a decisive year for Europe, are the achievements of the Community, its problems and its outlook for the future?

NEED FOR A COMMUNITY

A caprice of history has made the political map of Western Europe a jigsaw puzzle of national frontiers. Yet its key industrial resources are concentrated in a triangle not more than 250 miles on each side, enclosing all or part of the Ruhr, Belgium and Lorraine coalfields, steel works in Luxembourg and the Netherlands and the rich iron ore fields of the Saar. Only the sixth country of the Community—Italy—lies fully outside its borders.

Around this triangle, a huge complex of coal and steel industries has grown up making it the economic heart of Europe. But this heart, since 1914, has not been in very good shape. There was a time when the industrialists of Europe feared neither recess nor competition. Secure in the knowledge of their own technical superiority, with

large colonial possessions abroad and a docile labour force at hand, they felt that their markets were inviolable. But, over the past 40 years, the nations of Western Europe have witnessed a slow but steady decline in their relative economic power. During this period, two world wars resulted in an unprecedented destruction of communications and industrial plants. Nationalism in Western Europe grew hand in hand with protectionism and each country became hedged with artificial barriers, preventing the natural economic use of each country's resources. This in turn tended to stifle the competitive spirit of European producers. Cramped by the narrow walls of national markets they developed a psychology of restrictionism. Prevented from competing on neighbouring markets, producers had to secure profits on small home markets by raising prices. They secured their position of relative monopoly by even higher protective legislation, buttressed by restrictive private agreements—cartels. The result of all these practices was rigidity and stagnation at the very time when technical advance made possible—and a growing population required—flexibility and expansion.

The economic results of the political fragmentation of Europe were especially apparent in Europe's stagnation from 1927 to 1952. While the United States supplanted Europe as the world's largest producer of raw materials, while the Soviet Union increased her steel production sevenfold the coal and steel industries of Europe just "jogged along": the six Community nations produced

37 million tons of steel in 1929. They produced 39 million tons in 1952.

Europe's post-war problem was not new, but old solutions, like the League of Nations, had not worked. Europe faced the prospect of becoming an economic backwater or of being swamped by the overwhelming might of either America or Soviet Russia. It was neither strong enough nor united enough, to retain its independent power of decision. Existing international organisations served to bring together Government representatives, men from different countries who agreed that the countries of Western Europe must produce more at less cost if standards of living were to be preserved, and that Europe's coal and steel industries needed an overhaul. But representing as they had to solely national views, they were not able to agree on sufficient action, and international organisations could offer advice, but had no real powers to back away at what M. Monnet called the "jungle of protectionism."

The initiative was taken by the French Government on 9th May, 1950. In an historic declaration on that date, M. Robert Schuman, then French Foreign Minister, proposed that Europe's coal and steel production be integrated to provide a solid basis for European unity. M. Schuman reasoned that successive efforts to unify Western Europe had failed, because they did not come to grips with economic realities. Because they had envisaged progress on too broad a front, no genuine advance towards European unity had been made in any sector. To place the

entire Franco-German production of steel under a common, supranational authority, along with the production of other European countries, would not only cut through the jungle of protectionism but create an economic fusion that would make war between France and Germany not only unthinkable but materially impossible. And M. Schuman, a Lorrainer born in Luxembourg, successively a German then a French national, knew to his cost the civil consequences of Franco-German rivalry.

TREATY SIGNED

After lengthy negotiations, a treaty giving effect to his proposals was signed on 15th April, 1951. Fourteen months later, it had been ratified by the Parliaments of Belgium, France, West Germany, Italy, Luxembourg and the Netherlands. On 10th August, 1952, the institutions of the European Coal and Steel Community began work in Luxembourg, the provisional capital of the Community. M. Schuman's idea had become a reality.

The treaty signed by the six member-nations guarantees the existence of the Community until the year 2002. It provides for a clear separation and balance of powers, with responsibilities distributed among the executive (the High Authority), parliamentary (the Common Assembly) and judicial branch (the Court of Justice). A further body, the Council of Ministers, acts as a link between the High Authority and the national Governments.

The High Authority, the Community's executive branch, consists of nine members chosen for fixed terms by the Governments of the member-countries. The members do not "represent" the countries from which they come; they are, in fact, forbidden to solicit or accept instructions from any Government,

...contributing to India's progress and prosperity

Is there any aspect of human activity which is not sustained by the use of chemicals in some form or other?

We remain in the background but our effort is vital to the industrial progress of India. New products, new processes, new usages, new techniques are being discovered daily all over the world at the cost of crores of rupees—I.C.I. England spent 10 crores on research last year. The fruits of this research are made available to India through the medium of this company.

In addition to maintaining a large staff of technical experts to service any industry consuming chemicals, our contribution extends to training young Indians in our laboratories in India, promoting fundamental scientific research at Indian Universities through endowments and scholarships.

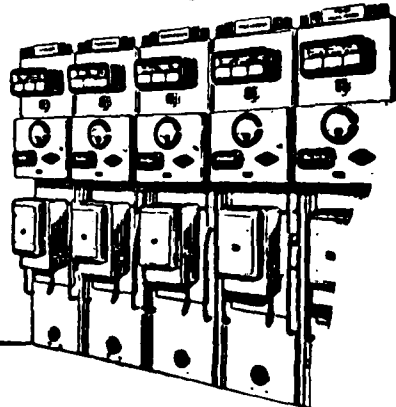
IMPERIAL CHEMICAL INDUSTRIES (INDIA) LIMITED



Crompton Parkinson

Switchgear is tested and proved

Crompton Parkinson Switchgear designs have been thoroughly tested in the Company's own full-scale short-circuit Testing Station. You know they will do their job of controlling and safeguarding electricity supplies. Send your enquiries for all HT and LT switchgear to



GREAVES COTTON & CROMPTON PARKINSON LTD.
P.O. BOX 91 BOMBAY P.O. BOX 166 CALCUTTA

including their own. No more than two members may be of the same nationality. The High Authority is responsible for seeing that the trade barriers, discriminatory and restrictive practices in coal and steel are eliminated and not thereafter revived, and that conditions are created and maintained which will permit the free play of competition. Once the High Authority makes a decision, all coal and steel enterprises must follow it or suffer penalties. Neither individual enterprises nor member Governments may appeal to national courts to review decisions of the High Authority. Their sole right of appeal is to the Community's Court of Justice.

This Court, an independent judiciary, is composed of seven judges, also of the different nationalities of the Community countries. Its decisions are final. It recently held its first session to settle a dispute between the French and Italian Governments, on the one hand, and the High Authority, on the other, over steel pricing.

To every possible extent, however, the High Authority seeks to bring about compliance with its decisions not so much by sanctions (it has powers to fine coal and steel enterprises violating its rules) as by breaking through the traditional atmosphere of secrecy which surrounds so many coal and steel companies. By compelling the disclosure of facts—as, for example, by seeing that steel firms in the Community publish their prices—the High Authority believes an informed public opinion can influence recalcitrant enterprises, and, in the long run, be more effective than direct penalties.

Before taking important decisions, the High Authority presents its plan to a 51-man Consultative Committee, composed of representatives of all interested groups—producers, workers, consumers and distributors.

The High Authority, as a sovereign institution, is not directly responsible to the Parliaments of the six member-nations, but to a parliamentary body known as the Common Assembly, which controls the actions of the High Authority. This Assembly, composed of 78 members nominated by their national Parliaments, can, by a vote of censure, overthrow the High Authority. It exerts overall control on its actions. Another check on the power of the High Authority is the Council of Ministers—one minister from each national Government—meeting as a body at regular intervals; the consent of the Council of Ministers has also got to be obtained before major decisions are taken.

ACHIEVEMENTS

To what extent has the existence of these institutions affected the economy of Western Europe? The transformation of the six national coal and steel markets into a vast single market is, of course, a task of unprecedented complexity, but, after two years of existence, a large number of practical measures have been achieved. It was, of course, necessary to proceed by stages to avoid the disruption of the Western European economy. Nevertheless, major obstacles to the free play of competitive forces—customs barriers, double pricing, export and import licences and all quantitative restrictions on the movement of coal, steel, iron ore and scrap within the Community, have been abolished, except in the case of Italy where customs barriers are being whittled away over the five years of the "preliminary period" of the Community's existence. (Some were as high as 28 per cent.)

The Community treaty is, in effect, the most severe anti-trust law ever enforced in Europe. It forbids producers agreements that restrict competition, and also aims at undue concentration of economic power. Two

coal-selling agencies have already been ordered to stop restrictive practices, and one large coal-selling organisation in Southern Germany has been made the subject of a cease-and-desist order, preventing it from allocating customers in its area. In the field of transport, the High Authority, in agreement with the Governments of the six member-countries, has eliminated 32 discriminatory practices designed to protect domestic coal and steel at the expense of imported coal and steel. The High Authority also intends to introduce international through rates for coal and steel transport, which may, in certain cases, reduce the cost of transport across frontiers by as much as 25 per cent. While investigating the complicated regulations governing the buying and selling of coal in Western Europe, the High Authority came across strange examples of protectionism: it discovered, for example, that French steel moving from one part of France to another had to pay a 10 per cent. tax, if, during its travels from port to port, it was loaded on a non-French ship. It discovered that steel imported from the Ruhr into France and travelling by the shortest route had to pay seven different kinds of tax. It found out that coal producers in Aachen, in Germany who are close to the Belgian frontier, had to move their coal several hundred miles away to South Germany, because their natural market area—Belgium—was banned to them. Now German coal from Aachen reaches the Belgian markets, and French coal is sold in Southern Germany.

FAR-REACHING RESULTS

The consequences of common markets in coal and steel are many and far-reaching. First of all the level of trade within the Community countries has greatly increased—over 40 per cent. as compared with 1952. Coal and steel consumers, for

the first time in history, are being given a real choice, and are using this choice to buy in a way most advantageous to them. The consumers also know for the first time, the price of steel on the European market, since the High Authority has compelled steel producers to publish their prices and has set up a checking system to see that the prices are changed if they overstep a 2.5 per cent. margin above or below the present published price. Increased trade means increased competition, and many coal and steel enterprises are reorganising or regrouping to meet competitive conditions which the common market has created. For the first time, sellers within a national State are in danger of losing to competing producers in other parts of the Community. Examples of reconversion can be seen in France, where four mergers have now reorganised 55 per cent. of France's steel capacity into firms of a size and type capable of competing on the Community's market. Some of these mergers had been recommended since 1946, but it took the Community and the threat of competition to induce producers to modernise. Belgian coal mines are also in the process of modernisation: a study has been made of the least productive mines to explore alternatives of reorganisation or closure. The coal mines in the South of France are also attempting to increase their productivity and eliminate their marginal production.

In the field of steel, Community countries are expected to produce a record tonnage, in 1954, of about 43 million tons. Steel experts compared the boom in light steel products in the last six months of 1954 to the "Korea boom" in steel, the difference being that, whereas during the Korea boom the price of steel exports within the Community rose to \$150 a ton, in 1954 these

did not rise above \$90 a ton, thanks largely to High Authority insistence on published prices.

In the past, national Governments have been chary of financing large-scale modernisation projects, because of the immediate threat to the security of the nation's labour force. The European Coal and Steel Community, by the terms of the treaty establishing it, is pledged to see that the worker does not suffer through modernisation and reconversion. The labour point of view is, of course, an important factor in any decisions taken by the High Authority. (Two members of the High Authority, M. Paul Finet, and M. Heinz Potthoff, are themselves eminent trades unionists.) But the High Authority has also taken practical steps to see that, in the process of modernisation, wages are guaranteed, retraining is effected, and that, in the last resort, where low-wage antiquated coal and steel enterprises may have to close, alternative industries are set up to keep the labour force employed.

TWO PROJECTS

Two projects are at the moment in operation. The first aims at moving, over a period of several years, several thousand miners from the low-wage coalfields of Southern France to the high-wage, highly competitive coalfields of Lorraine. Incentives for the workers who chose to move (all are volunteers) include a new home, usually far superior to the one left behind, free transport and allowances, a bonus of about three months' wages, and the guarantee of a job carrying at least the same wage scale as that vacated. As productivity is higher in Lorraine, this in fact means in most cases a higher wage.

The second project, also in France, aims at reorganising a large French steel group, the *Ateliers et Forges de la Loire*. The workers, under

this scheme, will have their full minimum 40-hour week wages guaranteed for the time they are out of work, and will be re-trained for jobs in steel transforming industries. Past experience shows that planned reconversion means unemployment for only a relatively short time. The factory once reconverted for higher productivity, the workers are reabsorbed into the industry which has in fact expanded and needs more, not less, workers than before.

Good housing is a fundamental requirement in an expanding economy: the High Authority intends to devote 25 million dollars—the quarter of the 100 million dollars it recently negotiated with the United States—to stimulate the building of the first of 100,000 houses for workers in the coal and steel industry over the next five years, over and above national programmes. This loan is an example of the collective strength and good financial credit of the Community, which is financed by a 0.9 per cent. levy on coal and steel in the six Community countries. A large proportion of this revenue goes into the Community's guarantee fund, which enabled it to obtain the 100 million dollar loan at the low interest rate of 3½ per cent. This in turn will, it is expected, have an effect on banks throughout the Community, for nowhere does the High Authority intend to act as sole party to a loan. It has decided to contribute a maximum of about 25 per cent. to meeting loans from producers, the rest of the money being found by the enterprises themselves. Governments or banks. In Europe, interest on capital investment loans is as a rule high: as much as 10 per cent. in Germany, 8 per cent. in France. The 100 million dollar loan means that 'cheap' loans will be possible, and the Community's low rate of interest is already having an effect on

the banks. Germany may bring its rate down to 7 per cent., France to 6 per cent.

Important though these achievements may be, perhaps the most important change has been the most intangible: the breaches made in national dividing lines. As a prominent French industrialist recently said, "The Schuman Plan is opening up a new era." For instance, various interests, which previously acted nationally, are now joining up across frontiers. In the Common Assembly, for example, the three main non-Communist parties in Western Europe have created party groups and secretariats: Christian Democrat, Socialist and Liberal. Members of the Common Assembly are gradually losing the habit of voting systematically in national groups to vote instead according to party affiliations. Again, the non-Communist trades unions have joined up across frontiers and their two largest non-Communist federations have set up Community federations, with permanent offices in Luxembourg, to co-ordinate policy and to pool research. Other cross-frontier 'pools' have been set up to assist in the work of the European Coal and Steel Community. One deals with miners' health and research into silicosis, another is an association of coal retailers from the six Community countries to harmonise their policies.

U.K.'S RECOGNITION

On the international plane, recognition has come from the United Kingdom, which is in favour of yet closer association with the Community, and which, along with seven other countries—America, Norway, Switzerland, Austria, Denmark—and, most recently, Japan—has established permanent relations with the Community.

The basic reason for these and other developments is that all those who work with the Community, whether friendly or reserved, are now convinced that it is practical and effective. A recent verdict, from the influential *Economist*, was as follows: "In many ways, the unique achievement of the High Authority in the last two years has been its ability to keep its head in the clouds but its feet very firmly on the ground... If at times the High Authority has moved slowly, it has moved surely."—All Rights Reserved.

Notice

THE EQUITABLE COAL CO., LTD.

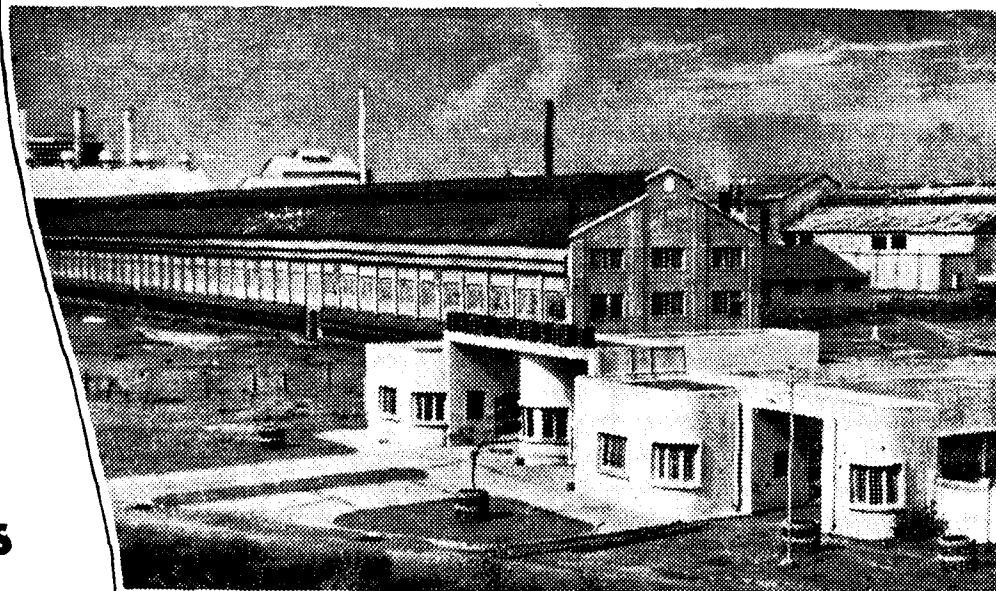
NOTICE IS HEREBY GIVEN that the payment of Interest for the period from 1st July to 31st December, 1954, on the 5½ per cent. Registered Debenture Stock 1963-68 of the Company will be made on 1st January, 1955, to those Stockholders whose names appear on the Company's Register on 31st December, 1954, or in accordance with their instructions.

For THE EQUITABLE COAL CO., LTD.,
MACNEILL & BARRY LTD.,

R. M. BONNER,
Acting Secretary,
Managing Agents.

2, FAIRLIE PLACE,
CALCUTTA, 15th December, 1954.

Our new rolling mills
are now scheduling
**PROMPT
DELIVERY**
to meet
your requirements



on 2-S and 3-S
ALUMINIUM
SHEETS—COILS—CIRCLES
ALSO VIRGIN INGOTS & ALLOYS

**ALUMINIUM
CORPORATION OF INDIA LTD.**
7, COUNCIL HOUSE STREET, CALCUTTA

HINDUSTHAN CO-OPERATIVE

Announces
NEW BONUS

In its
Triennial Valuation
ENDING ON 31ST. DECEMBER, 1953.

BONUS ON WHOLE LIFE—**RS. 17/8/-**
ON ENDOWMENT—**RS. 15/-**
PER THOUSAND PER YEAR
INTEREST ASSUMED @ 2½%

With its record of the HIGHEST INCREASE in NEW BUSINESS in the field of Indian Insurance in 1953, of 2 CRORES 50 LAKHS, the HINDUSTHAN announces inspiring results of its new valuation.

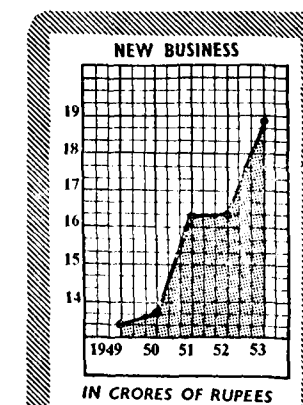
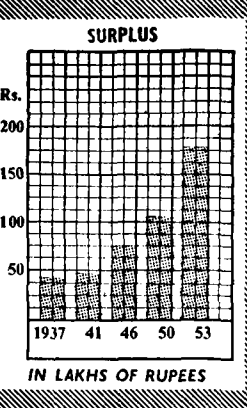
With an urge of progressive force and constructive idealism, the Hindusthan is marching ahead stronger than ever before—sound, solid and fully awake to its obligation of trusteeship.



Shouldering the Future Burden of Millions

**HINDUSTHAN CO-OPERATIVE
INSURANCE SOCIETY, LIMITED**
HEAD OFFICE • HINDUSTHAN BUILDINGS, CALCUTTA-13
BRANCHES • ALL OVER INDIA & OUTSIDE

Bombay Branch :
HORNBY ROAD, FORT.



D. V. Deshpande,
Joint Manager.

INFANT MORTALITY IN INDIA, 1900-1951

RATE DECLINES, BUT STILL HIGHER THAN IN MANY COUNTRIES

By Professor S. Chandrasekhar

NUFFIELD FELLOW, LONDON SCHOOL OF ECONOMICS

UNLIKE some advanced countries, India does not as yet have complete, reliable and detailed official vital statistics to enable one to make a comprehensive study of infant mortality in all its aspects during the last half a century. Throughout this period, the area of registration, in the sense of regular, albeit incomplete returns, covers only two-thirds of the geographical area and three-fifths of the census population. The exigencies of public administration, the pattern of social progress, the working of provincial autonomy (in India public health is a provincial subject) and the evolution of political freedom for the country as a whole, all have conspired to make neither the area nor the population a constant factor for the registration of vital statistics.

From the turn of the present century, the rough area of registration begins with what has come to be known as British India (or rather the old Provinces), excluding the princely States. For some sporadic years, some vital statistics are available for a few of the larger States such as Mysore and Baroda, though such statistics are not always comparable with those of British India either in content or format. The area covered by these statistics continued to be the same till 1947, with the exception of the creation of two new Provinces, Orissa and Sind, in 1936 from the existing British area. Thus, there was some continuity and the total figures were not affected till August, 1947, when political power, accompanied by the partition of the country, was completely transferred to Indian hands. And, with the beginning of 1948, the area of registration began to cover all the States of the Indian Union, excluding, of course, those Provinces, parts of Provinces and other areas which became Pakistan. The assumption that the area of registration from 1948 embraces the complete residual Indian Union is again only theoretical, for, in practice, the returns from the old Native States (the modern Part B and C States) are yet largely incomplete and irregular. With the gradual progress of the administrative integration of these States into the political structure of the country (by merger with an adjoining Province, or into a union of several small States as a new State, or the continued independent existence as a reconstituted State of the Union), the statistical returns become a little more representative of the total area and population of the present-day India. But this apparent improvement is almost at the end of the period of the present enquiry and the benefit of this improvement is not reflected in this essay.

Thus, for the period of the 50 years under review, there are no returns for the present Indian Union as a whole, though adjustments can be made for the old Provinces (excluding the Native States) that are in the present Indian Union. It must be remembered, therefore, that, in any discussion of Indian vital statistics, there are inevitable problems of under-registration, inaccurate returns and want of relevant details; for lack of figures, no attempt is made here to correct or adjust the figures of infant mortality for the present Indian Union area and population.

The purpose of this article, however, is to present a composite picture of the course and causes of infant mortality in India during the last half a century—a period covered from the fourth decennial Census of 1901 down to the ninth Census of 1951. Even such a modest objective

as this implies certain assumptions such as a uniformity of error in under-registration throughout the period under review. Not only mortality but birth statistics themselves are grossly defective. This attempt also ignores, for lack of space, differentials in infant mortality rates based on Provinces and regions, rural and urban, religion, caste and sex. Some statistics for some years, according to these divisions, are available. And differentials based on incomes of fathers, the occupational group of fathers or parents (when mothers are also employed) or the social status of parents are also not analysed for the simple reason that the necessary statistics are not available.

The informative figures which enable the United Kingdom's Registrar-General to analyse infant mortality by the "social status" and "economic class" (these terms are apparently interchangeable) of the fathers—a fivefold classification—are simply not available for India. Further, any purposeful study of infant mortality must take into consideration its various components beginning right from conception, such as ante-natal mortality (death of the foetus before the onset of labour due to miscarriage on account of natural causes or criminal abortion), intra-uterine mortality (death of the infant during labour), still-births as such (these and still-births, though not a part of infant mortality, are closely allied to it), perinatal mortality (infant mortality under one week), neo-natal mortality (death of the infant during the first four weeks), mortality after the fourth week and under one year, and the overall infant mortality as deaths of infants under one year. Here again, unless a country can accurately record and carefully watch the progress of every pregnancy, which India, like most other countries, certainly does not do, no serious analysis of this type can be undertaken. We have little or no details of either the incidence, course and termination of pregnancies or infant mortality in all its details. Some statistics, however, for infant mortality during the first month, under six months and under one year are available. Nor do we have any detailed record of the causes of these deaths. The utter importance of statistics of this kind as a necessary requisite for the formulation of any progressive social, economic and public health policy for a country like India cannot be over-emphasised.

SOURCES

Two kinds of statistical data are available for surveying the trend of infant mortality in India during the last 50 years. The first source is official records and the second unofficial studies.

The official sources are the series of Reports on Sanitation and Public Health issued by the authorities of the Government of India. The first series are the *Annual Reports of the Sanitary Measures Taken in India*. These are principally concerned with the protection and promotion of the health of British and Indian troops, jails, ports and the civilian population. These reports just about mention the total births, deaths and infant deaths for the area under registration. The only other detail that some of these sanitary reports, give is the infant mortality rate by sex, namely, the rates per 1,000 male and 1,000 female live births. The authors of these re-

ports (printed in England by the order of the House of Commons) express considerable diffidence on the accuracy of the figures but a modern student of the subject is grateful for the figures, such as they are, for, although defective, they cannot be too wide of the mark. This series, *Report on Sanitary Measures in India* in 1864-65, begins in 1864 as the annual reports of the Sanitary Commissioner with the Government of India. As new concepts of the role of a Government in promoting the public health of a country began to emerge, the Government of India appointed in 1920 a Public Health Commissioner in the place of the Sanitary Commissioner and from that year the publication became *Annual Report of the Public Health Commissioner with the Government of India* for the year concerned. With the advent of freedom in 1947, it was decided to integrate the medical and public health activities of the Government of India at the centre (a recommendation of the Bhoré Commission of 1943); the designation of the authorities was changed to that of the Director-General of Health Services and the volume became *Annual Report of the Director-General of Health Services*, with an accompanying volume of statistical appendices. Besides these, there are the comprehensive reports of India's decennial censuses, the *Census Reports of India* (both the general report of an all-India character and a separate volume of tabular). The Census Series began in 1872 and they have been issued in a more or less uniform manner every ten years (except in 1941 when the war stringency prevented the issue of all the volumes) down to 1951.

Besides these, we have the Provincial Reports such as the *Annual Report of the Director of Public Health* and *The Reports of the Census* for the various Provinces and States. In addition, there are the *Annual Reports of the Executive Health Officer* for certain major cities as Bombay, Calcutta, Madras, etc. These are the official and unverifiable sources of primary demographic data for India.

PRIVATE STUDIES

As distinguished from these Government reports, a few studies by individual scholars, experts and medical personnel, on the various aspects of the Indian population position are available. These are in the nature of private *ad hoc* studies. As they deal with random samples of population such as a village, a famine affected area, the patients of a hospital, etc., and as they refer to only certain limited periods of time within the 50-year period under review, both the scope and the objective of these studies are very limited. Though these studies cover only select or random samples of population, they are of some value, for such facts as they do establish may prove to be either corrective or corroborative of official figures. A comparison between these two sets of official and unofficial figures, when possible, proves instructive.

tive of official figures. A comparison between these two sets of official and unofficial figures, when possible, proves instructive.

Table I gives the infant mortality for India during the years 1900-51 in annual rates and quinquennial averages. Though the registration of both births and deaths are incomplete and defective, the registration of births is less reliable than the registration of deaths. While death registration is more reliable, another defect creeps in. A study of urban mortality statistics reveals that more deaths are entered under one year of age than is actually the case. Information given as to the age of children when reporting their deaths is usually vague, with the result that many deaths over one year of age are returned as under one year. According to the *Population Data Enquiry Committee Report*, the magnitude of under-registration is estimated at about 50 per cent, but this again is nothing more than a reasoned conjecture, when as long a period as half a century is taken into consideration. Therefore, the figures must be examined as such without any attempt at correction. It may also be pointed out that the rates of infant mortality presented in the table are not true rates; they are merely the recorded number of deaths under one year per 1,000 live births in the corresponding period. A more reliable rate is one which is calculated as the number of deaths under one year within a cohort of thousand births. But, on account of the difficulties of following up the histories of babies born in a year till the end of the following year, the official rates follow the conventional definition.

Both Table I and the graph show that (a) the infant mortality rates in

TABLE I
Infant Mortality in India, 1900-1951
(Deaths of infants under one year per 1,000 live births and quinquennial averages for British India)

Year	Rate	Five-year average	Year	Rate	Five-year average
1900	232		1926	180	
1901	205		1927	167	
1902	215		1928	178	
1903	225		1929	178	
1904	208		1930	181	
1905	224				
		215			178
1906	223		1931	179	
1907	216		1932	169	
1908	249		1933	171	
1909	244		1934	187	
1910	209		1935	164	
		228			174
1911	205		1936	162	
1912	208		1937	162	
1913	195		1938	167	
1914	212		1939	156	
1915	202		1940	150	
		204			161
1916	202		1941	158	
1917	205		1942	163	
1918	207		1943	165	
1919	224		1944	169	
1920	195		1945	151	
		219			161
1921	198		1946*	136†	
1922	175		1947‡	146	
1923	176		1948§	130	
1924	160		1949	123	
1925	174		1950	127	
		174	1951	116	

* Up to 1940 the registration area comprises the British Provinces in undivided India and excludes the Native States.
† Excluding East Bengal for which area figures are not available.
‡ Partition of the country into India and Pakistan.
§ For 1948 and subsequent years the figures are for the States (Provinces) of the Indian Union as reconstituted after partition.
|| Registration all through the years is officially stated to be incomplete. This is true of the present States of the Indian Union also.

TABLE II

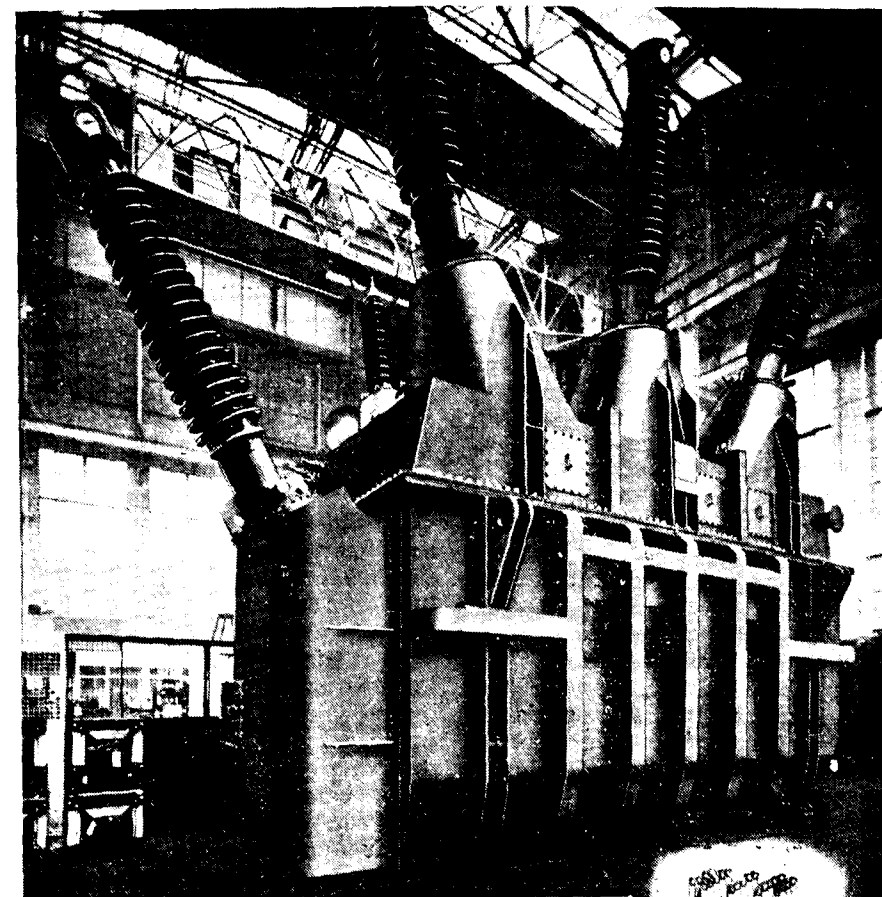
Infant Mortality Rates for certain Selected Countries, for Certain Specific Years Between 1900-1952

(Infant deaths under one year per 1,000 live births for the corresponding period)

Year	India	Ceylon	Japan	England and Wales	Australia	New Zealand	Holland	Sweden
1900	232	178	151	154	104	71	158	94
1910	209	176	160	105	75	66	108	75
1920	195	182	168	80	60	48	50	65
1930	181	175	142	60	57	39	39	60
1940	160	149	124	40	47	32	39	39
1950	127	84	60	30	25	23	25	20
1951	116	..	67	28	..	22	25	21
1952	..	..	..	..	..	..	..	..

FERRANTI

PIONEERS IN THE MANUFACTURE OF ELECTRICAL EQUIPMENT



A 3-phase 230 kV Ferranti Transformer, 64/64/32MVA

115.5/231/10.5 kV. Pressure tested at 530 kV 50 cycles.

A Ferranti
Hermetically-sealed
miniature Transformer

From largest to smallest products, for both Industrial and Domestic use, Ferranti Ltd. devote an equal care in research, design and development.

With huge resources in several well-equipped factories, Ferranti Ltd. are producing large power transformers for vast engineering projects all over the world. One of these projects is the Damodar Valley Power Scheme for which Ferranti Ltd. are supplying:

Three—20,000 kVA, OFB, 3 phase, 50 cycles, 132/33-66 kV transformers with on-load tap changing gear.

Two—10,000 ON/OB, 3 phase, 50 cycles, 132/33 kV transformers with on-load tap changing gear.

- ★ TRANSFORMERS
- ★ VOLTAGE REGULATORS
- ★ HIGH VOLTAGE TESTING EQUIPMENT

- ★ HOUSE SERVICE METERS
- ★ MEASURING INSTRUMENTS
- ★ SUMMATION METERING EQUIPMENT



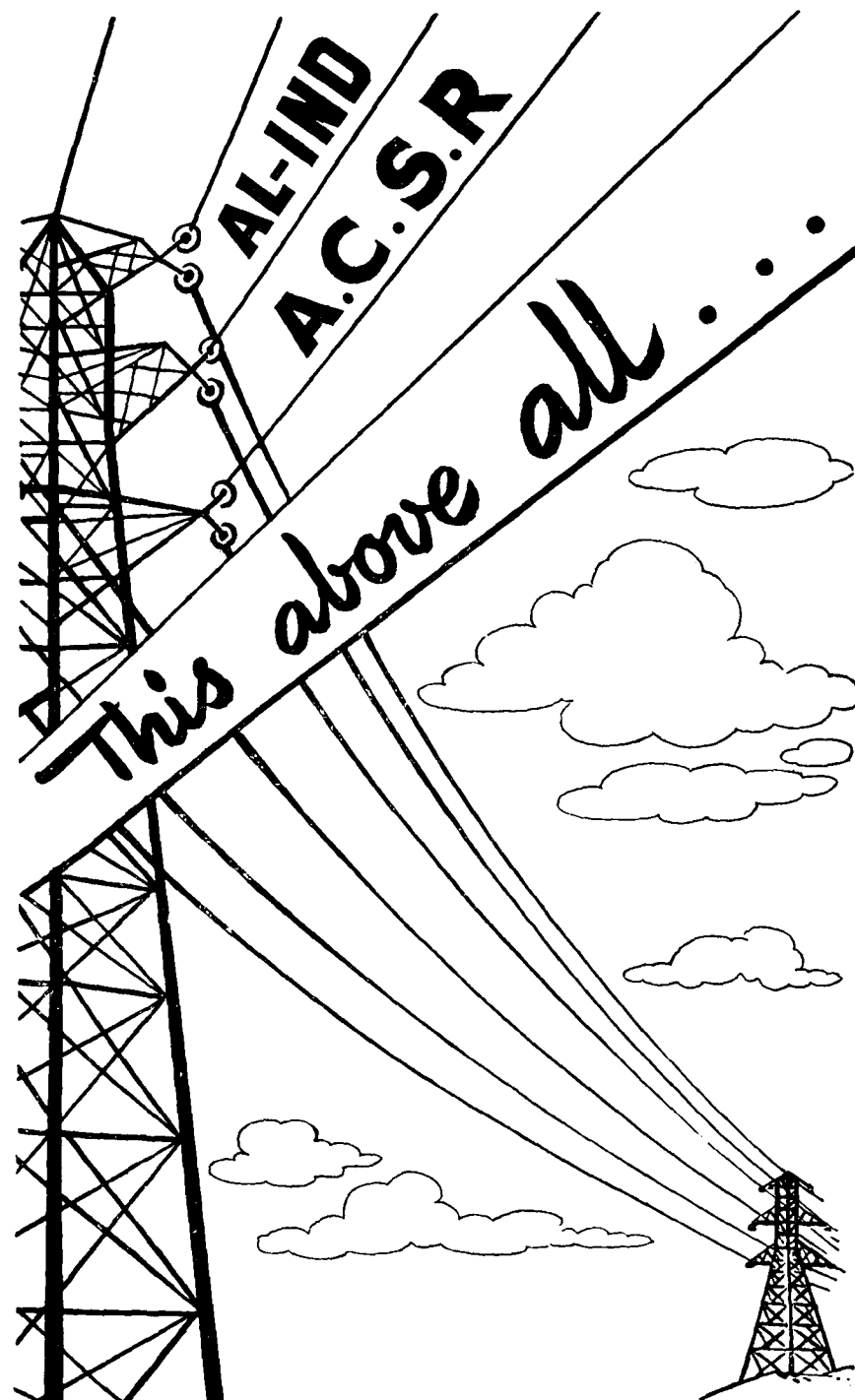
FERRANTI LTD.

HOLLINWOOD - LANCASHIRE - ENGLAND

Sole Agents in India:

BRITISH INSULATED CALLENDER'S CABLES LIMITED
Esplanade House, Waudby Road, Fort, Bombay I. Post Box 111

Branches at: Ahmedabad - Ambala - Bangalore - Calcutta - Coimbatore
Kanpur - Madras - Nagpur - New Delhi - Secunderabad (Deccan) - Trivandrum



Behind the choice by an electricity authority of Al-Ind A.C.S.R. (Aluminium Cable, Steel Reinforced) there are certain compelling considerations. These are: High conductivity and strength; Less sag; Longer spans; Faster and easier erection; and, this above all, ECONOMY.

When an undertaking specifies Al-Ind A.C.S.R. it is a story of savings right from the start and all the way up!

POWER
Three-Phase Cables

THE ALUMINIUM INDUSTRIES LTD.

KUNDARA - T.C. STATE

Managing Agents: SESHASAYEE BROS. (TRAV.) LTD.

India throughout the period have been abnormally high in relation to rates in certain selected countries in Asia and the West: the Indian rates are four times as large as those of Sweden or New Zealand; (b) there are three peak years when the rates have been inordinately high; and (c) a definite declining trend is noticeable since the 1930's.

The Indian infant mortality rates range during the 50 years under review from 116 per 1,000 live births, the lowest recorded in 1951, and 267 the highest recorded in 1918 and the fluctuations have thus an enormous range. (The causes for this excessive mortality must be sought in the social, economic, cultural, religious and health background of India. The apparent diseases to which these infants succumb are listed below as given in official reports.) These figures may be compared with those of Japan and Ceylon in Asia, England and Wales, Sweden and Holland in Europe and the United States of America, Australia and New Zealand. It is clear that, during the period of comparison, India began with a great handicap, for her health and hygienic measures were (and are) in no way comparable with those existing in these countries with the possible exception of Ceylon. India was and continues to be way behind times in this matter. But she can buy the lowest infant mortality rate she wants; what can be achieved and what is possible under certain conditions is obvious from Table II.

As already stated, there are three peak years, 1900, 1908 and 1918, when the infant mortality rates (and mortality rates at all ages) have been very high. Apart from what may be termed "ordinary causes" from the Indian point of view, the high rate in 1900 was due to the famine conditions in the country as a whole. This year was also an unhealthy one as epidemics usually break out in the wake of famines (as the resistance to infection and disease is low due to insufficient and defective nutrition) resulting in heavy loss of life. The year 1908 was also a bad one, for the high mortality was due to a severe malaria epidemic which was experienced over the whole of Northern India. While an attack of malaria is not always fatal in the case of an otherwise "healthy" and normal adult, it proves often fatal in the case of an infant, due no doubt to other contributory factors adversely affecting the health of the infant. The highest peak in infant mortality in 1918 was caused by the world-wide influenza epidemic of that year.

Despite these peaks and variations, a declining trend is noticeable since the 1930's. Infant mortality has been on the definite decline since 1935, except for a slight rise in 1944 on account of the severe famine in Bengal in 1943-44. The infant mortality rate has been exactly halved in the course of half a century, from 232 in 1900 to 116 in 1951. The rate in England and Wales was reduced from 154 in 1900 to 30 in 1951. What took India 50 years to accomplish, England and Wales were able to achieve in 20 years between 1900 and 1920. As for the neo-natal death rate (deaths under first four weeks per 1,000 live births), the figure of 42 per 1,000 live births in 1906 was cut down to 18 in 1950. And the post-natal death rate (for the remainder of the first year) has been reduced from 91 in 1906 to 45 in 1921 (halved in 15 years) and 11 in 1950 in England and Wales. In the United States of America, infant mortality rate was reduced by a half in about 30 years from 99.9 in 1915 to 39.4 in 1944; it was 122 in 1900 as compared with 29 in 1950. While the rate of decline in India during the period in question has not been impressive as compared with the experience in

certain other countries, the decline has begun and, if the present plans for health improvement as a part of the economic plan for raising the standard of living are carried out, further reductions are bound to take place. This is a welcome trend, except for its obvious implications on the future growth of India's population.

CAUSES OF INFANT MORTALITY

What are the causes for such infant mortality as India has experienced during this period? And what are the causes for the present declining trend?

Both these questions (particularly the first and which is more important) are difficult to answer. Most deaths (including those of infants) in India occur outside hospitals and by and large unattended by doctors. As there are no death certificates, certified by cause by the medical authorities, for the area of registration as a whole, it is difficult to establish precisely the causes for the high infant mortality in India. Enquiries into the causes of infant deaths even for small random samples of such mortality has been found impossible on account of the difficulties in performing post-mortem. However, infants who die in the first year of life may be grouped roughly into two main classes, namely, those dying within one month of birth (neo-natal mortality) and those surviving the first month of life but dying before they complete their first year. Deaths in the first group are due primarily to pre-natal and natal influences. The second group covers those who have succumbed in the main to causes arising from post-natal influences such as the various epidemic diseases, diseases of the respiratory system, faulty feeding and the environmental factors.

But, in view of the difficulty of the Indian situation, the causes for the first group are more easily ascertained than for the second group. They are: (1) ill-advised pregnancies in the sense that they are not advised at all. In 99 cases out of a hundred, conception is an involuntary process; (2) frequent and ill-

spaced pregnancies; (3) absence of ante-natal care; (4) malnutrition and low vitality of the expectant mother; (5) insanitary surroundings, (6) absence of health visitors and trained midwives; (7) the damaging and meddlesome midwifery of the *dai*—the ignorant indigenous midwife, and (8) last, maternal mortality itself as a cause of infant mortality.

For the second group, the causes of mortality are more difficult to establish in the absence of statistics. The Public Health Commissioner of the Government of India in his Annual Report for 1931 points out: "In India, statistics of causes of infantile mortality are not recorded, but it is generally known that premature births, convulsions, fevers, malnutrition, respiratory diseases and bowel complaints are main causative factors in the death rate under one year." In view of this serious gap, one has to rely on statistics from large cities where infant death returns by causes have been more or less obligatory. About nine cities have such statistics comparable for some years within the period of half a century under discussion. Of these, the statistics of the causes of infant mortality for a number of years, provided by Bombay City, appears to be most reliable. (*Annual Report of the Executive Health Officer of Bombay City*.) A composite list of causes from such statistics for a period of 25 years, 1925-50, is given below, in the order of their importance. The order is based on the percentage of deaths of infants due to these various causes. These causes are vague and would not satisfy the needs of a modern pediatrician, but it must be remembered that infant deaths even in a city like Bombay are not necessarily certified by a doctor but sometimes by the father, relative or a friend; but the list does give a rough indication of the area of infantile ailments that prove fatal in India.

(1) Infantile debility, malformations, including premature birth, (2) respiratory diseases, (3) convulsions, (4) diarrhoea and enteritis, (5) small-pox, (6) fevers (not defined), (7) dysentery, (8) measles, and (9) malaria.

To these two lists of causes must be added poor mothercraft and the

woeful lack of education of the expectant mother. If infant mortality is conceded as the most sensitive index of a nation's social welfare, public sanitation and environmental hygiene, India's claim to any development of these is practically little indeed. What has been achieved elsewhere in controlling and conquering these scourges must be possible in India. "Health," as Rene Sand pointed out long ago, "is purchasable. ... Each country, within certain limits, decides its own death rates." A community can achieve conspicuous success in infant welfare, primarily through the education of its mothers; educated and enlightened mothers may be expected to educate the rulers who appear so impervious to the needs of the literally most helpless section of the community, as well as to the recognition of the potential value of our infants as the future citizens of the country.

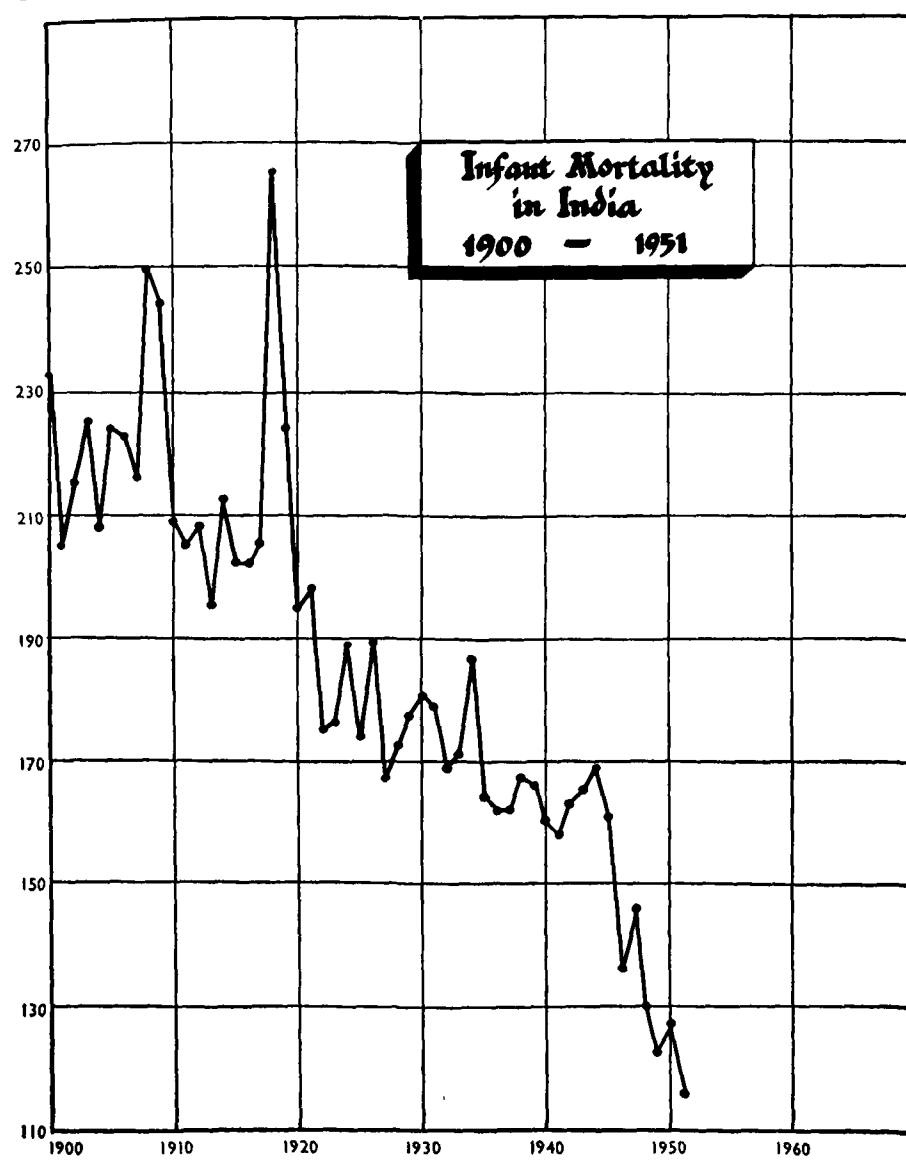
FAMILY PLANNING AND POPULATION CONTROL

Family planning and population control have been recognised as of supreme importance both for the promotion of family health and for the securing of a balance between resources and population. The Planning Commission has enunciated a comprehensive programme which includes provision of family planning advice and service as an integral part of health services in hospitals and maternal and child health centres, training of personnel, public education, and research in the physiology of reproduction and in population problems. The Ministry of Health appointed a Family Planning Research and Programmes Committee which made their recommendations to the Government in this regard. These recommendations have now been accepted by the Government of India. The most important of the recommendations is that grants should be made to State Governments and voluntary organisations for approved family planning programmes to the extent of Rs. 30 lakhs during the two years 1954-55 and 1955-56 in order to promote governmental and voluntary effort in this field. These recommendations are being implemented as speedily as possible. A centre has been set up in the laboratories of the Indian Cancer Research Centre, Bombay, for the testing and evaluation of oral contraceptives. Specific research projects in the physiology of reproduction, in sub-fertility and other fields have been sanctioned by the Government. Steps are being taken for the establishment of the main training centre at Bombay to organise training programmes. The setting up of a Council for Population Studies to promote co-ordinated and planned studies in population problems is also under consideration. In order to scrutinise applications for financial assistance in regard to family planning programmes and to recommend to the Government of India to what extent financial assistance should be given, a Family Planning Grants Committee has been constituted which met in June this year to consider requests received for assistance and recommended sanction of the following grants by the Government of India:—

	(Rs. in lakhs)
State Governments	1.7
Local authorities	0.8
Voluntary organisations	0.8
Research schemes	2.2
	5.5

—Five-year Plan Progress Report for 1953-54.

S. CHANDRASEKHAR—



THE MAHARASHTRA SUGAR MILLS LIMITED

FACTORY AND ESTATE OFFICE

P. O.: Tilaknagar
District: Ahmednagar
Rly. Station: Belapur (C. Rly.)

Telegrams:
"SUGARMILLS"
Tilaknagar

PIONEER MANUFACTURERS OF THE BEST QUALITY REFINED AND WHITE CRYSTAL SUGAR.

ALSO

PRODUCE RECTIFIED AND DENATURED SPIRIT.

HEAD OFFICE

INDUSTRIAL ASSURANCE BUILDING
OPP. CHURCHGATE STATION
FORT, BOMBAY 1

P. O. BOX NO. 249

Telegrams: "DESIGN," BOMBAY Telephone: 37181-2-3

THE EMPLOYERS'

LIABILITY ASSURANCE CORPORATION

LIMITED

(INCORPORATED IN ENGLAND)

CALCUTTA
P/35, Royal Exchange
Place Extension

Telephone: BANK 2592

Branch Manager
R. S. ELLIOTT

BOMBAY
12/14 Veer Nariman Road
Fort

Telephone: 34552

Branch Manager
R. E. BLAIR

MADRAS

William Jacks & Co., Ltd.
(Agents)

National Bank of India Buildings

First Line Beach

Telephone: CITY 3226

★
FIRE - ACCIDENT - MARINE



Head Office:

HAMILTON HOUSE, VICTORIA EMBANKMENT
LONDON, E.C. 4

THE BIG 6 INTERNATIONAL TRADE FAIRS 1955

Markets for you
And opportunities to
exchange latest
techniques, styles
and methods

LOOK
INTO THIS
UNIQUE OPPORTUNITY



visit
FRANCE



All information regarding fairs
can be obtained from:
FRENCH TRADE COMMISSIONERS,
DELHI - BOMBAY - CALCUTTA
MADRAS - KARACHI.

For further particulars,
CONSULT YOUR USUAL TRAVEL AGENT.

ISSUED BY THE FRENCH GOVERNMENT TOURIST OFFICE, DHANRAJ MAHAL, APOLLO BUNDER, BOMBAY 1.

METAL DISTRIBUTORS LIMITED

CODES
BENTLEY'S AND PRIVATE
A. B. C. 5th & 6th EDITIONS
ACME COMMODITY & PHRASE
Phone: Bank 1347-48-49
Telegrams: "JAGATVYAPI"

IMPORT
EXPORT
& SALES

ANTIMONY - BRASS
COPPER - CUPRO-
NICKEL - GERMAN
SILVER - LEAD -
NICKEL - PHOSPHOR
COPPER - ZINC - TIN

INGOTS • SCRAP

Mg. Agents: MATHURADAS GOVARDHANDAS
38, STRAND ROAD, CALCUTTA-1



Branches

12/18, VITHALBHAI PATEL RD.,
BOMBAY

DHUNDI KATRA
MIRZAPUR

FIRST-AID EQUIPMENT

Complying with Government Regulations
(Factory Act)

for all

Factories, Workshops and Offices

available from

KEMP & CO. LTD.

(Manufacturing Chemists)

specialising in

equipment and maintenance of Factory
Dispensaries, Creches, and Hospital necessities
and also

manufacturing Proprietary Medicines,
Tinctures, Syrups, Ointments, Injectibles and
all B.P. and B.P.C. Standardised Preparations.



ENQUIRIES SOLICITED



Head Office:

"ELPHIN HOUSE," PARBHADDEV, CADELL ROAD, BOMBAY

Branches at:

CALCUTTA

DELHI

MADRAS

WITHIN five centuries of its emergence, North America, and particularly the United States, has assumed importance as the most mechanised and the richest country in the world. They have more electricity, more food, more automobiles, refrigerators, telephones, clothes and so many other items of necessities and comforts than any other people.

The American standard of living is easily many times higher than that of the millions of the underdeveloped countries of the world. The per capita income of an Indian is only Rs. 250 per annum, while that of an American is Rs. 6,900 (\$1,453). To compare a few of the social correlates, the total calories of food consumed by an Indian is only 1,700 as against the American standard of 3,170 calories per day; the American parent spends a sum of Rs. 97.3 per capita on the education of children, as against a miserable low per capita expenditure of Rs. 2 in India. The per capita production of electricity and crude steel in the United States is 2,204 kw. h. and 560 kg. per annum, while India produces only 384 kw. h. and 4 kg., respectively.

All these deficiencies and miserable poverty are to be explained by the inadequate attention to the full utilisation of manpower and energy resources of the country. The secret of the American success is to be found in the full and economic exploitation of the power resources. Harnessing the energy from coal, oil, gas and water, they have marched up the path of material prosperity.

Turning to one of the Asian countries, Japan, which was till recently suffering from many of the ills that afflict India today, it is patently seen that they are on the right road to better life. The per capita income of Japan is nearly three times that of an Indian, their calories of food consumed is 25 per cent. more than an Indian's, the per capita production of steel is five times that of ours and the level of literacy in Japan is the highest in Asia, 95 per cent., to be precise. The secret of Japan's success is also full utilisation of manpower and energy resources.

It is common knowledge that human energy is costly, as compared with other sources like machine and animal power. To do a unit of work, it would cost animal power about 15 times as much as electricity; and five to ten times as much again for manpower to perform the same task. The economics of electric energy will be evident when it is known that one kilowatt of electricity, if operated continuously for a year, will do the work of four to five tons of coal and this can be generated at almost no cost as hydro-electric power or at a little cost by burning two tons of low-grade coal. An interesting example can be shown by examining the problem of carrying a ton of goods a mile.

To emphasise on the cost of human labour, it would be realistic to say that even slave labour is not so cheap, as the cost of feeding, clothing and maintaining a slave exceeds the return from his work. This is the exact reason why the value of manpower was realised by the progressive countries of the world which supplemented manual labour with mechanical power. Manpower was conserved and employed economically, so that their wealth multiplied fast, ultimately improving their standard of living.

In the underdeveloped countries of the world, the value of human energy has not yet been fully realised. The sooner these countries give due weight to this aspect in their economic plans, the speedier will be the rate of progress. The immediate necessity lies in engaging available manpower in productive work. Working population and time being

MANPOWER IN INDIAN ECONOMY

By M. S. Srinivasan

factors contributing to national wealth, the country is proportionately poor for the neglect of these vital elements. Immediate engagement of the entire labour force into productive activity irrespective of other considerations is the primary need; and this can be followed by the long-range ideal of economisation, conservation and utilisation of manpower. The stress should first be on full employment and later on time-saving and labour-saving factors.

The industrial progress of Japan is based on a keen understanding of these basic requisites. It costs only Rs. 400 to establish a Japanese cycle factory (500 pre-war yen), as the part of every home is turned into a small cottage industry managed by the members of the family itself. This is the pattern that must serve as a model for India.

India ranks high in its manpower in the world, with only China exceeding in magnitude. The 36 crores of Indians constitute nearly a sixth of the population of the world. The working population of the country is about 14 crores or 39 per cent. of the total. The net annual increase in the population of the country is 1.3 per cent. or about 45 lakhs and the working population grows by 20 lakhs per annum. A reorganisation of the economic structure of the country must take cognizance of these recurring factors.

A study of the occupational distribution of the working population in India will reveal that 958 lakhs or 68 per cent. are dependent on agriculture, while the rest are engaged in mining, industries, transport, professions and administrative services. If nature frowns and the crops fail, the economic life of nearly 70 per cent. constituting the agricultural population, is much affected. Apart from the exposure to such risks, another aspect presented by the problem is that the nature of distribution is such that, corresponding to the annual increase in population, there is no balancing expansion in potential employment market. The mobility of labour is also restricted as the major part of the population is employed in agriculture and cannot be diverted elsewhere. When a population of 250 millions in 1921 has multiplied to 360 millions in 1951, there has resulted an unavoidable 44 per cent. increase in the pressure of population on land. The necessity of developing an industrial sector as a counterpart of the agricultural section is being keenly felt as the population grows further.

An index of the utilisation of manpower in the country is being provided by the figures of unemployment. The army of the unemployed today can be estimated at 45 lakhs, apart from the agricultural labourers who are idle for four months in the year. Among the educated and skilled groups, too, there is prevalent considerable unemployment and underemployment.

The registration for employment in India is voluntary and the 127 employment exchanges cannot contact the mass of the unemployed in the expansive country. Yet the statistics of the exchanges throws, in a small measure, some light on the aggravation of the problem.

Year	No. of applicants in the live register of employment exchanges at the end of the period	
1947	..	236,734
1948	..	234,033
1949	..	274,335
1950	..	330,743
1951	..	328,719
1952	..	437,571
1953	..	522,360
1954 (July)	..	588,837

The serious loss that is being suffered by the country because of the volume of unemployment and underemployment of productive capacity of nationals can be approximately estimated, assuming that the productivity of that portion of the population does not differ much from the rest.

Estimated Annual Loss Due to Unemployment of Available Manpower

	Man-days loss (Millions)	Value loss (Rs. millions)
Agricultural unemployment (Idle period of 4 months in a year)	11,496	16,850
Industrial and auxiliary unemployment	1,600	3,150
Total	13,096	20,000

While the exact loss may not be computable accurately, the figures show that the national dividend may possibly increase by a fourth part if the waste is avoided.

If a study is made of the occupational distribution of applicants who register for employment, it would be possible to find out what is exactly wrong with our educational system, social structure and the psychological trends of society. The average Indian likes the security of the job of the white-collared gentry without any hazards, risks or pains of manual skill and labour. Unfortunately, the educational system is faulty, in that it fosters the growth of the singular type of clerical population, while there is a deplorable shortage in so many other directions of employment market.

Occupational Distribution of Applicants on Live Register

Category seeking employment in	Average					
	1952		1953		July, 1954	
	Actual	%	Actual	%	Actual	%
Industrial and supervisory services	4,054	1.1	4,602	1.0	6,124	1.0
Skilled and semi-skilled services	43,873	11.4	47,340	9.9	51,774	9.0
Clerical services	106,611	27.8	134,311	28.0	175,168	29.7
Educational services	7,061	1.8	10,437	2.2	23,151	3.9
Domestic services	12,876	3.3	15,760	3.3	19,890	3.4
Unskilled services	184,498	48.1	233,807	49.0	273,993	46.5
Others	25,018	6.5	31,418	6.6	38,737	6.5
Total	383,991	100	477,575	100	588,837	100

The major portion of the employment-seekers belong to the two groups of clerical services and unskilled services. The fact that the aspirants for clerical posts are constantly increasing only shows that the educational institutions continue to produce clerks instead of preparing the youth of the country for productive employment. The problem of rehabilitation of the refugees from Pakistan has also rendered it difficult to find avenues of employment for unskilled labourers. That the energy of growing adult is being misdirected instead of being channelized for equipping himself for a career in

life is clear, because an average of 20-25 per cent. of those on the live register of the unemployed are highly qualified.

By allowing a large section of the population to remain unemployed, society is being exposed to the risk of providing fertile land for the growth of undesirable elements. The frustrated youth either commits suicide or tries his hand in pick-pocketing and robbery or in gambling dens. Very soon the unemployed millions would become unemployable and their descendants too would be liabilities to the nation—weaklings, crippled, uncared and undernourished. These are the detestable social and psychological effects of unemployment.

Apart from the question of numbers, it is necessary to examine the quality of India's manpower. One may expect that the country which has a sixth of the population of the world would produce about a sixth part of the wealth. But the facts are sorely disappointing. While the United States, with only a fifteenth of the global population, produces a third of the world's goods and services, India is far, far away from the proportionate mark.

It will be very interesting to make a comparatively study of productivity of labourers in different countries. It takes an Indian four times as much time as an American or twice as much time as a Russian to earn a loaf of bread. While by working 48 hours a week an Indian is not able to earn sufficient to maintain an average family, 40 to 42 hours of work per week produces a surplus to a Russian or an American, besides assuring him and his dependants a desirable standard of life. The main cause for this is the low productivity of the Indian worker.

The low productivity of the Indian labour immediately results in poor

reward and his low standard of living. The average total wages of a worker in the cotton mills is about Rs. 96 per month, while a labourer in coal mines earns only Rs. 55 per month. The poor earnings acted upon by the heavy cost of living, keeps the labourer perpetually condemned to poor standard of life, sometimes below the minimum level of subsistence.

Insufficient reward has kept the labourer discontented and much depressed about his lot in life. Psychological illness, unfavourable conditions of work and poor incentives are the reasons for a good amount of absenteeism in various industries.

Absenteeism in Some of the Indian Industries

Year	Cotton mills (Bombay)	Woolen mills (Kanpur)	Engineering industry (Bombay)	Iron and steel industry (All India)	Cement factories (All India)	Match factories (All India)	Leather industry (All India)	Ordinance factory (All India)
1947	14.4	11.5	13.8	12.2	12.4	15.5	10.6	
1948	13.3	10.6	13.4	13.3	10.9	8.0	8.5	
1949	15.9	11.0	13.6	13.5	10.1	11.3	8.0	
1950	14.5	12.5	13.9	12.4	10.6	8.4	8.9	
1951	12.7	13.2	13.4	11.0	11.8	7.8	8.6	
1952	12.7	9.4	13.4	10.9	11.5	9.2	9.4	
1953	12.5	11.0	13.7	11.5	11.9	9.2	9.9	
1954 (July)	10.8	..	13.7	12.1	11.5	10.9	..	10.3

For your banking needs in Japan

Established: 1897

THE NIPPON KANGYO BANK LTD.

HEAD OFFICE: HIBIYA, TOKYO

Branches: Yokohama, Nagoya, Osaka, Kobe and all other principal cities throughout Japan

The loss due to absenteeism in some of the industries during 1952, computed in terms of commodities, reads something like 180 million pounds of yarn, 570 million yards of cloth, 405,000 tons of cement, 3.2 million gross of match boxes, etc., all lost by absenteeism!

Unsatisfactory remuneration and mismanagement of labour relations give birth to a lot of industrial disputes. It would be surprising to find that, on an average, about 40 per cent. of the industrial disputes during recent years have been in respect of wages, allowance and bonus, though only 15 per cent. of the disputes for all causes have been successful. In spite of the elaborate network of labour legislation, the labourer feels that he is often exposed to exploitation. This discontentment not only prevents him from improving his skill but drives him towards strikes and industrial disputes. A study of the number of workers involved and the man-days lost in industrial disputes will be quite revealing.

Year	No. of workers involved	No. of man-days lost
1940	452,539	7,577,281
1947	1,840,784	16,362,666
1948	1,059,120	7,837,173
1949	685,457	6,000,595
1950	719,833	12,804,704
1951	691,321	3,818,928
1952	809,242	3,336,961
1953	496,607	3,332,603
1954 (June) ..	18,036	204,838

Another aspect of the quality of manpower is health and longevity. The average expectation of life at birth of an Indian is only 27 years. Some of the infectious diseases ravage the country to such an extent that a high percentage of the population is affected as compared with other countries of the world. There are 100 million cases of malaria every year out of which one and a half million cases prove fatal. Tuberculosis claims 2.5 million cases out of which five lakhs die every year. 116 children per 1,000 live births die as infants; so high is the infantile mortality in India.

The heavy toll of death causes undesirable inroads into the manpower resources of the country. Poor health conditions, combined with low longevity, illiteracy and other characteristics, reduce the lifetime productivity of the Indian to the rock-bottom level of ten years in return for the maintenance for the whole life. Thus, the poor Indian often eats the very capital of the country's economic machinery while he contributes much less during his lifetime. The proverbial cheapness of Indian labour is a misty veil that hides ultimate uneconomic results.

The needs of the working population by way of elementary nutrition requirements, preventive medicine and adult education must be quickly provided to them before they deteriorate further. It must be remembered that literacy and nutritious food are the fundamentals for the increasing skill and efficiency of the labourers. It is here that low wage bills and reduced labour rates prove themselves to be uneconomical.

If the army of the unemployed in the country is constantly increasing, it is obvious that the industrial development has failed to keep pace with the increase in the working population. The Five-year Plan of the Government has already given indications that it will not go a long way to solve the unemployment problem in the country. On the successful completion of the Plan, it is estimated that opportunities for employment will be created for 5.25 million persons, while the working populations would increase during the same period by 10 million. The volume of unemployment instead of de-

creasing at the end of the Plan would have increased by 4.75 millions! The outlook for possible employment of 3.2 millions in cottage industries is not so bright.

When the Government and the Planning Commission saw that the menace of unemployment was assuming large proportions, they drew out and circularised an 11-point programme. The substance of the programme consists of—

- (1) Special assistance to individual and small groups of people to establish small industries and business.
- (2) Training facilities for those lines in which manpower shortages at present exist.
- (3) Purchasing products of small and cottage industries through stores department of Governments.
- (4) Adult education centres in rural and urban areas.
- (5) Development of road transport and slum clearance activities and establishment of work and training camps.
- (6) Power development schemes.

The objectives are really commendable, though they touch only the fringe of the problem. While certain points such as public utility and development schemes would solve the unemployment problem to a certain extent, other aims just amount to transferring the burden of responsibility to the private sector. It is also futile to expect the unemployed Indian to have the necessary initiative to start cottage industries, in spite of the encouraging help of the Government. The solution that the Government envisages is a long-term one. It must, therefore, be revised so as to make it a more effective short-term plan.

A system of manpower budgeting should be adopted, so that every citizen finds his place in the economic plan. Correlating the future demand to the educational system, the latter should be reorganised to produce skilled and technical hands to be absorbed in agricultural and industrial employment. Facilities for vocational guidance and measurement of psychological aptitudes and abilities must be expanded, so that workers get proper jobs and productivity increases.

The Five-year Plan should be revised to execute at once large-scale public works, such as railways, roads and construction of houses. Correct statistics of the unemployed should be collected and suitable works should be started to engage them. India has one doctor for every 6300 persons. The country requires more doctors, more teachers, more engineers and technicians and skilled labourers. Deficiencies of manpower should be assessed and people should be trained for those vacant trades. The import-export policy of the Government should be such as to restrict the import of goods, particularly luxuries, so that as many as possible of our necessities are produced in India itself. A spirit of *swadeshi* should be inculcated in our people. It is also necessary to adopt scientific methods of production, so that the quality of existing man-power is improved. A war against illiteracy, diseases and unemployment is the foremost need of the hour.

The second Five-year Plan, which is in the offing should be so drawn as to find work for the unemployed millions and the constant increasing force of working population. Manpower is the real capital of India. Neglecting it only would foretell the coming ruin. A revolutionary change of heart from the economics of wealth to the economics of welfare is the basic prescription for proper direction of the country's manpower utilisation.—All Rights Reserved.

BRITISH STEEL INDUSTRY PRODUCTION EXPANDS

By A Steel Correspondent

THE year now ending has been an active one for the British steel industry. It has been marked by steady progress in steel production, happily unhampered by any raw material shortages or labour difficulties, and by a sustained advance in home consumption. This advance shows no sign of losing momentum. The industry is, therefore, looking forward to the maintenance of activity at high level in the coming year.

In each month of this year, the output of steel has been well above that for the corresponding month of 1953. Final figures for the year are not available at the time of writing. Production to date is not inconsistent with a final 1954 figure of 18½ million tons or even slightly more. This is a 6 per cent. increase, as compared with 1953. The improvement since 1953 is mainly accounted for by higher outputs in four steel-making districts—South Wales, the North-East Coast, Lincolnshire and Lancashire. To some extent, these district increases are a reflection of the expansion of steel and iron-making capacity. Assisted by the growth of blast-furnace capacity and higher imports of iron ore, pig-iron production has also been running at record levels. The increased supply of iron, together with a well-maintained flow of scrap from home sources, has provided an indispensable basis for the continued expansion of steel production.

How much steel has been going to the individual using industries? The following table summarises the data for the six months ended March, 1954, the longest period for which reliable figures are so far available:

Finished Steel Deliveries		
	000 tons	Per cent. of home deliveries
Net home deliveries:		
Coal mining	324.3	5.2
All other mining and quarrying ..	217.3	0.1
Iron and steel	216.8	3.5
Shipbuilding and ship repairing ..	443.2	7.1
Marine engineering	68.7	1.1
Agricultural machinery	56.5	0.9
Boilers and boiler house plant ..	73.0	1.2
Machine tools	23.9	0.4
Stationary engineering	9.5	0.1
Textile machinery and accessories ..	19.5	0.3
Constructional engineering ..	514.8	8.3
Other non-electrical engineering ..	440.0	7.3
Electrical machinery and apparatus ..	199.7	3.2
Motor vehicles, cycles and aircraft ..	617.2	9.9
Manufacture and repair of rolling stock by British railways ..	176.6	2.8
Manufacture and repair of rolling stock by all other makers ..	249.4	4.0
Bolts, nuts, screws, rivets, nails, etc.	112.0	1.8
Drop forgings, laminated springs, etc.	259.0	4.1
Wire drawing and wire manufactures ..	359.6	5.8
Hollow-ware	85.2	1.4
Metal furniture, windows, springs, needles, pins, etc. ..	175.3	2.8
Tools, implements, instruments, etc.	30.3	0.6
Building and contracting ..	140.8	2.3
Gas, electricity and water ..	45.8	0.8
Railways (excluding rolling stock)	174.5	2.8
Other U.K. consumers (including small users) ..	167.0	2.7
Stockholding merchants ..	800.4	12.8
Unallocated*	407.1	6.5
Total	6,233.1	100.0
Exports by producers	998.2	..
Grand total (net deliveries) ..	7,231.3	..

* Includes tinplate, terneplate and blackplate, tube and pipe fittings, high speed steel and certain imports.

If the heterogeneous mechanical engineering group is regarded as a single entity, it ranks as the most important steel-consuming industry. In the table it is divided into its constituent parts under the headings agricultural machinery, boilers, etc., machine tools, stationary engines, textile machinery and "other non-electrical engineering." These together took 10.4 per cent. of home deliveries in the period under review. The biggest single user listed in the table is the motor industry (including cycles and aircraft).

Indeed, it is more important as a steel consumer than these figures suggest; for a high proportion of the steel delivered to the drop forgers and spring-makers is ultimately destined for the motor manufacturers. Close behind come constructional engineering, shipbuilding (including marine engineering), and railways and rolling stock manufactures. These five groups, together with hollow-ware, account for something like three-fifths of the total inland consumption of steel.

The pressure on available supplies is nevertheless becoming more severe. Order books for most types of steel are full until the end of the year; in the case of sheet and medium joists, some mills cannot promise delivery before April, 1955.

It is in steel sheet that the deficiency of home supplies is greatest. This is, of course, chiefly the result of the greatly increased demands of the motor industry. Sheet exports are restricted by official quota to about one-fifth of output, and deliveries to domestic consumers are unofficially rationed by the three big producers—the Steel Company of Wales, Richard Thomas and Baldwins and John Summers.

The pressure on British steel makers from abroad has also intensified in recent weeks. Exports are expected to reach 2 million tons this year. In the first half of this year, U.K. exports rose by 9.7 per cent. in volume, while those of the European steel pool fell by 1.6 per cent. U.S. exports fell by 3 per cent. and Japanese by 6.8 per cent. in the same period.

While the home consumption of steel continues to advance, the expansion of the industry's capacity is also proceeding apace. The following table shows how output has increased during recent years:

Crude Steel Production		
		Tons
1951		15,635,200
1952		16,417,900
1953		17,605,500
1954 (estimated)		18,500,000

So far as export demand is concerned, no particular change is envisaged. In the fourth quarter of last year, exports just exceeded the three million ingot ton rate; but the figure for the year as a whole was 2.8 million, and the rate envisaged for 1954 is within these limits. World demand for steel continues to advance, but there is a tendency for the importing countries to install steel-making facilities of their own or to expand those already in being. Some of the major steel-making countries, moreover, now have capacity in excess of current needs and are competing strongly in the export market. There are, however, substantial differences in the order load from product to product.

The vigorous growth of the steel industry in Britain is a source of strength to the entire Commonwealth. The greater part of her exports go to the Dominions at prices which compare favourably with the general level ruling in world markets. Indeed, Britain's presence as a supplier of steel is an important factor in stabilising world prices a particularly valuable element during a prolonged period of economic expansion.

It is not within the scope of this article to discuss iron and steel manufactures but here too the favourable price of British steel enables British manufacturers to compete on satisfactory terms, and this is especially advantageous to India and the other Dominions.—All Rights Reserved.

VENESTA

tea chest
fittings
and
aluminium
linings



Enquire : Agents
WILLIAMSON MAGOR & CO., LTD.
4, Mangoe Lane, Post Box 177, Calcutta

WM 5



For 25 years, people have turned to New India when in search of security—the man planning to have a house for himself on retirement, the woman wanting to guarantee her son a good education, the father desiring to provide for his daughters' dowries.

They looked with confidence to a New India Endowment policy.

In this Silver Jubilee year of its Life Department, the New India has taken the lead in reducing life premium rates. More recently, it has declared handsome rates of bonus for Life Policy holders. These rates are the highest ever in the history of the Company.

The security offered by New India is of the highest order. Its large capital and funds totalling over rupees twenty-six crores at the end of 1953 are both a testimony of its past achievement and a guarantee of its future stability and strength.

NEW INDIA

—the Company for all your insurance

THE NEW INDIA ASSURANCE CO. LTD

Mahatma Gandhi Road, Bombay.



Ni. 693

DIAMOND PRODUCTS LTD.

4, CLIVE ROW ★ ★ CALCUTTA

Telegrams : GARGULAM Telephone : BANK 4354

Designers and Producers of

Converters of

MODERN PACKAGING

Manufacturers and Printers of

QUALITY FOLDING BOXES, DISPLAY CARTONS, PLIOFILM, CELLOPHANE AND ALKATHENE BAGS

for

TEA, PHARMACEUTICALS, ETC.

SHOWCARDS FOR DISPLAY, GUMMED TAPE FIBRE BOARD SHIPPING CONTAINERS

CEILING TO AGRICULTURAL HOLDINGS DISADVANTAGES VERY REAL, WHILE POSITIVE GAINS DUBIOUS

By T. R. Sharma, B. R. College, Agra

At a meeting of the National Development Council, recently held at Delhi, Mr. G. L. Nanda, the Union Minister for Planning and Irrigation, complained of the slow enforcement of land reform laws. Almost simultaneously, the trend of discussions at the meeting of the representatives of the various States, called in connection with the census of holdings, disclosed that, in quite a number of States, there are no reliable land records, in some States there is no machinery for preparing land records and the revenue administration system in the areas where the zamindari system has been abolished is just being built up. Some of the difficulties experienced in carrying out the census of holdings likewise stand in the way of implementing the land reform laws. Under these conditions, there is no reason to feel impatient, and it is very difficult to appreciate any such feeling on the part of a man like Mr. Nanda. Let it be clearly understood that it is not the democratic way to do things in a hurry; the bed-rock of the democratic process is patience, inexhaustible patience.

The target date for the completion of the census of land holdings is May, 1955, and yet Mr. Nanda wants that the work of abolition of intermediaries, tendency reform and fixation of the ceilings should be completed within the Plan period, that is, by March, 1956. The whole thing is not so simple, unless arbitrary methods are adopted in dealing with the property and other rights of the people guaranteed under the Constitution. It seems rather strange that so much emphasis was placed on the question of the abolition of intermediaries and the fixation of ceilings, and the remaining two most important constructive groups of the land reform programmes relating to the consolidation of holding and the provision of rural credit were either mentioned by the way or not talked of with equal anxiety or due emphasis.

The abolition of intermediary interests is now an accomplished fact. It has been carried out fully or substantially in 12 States and partially in three; Acts have been passed in three, and five States have legislation in hand. The abolition of zamindari rights was considered to be the abolition of rent-receiving function only and the compensation allowed was very meagre, but, in spite of that, no satisfactory arrangement has yet been worked out to pay off the ex-zamindars. The expectation, that the cultivators, who will benefit by the abolition of intermediaries, will be able to provide sufficient funds, has not materialised.

In the absence of any other suitable occupation, some of the ex-zamindars and jagirdars took to farming. They are trying to turn their sir and khudkash lands into properly organised farms. The threat of a ceiling to the holding has appeared at this stage. It implies that this section of the society is going to be deprived of its source of livelihood for the second time in one generation.

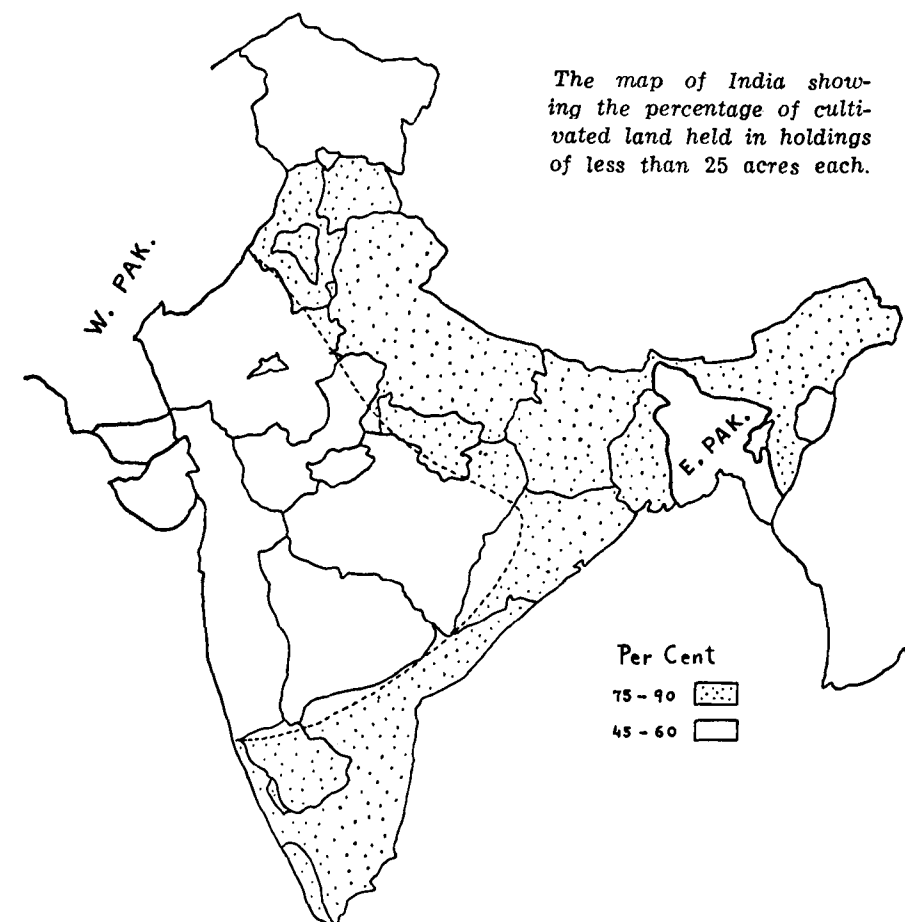
IS THERE CONCENTRATION?

After all, why is so much emphasis being placed on the fixation of ceilings to the land holdings? Is there concentration of land in a few hands? The information available so far does not show any concentration. Some statistics about the size of holdings were collected by the Planning Commission. (See table.) Dr. B. Ramamurti has furnished fresh statistics on the basis of the All-India Agricultural Labour En-

quiry. There is no substantial difference in both the sets of figures. An analysis of these figures shows that the entire country can be divided into two broad regions from the point of view of the size of holding. In the fertile region, consisting of the northern States from Assam to the Punjab and the southern States of Madras, Mysore and Travancore-Cochin, the size of holding is essentially small on account of the pressure of population and 75 to 90 per cent. of the total area of land is held in holdings of less than 25 acres each. The second region consists of the hilly and sandy States like Bombay, Hyderabad, Madhya Pradesh, Madhya Bharat and Rajasthan. Even in this region, from 45 per cent. to

units and the mutations have not been made; and in the census of holdings they will be recorded as separate holdings.

The foregoing analysis shows that there is no concentration of land in a few hands. The Planning Commission also holds the same view. According to their report "the general picture is one of numerous small holdings, a large proportion of them being uneconomic, a small number of middle peasants and a sprinkling of substantial owners." In conclusion, the report says that "it is safe to suggest, however, that substantial owners, who are directly engaged in managing their land without the intervention of tenants, constitute a very small number."



The map of India showing the percentage of cultivated land held in holdings of less than 25 acres each.

Per Cent
75 - 90
45 - 60

60 per cent. of the total area of land is held in holdings of less than 25 acres each. The percentage of bigger holdings is higher in this region simply on account of the infertile nature of land. It is apparent that the land-man relationship in these regions has been established over a long period of time essentially as a result of geographical fundamentalism.

LIKELY OUTCOME OF THE CENSUS

The census of holdings which is being carried out by the States at the instance of the Central Government might show even a higher percentage of land under holdings of less than 25 acres each. There are several reasons for this expectation. In many cases, parts of holdings shown in the name of the landlord in the records are in the possession of the tenants, and, under the land reform laws, the resumption of these parts will not be possible. In many cases, inferior lands, including usar-lands, were occupied by the landlords for self-cultivation on account of the fear of losing most of the unoccupied areas after the abolition. These inferior portions of land may not be included in the holdings in the process of census. Some of the ex-proprietors holding land in inconvenient or distant areas and villages are selling land, reducing the size of holdings thereby. Agricultural income-tax is also a factor which will go to reduce the size of bigger holdings. In many cases, holdings already subdivided are shown as single

Now, if there is no concentration at present, is there a fear of such concentration taking place in future? This question can be answered in the negative, without going into any detailed argument. The land values are so high that no substantial amount of land can be acquired without the help of law, unless one is prepared to pay an exorbitant price. In addition to the price of land, there is the question of investment in improvements and equipment. Such a venture, on the whole, can never be worthwhile, and is not likely to be undertaken on any considerable scale.

WHOM WILL THIS HELP?

Is the ceiling meant for helping the landless workers and owners of uneconomic holdings? Probably it will not be possible to do anything in this direction, because, in the first instance, very little land is likely to be made available as a result of fixation of ceiling, taking into account the requirements of uneconomic holdings and the landless workers. Secondly, any land thus released will go first to the tenants-at-will, who might already be in occupation of the lands in excess of the ceiling. The distribution to landless class is also fraught with other dangers, as it might intensify the already acute land-hunger. Professor Gadgil is reported to have remarked, in this connection, that it would be a "great tragedy to arouse a land-hunger" and expectation among the landless workers. The Planning Commission also thinks that such a course is not

feasible. They observe: "If it were the sole object of policy to reduce the holdings of the large owners with a view to providing for increasing the farms of those who now have uneconomic fragments, the facts at present available suggest that these aims are not likely to be achieved in any substantial manner." Thus, there appears to be no solid economic objective which is aimed at or which can be achieved by fixation of ceiling to the holdings.

Perhaps, the justification for imposing an upper limit to the holdings is sought in certain abstract principles. In the words of the Planning Commission, "the question whether some limit should not be placed on the amount of land that an individual may hold has to be answered in terms of general principles rather than in relation to the possible use that could be made of land in excess of any limit that may be set." The Commission further observes: "We have considered carefully the implications of the various courses of action which are possible. It appears to us that, in relation to land (as also in other sectors of economy), individual property in excess of norm that may be proposed has to be justified in terms of public interest, and not merely on grounds of individual rights or claims. We are, therefore, in favour of the principle that there should be an upper limit to the amount of land that an individual may hold."

QUESTION OF INEQUALITIES

The principle referred to above really aims at reducing inequalities. No one can deny that there are great inequalities not only in rural areas but in rural and urban both. But most of the thinking people will not endorse the plans for removing inequalities by dispossessing those who own more. Competent observers feel "that a movement to eliminate inequalities in present-day India can only end in equality of poverty." Efforts have to be made to equalise opportunity rather than property. The increase in total opportunities can make possible a greater equality of opportunity if those with meagre incomes can inherit the greater part of expanded opportunities created through science and technology. In view of the present lack of opportunity in rural India, it is suggested that the major portion of the gains of increased productivity resulting from Government-sponsored development measures should go to the poorer people in the form of better wages, lower rentals, better housing, education, etc. The appropriation of land in excess of the ceiling will just be a kind of capital levy, and the majority of the thinking people would prefer taxation, as a general principle, to any direct redistribution of land or any other form of property. Death duties and similar other measures can be effectively used for reducing inequalities.

The idea of "justifying the property in excess of the norm in terms of public interest" has also to be considered. Any well organised farm worth the name will always be as much in the interests of the public as any manufacturing unit can be. The output per unit of land or labour-capital outlay in such a farm is expected not only to be higher but also of a better quality. A very large proportion of the total yield is even at present taken up by Government seed stores for supply the seed requirements of the neighbouring areas. New varieties are grown and better methods are employed. Capi-

tal is employed for land improvements. In many cases, permanent improvements by sinking wells and boring tube-wells are made. In many cases irrigation facilities are extended to neighbouring peasants on reasonable rates and tractors and other modern equipment are given on hire. If nothing else, these farms in the least are fine models of better and modern farm management for the peasants of the surrounding areas. We remember our Prime Minister having once said some time back that, although he was in favour of imposing a ceiling, he did not want to clip the fine and efficient farm of a Punjabi farmer that he had visited.

The Planning Commission has also recognised the value of these farms. With regard to the land managed directly by the substantial owners, the Commission lays down two principles: (1) There should be absolute limit to the amount of land which any individual may hold. This limit should be fixed by each State, having regard to its own agrarian history and its present problems. The census of land holdings and cultivation, which it is proposed to hold during 1953, will give the data relevant to this decision. (2) The cultivation and management of land held by an individual owner should conform to standards of efficiency to be determined by law.

With regard to an absolute upper limit, it should be understood clearly that it cannot be fixed arbitrarily in terms of certain multiples of the size of a hypothetical family holding representing a work or income unit. This limit will depend upon considerations of the technique of production. The type of production to be undertaken, the type of farm equipment to be used (full or partial mechanisation), the type of irrigation facilities, etc., will determine the suitable and economic size of the farm. With regard to the second question, no one can find fault with the conditions of good cultivation and management being laid down, but it is very doubtful if the detailed conditions of State intervention laid down by the Commission will work at all and to anybody's advantage.

So far we were trying to find out if any solid and substantial gains could be expected from the imposition of ceiling. Frankly speaking, we have not been able to discover any such advantages. Now we may also try to examine the question of costs that may have to be incurred as a consequence of the fixation of upper limit to holdings.

CONSEQUENCES

If the organised farms were to be excluded from the multiple of the family-holding-type limit, the main burden of the ceiling would fall upon those who own land in excess of the upper limit and are not cultivating it themselves. The rights of zamindars were considered to be more in the nature of rentier functions, but the rights of the ryotwari type of owners, now predominant after the abolition of intermediaries, are recognised to be more deep, solid and substantial. The Planning Commission, while admitting this fact, observes: "The central question involved is whether, in the event of a limit being imposed, lands in excess of the limit can be acquired for consideration which falls short of fair compensation, that is, their market value at the time of acquisition. Merits of the proposal apart, we are advised that such a course would not be consistent with the provisions of the Constitution."

Neither the Government nor the peasants, who are likely to get the surplus land, are in a position to pay for this land and, consequently, the method contemplated is "to fix

the price of land as a multiple of its rental value, and payment may be made in instalments spread over a period." The instalments may be recovered along with land revenue by the Government and payment of compensation to owners of land may be made in bonds much in the manner already adopted for acquiring intermediary rights. It is felt by some that, if this process is followed, the peasants are likely to go into debt for the purchase price, negotiable debts are likely to damage the middle class and non-negotiable bonds are likely to destroy the investment base of the intellectual and professional classes.

The procedure of acquisition, besides monetary costs, would also force the Government to pay social costs in the form of meeting the opposition and resentment of the owners, as the process of taking the lands in excess of the upper limit may virtually amount to expropriation. The process of investment in land in the form of purchase of tractors, pumps and other farm equipment, sinking and boring of wells, fencing and other similar improvements is likely to be slackened and suspended. When the present owners are likely to lose land shortly, why should they invest money in improvements? Most of the excess land will be taken from those who are better farmers and in a position to invest, and are actually managing land to better advantage, and will be given to those whose slender resources are likely to be weakened further by the burden of instalments, howsoever small they may be. In the absence of good rural credit facilities, the land thus transferred is most likely to be utilised in a less efficient manner.

(Continued on page 128)

Size of Holdings

State	All-India Agricultural Labour Enquiry		Planning Commission	
	Size of holding	Percentage of total area	Size of holding	Percentage of total area
	Acres		Acres	
Assam	Upto 25	96.6	Upto 10	58.9
	25 to 50	2.0	Over 10	41.1
	Over 50	1.4		
West Bengal	Upto 25	90.7	Upto 4	62.5
	25 to 50	5.8	Over 4	37.5
	Over 50	3.5		
Uttar Pradesh	Upto 25	83.4	Upto 25	87.1
	25 to 50	8.8	Over 25	12.9
	Over 50	7.8		
Bihar	Upto 25	80.9		
	25 to 50	8.6		
	Over 50	10.5		
Orissa	Upto 25	68.9	Upto 20	72.9
	25 to 50	13.1	20 to 50	17.1
	Over 50	18.0	Over 50	10.0
Punjab	Upto 25	74.0		
	25 to 50	21.0		
	Over 50	5.0		
Madras	Upto 25	80.0	Assessed upto Rs. 50 (23 acres)	78.6
			Assessed Rs. 50 to Rs. 100 (23 to 45 acres)	8.5
	25 to 50	12.7	Assessed over Rs. 100 (over 45 acres)	12.9
Mysore	Over 50	7.3	Upto 50	84.3
			Over 50	15.7
Travancore-Cochin	Upto 25	76.4	Upto 25	73.0
	25 to 50	15.0	25 to 50	5.0
	Over 50	8.6	Over 50	22.0
Bombay	Upto 25	86.2	Upto 25	58.63
	25 to 50	8.9	25 to 100	30.92
	Over 50	6.9	Over 100	10.45
Madhya Bharat	Upto 25	61.9		
	25 to 50	22.0		
	Over 50	16.1		
Vindhya Pradesh	Upto 25	62.8		
	25 to 50	21.1		
	Over 50	16.1		
Madhya Pradesh	Upto 25	68.2	Upto 20	40.6
	25 to 50	15.7	20 to 50	28.9
	Over 50	16.1	Over 50	30.5
Hyderabad	Upto 25	48.4		
	25 to 50	23.7		
	Over 50	27.9		
Rajasthan	Upto 25	46.9		
	25 to 50	27.9		
	Over 50	25.2		
Over 50	Upto 25	43.8		
	25 to 50	30.0		
	Over 50	26.2		

How banking serves the COIR INDUSTRY



INDIA is the world's chief producer of coir and coir products, her yearly output being around 130,000 tons. More than half this output is exported, earning about ten crores of rupees in foreign exchange. The coir industry, which is exclusively South Indian, is concentrated in Malabar and Travancore-Cochin, and employs over six lakhs of workers.

Banking has greatly helped in the rapid growth of this industry. The facilities and guidance of a good bank, such as the availability of ready funds when needed, and the collection of dues in any part of the country, are an essential part of good organisation in the coir industry.

We at Palai are proud that so many leading coir goods manufacturers of South India employ the complete banking service we offer.

Current Accounts - Demand Drafts -
Telegraphic Transfers - Investments -
Letters of Credit - Bill Collection -
Deposits - Loans and Overdrafts -
Confidential Credit Reports, etc.

If you have business interests in the South, it will pay you to open an account with us. Our 25 branches are strategically located, 23 in important South Indian business centres and two in Delhi and New Delhi; and we have correspondents in all important Indian cities. We offer a fully comprehensive banking service at each office.

Our clients can make deposits at any of our correspondent banks, situated in all important Indian towns, and have the amounts credited to their accounts at any of our branches.



PALAI CENTRAL BANK LTD.

Head Office: PALAI-TRAVANCORE
Branches at: Madras, Madurai, Cochin,
Quilon, Trivandrum, Mangalore, Ban-
galore, etc. Also at: Delhi and New Delhi

A LEADING BANK IN SOUTH INDIA

Use our complete Foreign Exchange Facilities!

Bank with Assurance...

Established in 1880



THE FUJI BANK, Ltd.

Head Office:

6-1, Otemachi, Chiyoda-ku, Tokyo, Japan
185 branches in every key city throughout Japan

Overseas:

London Branch:

Salisbury House, Finsbury Circus, London, E.C. 2

New York Representative Office:

Room 702, 61 Broadway, New York, N.Y.

Calcutta Representative Office:

6th Floor, Moorkerjee House 17, Brabourne Road, Calcutta-1

*World-wide
Banking
Services*

**THE
SUMITOMO BANK
LTD.**

HEAD OFFICE : OSAKA, JAPAN

BRANCHES : 137 THROUGHOUT JAPAN

OVERSEAS OFFICES

NEW YORK AGENCY

149 Broadway, New York 6, N.Y., U.S.A.

LONDON REPRESENTATIVE OFFICE

4 Colville Court, London, E.C.2, ENGLAND

KARACHI REPRESENTATIVE OFFICE

No. 106, Qamar House, Bander Rd., Karachi, Pakistan

AFFILIATED BANK

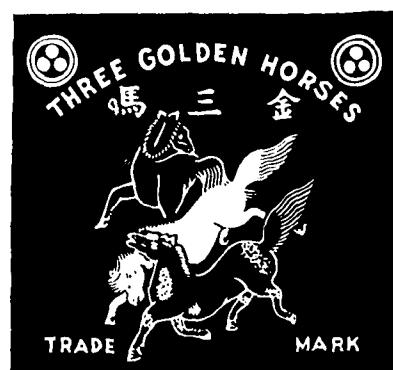
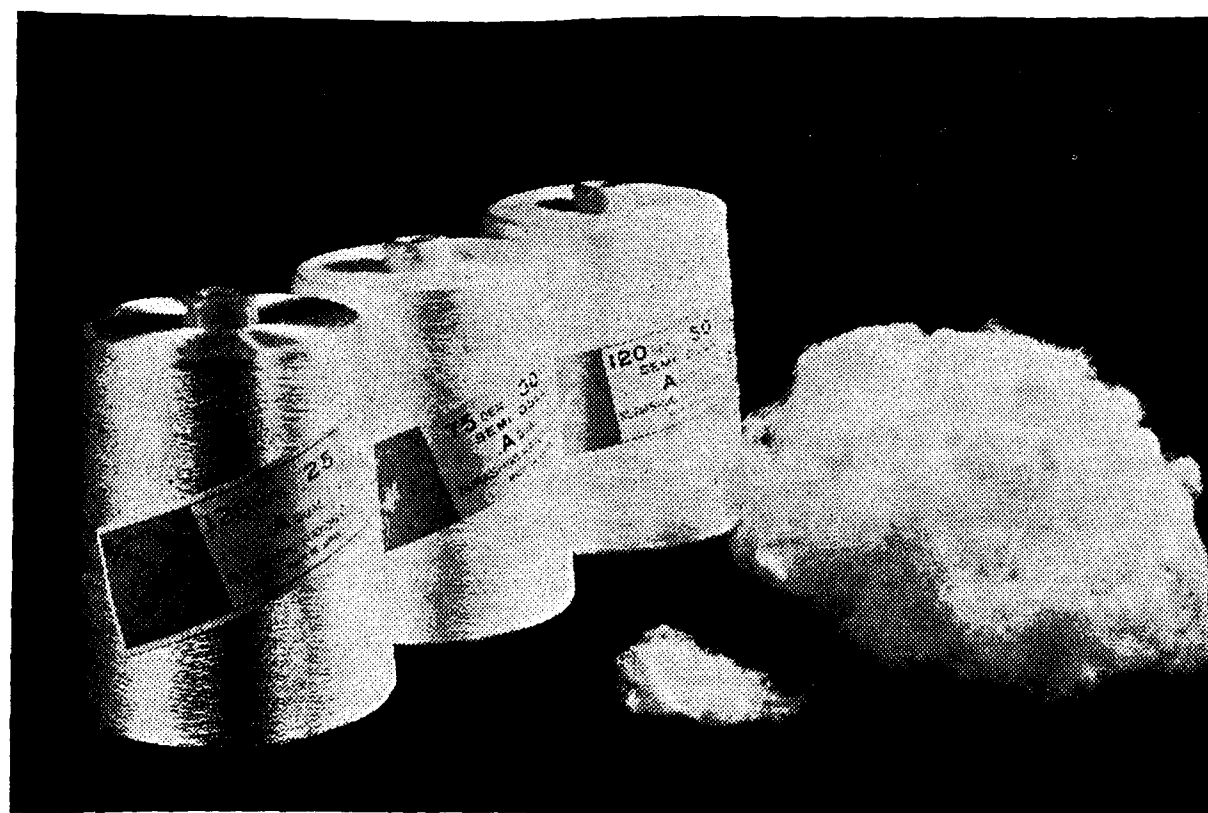
THE SUMITOMO BANK (CALIFORNIA)

HEAD OFFICE : 440 Montgomery St., San Francisco Calif. U.S.A.

BRANCH : 101 South San Pedro St., Los Angeles, Calif., U.S.A.

Three Golden Horses

High Reputation For Quality
Uniformity
Reliability



• RAYON

• Three Golden Horses •

• Rayon Filament Yarn

• Rayon Staple Fibre

• Rayon Spun Yarn

• Kurashiki Rayon • Rayon Fabrics

• Claretia •

• VINYLON (New Synthetic Fibre)

• Kurashiki • Vinylon Filament Yarn

• Kurashiki • Vinylon Staple Fibre

• Kurashiki • Vinylon Spun Yarn

• Kurashiki • Vinylon Fabrics &

Fishing Net



KURASHIKI RAYON CO., LTD.

Head office : 2, Umeda, Kitaku, Osaka, Japan

Cable address : "KURARAY OSAKA"

DEVELOPMENT OF SMALL-SCALE INDUSTRIES

FINANCE IS THE CRUCIAL PROBLEM

By "Apollonius"

WITH the attainment of targets, under the first Five-year Plan, of the production of foodgrains and output in some of the major industries at the end of the third year of the Plan, the immediate objective of the Plan, which was the removal of shortages and disequilibrium caused by the war and the partition of the country, has been realised. It is, therefore, possible now to concentrate more definitely on the long-term objectives of stepping up the rate of investment and the enlargement of employment opportunities at a more rapid rate than hitherto achieved.

Though the achievements during the first three years of the Plan have not been unsatisfactory, it has been realised that the tempo of the Plan has been slow, because only about Rs. 885 crores, being about 40 per cent. of the total outlay of Rs. 2,249 crores under the Plan, have so far been spent. It is evident that the development expenditure in the remaining two years of the first Plan should be raised if the tempo of activity is to be accelerated. Further, it is natural that greater emphasis is being laid in the second Five-year Plan on industrialisation both in the public and private sectors. It has been suggested that, as a purely tentative estimate, development expenditure of Rs. 5,500 crores is envisaged under the second Plan, Rs. 3,000 crores being estimated for expenditure in the public sector and Rs. 2,500 crores in the private sector.

PRIVATE SECTOR

Taking roughly this ratio of 55 : 45 into account, whatever the ultimate figures may emerge, it would be reasonable to assume that, while expenditure in the public sector would include, besides the outlay on industrial development, estimates of expenditure on all other schemes, a major portion of development expenditure estimated for the private sector would be applied to industrial expansion and development. Thus, the responsibility for the rapid industrial development, though shared by both public and private sectors, will, in a large measure, devolve on the latter. To what extent the industrialists and entrepreneurs would seize this opportunity would depend on numerous factors, some of which are highly uncertain. However, assuming that, under the Industrial Policy statement of 1948 the initiative for setting up basic industries like iron and steel, heavy chemicals, heavy engineering and the like would be reserved by the Central Government for the public sector, a large number of other industries and practically the whole field of medium- and small-scale industries would continue to offer opportunities for private enterprise.

The importance of small-scale and cottage industries in our economy was spotlighted by the Committee on Finance for the Private Sector. For, according to the broad estimates made by the National Income Committee, "the value of net output of 'small enterprises' in 1950-51 was of the order of Rs. 910 crores, while that of the 'factory establishments' was around Rs. 550 crores. The number of workers employed in small enterprises in 1950-51 was about 11.5 million, as against 3 million workers in factory establishments. It is, however, to be noted that the category of small enterprises as defined by the National Income Committee also covers cottage industries. These cottage industries probably account

for the greater part of the output and employment attributable to 'small enterprises.' But even if small industries that are not village or cottage industries constitute, say, a third of the total, their contribution to output and employment would be very substantial. Besides, a number of small units which come under the Factories Act are probably included in the National Income Committee's definition of 'factory establishments' (Report of the Committee on Finance for the Private Sector, page 80). On the whole, it would be safe to assume that the net value of output of small-scale industries was of the order of Rs. 350 crores in 1950-51. These small-scale industries consist of units with assets between Rs. 10,000 and Rs. 5 lakhs and a great majority of them are managed as private limited companies, partnerships or proprietary firms.

AID GIVEN SO FAR

Under the first Five-year Plan, a provision of Rs. 27.04 crores has been made for rendering assistance to cottage and small-scale industries. At the end of three years, however, it was reported that, out of the Central provision of Rs. 15 crores for the development of cottage and small-scale industries, the total expenditure amounted to Rs. 14.3 lakhs in 1951-52, Rs. 29.3 lakhs in 1952-53 and Rs. 79.9 lakhs in 1953-54. It may be noted here that financial assistance to the khadi and handloom industries is being provided out of the cess of 3 pies per yard on mill-made cloth, which is expected to yield about Rs. 6 crores a year. Of the above amounts, the total amount sanctioned by the Central Government specifically for small-scale industries was Rs. 5.67 lakhs in 1951-52 and Rs. 7.90 lakhs in 1952-53. In 1953-54, provision was made for the development of 10 out of 12 small-scale industries selected for intensive development, namely, footwear and leather goods, leather tanning, glassware, cutlery, cycle parts, locks, carpentry and wood-working, blacksmithy, sports goods and simple types of mathematical surveying and drawing instruments and, in addition, for the brass and bell-metal, match, pottery and coir industries. A sum of Rs. 33.25 lakhs was sanctioned for schemes of State Governments relating to these industries.

It would seem from the above figures that the total expenditure for the development of small-scale industries during the past three years has been comparatively meagre and a much greater outlay would be necessary if the programme of industrial development is to be accelerated.

UNLIMITED SCOPE

Theoretically, the field for expansion and development of small-scale and medium-scale industries is unlimited. We have the necessary manpower; there are skilled workers and artisans who have hereditary aptitude in learning new jobs fairly quickly; and, above all, there is a vast market of 360 million people. Further, the development of small-scale and cottage industries provides avenues for expanding employment and increasing industrial output. And, in view of the growing urban unemployment, there is every likelihood that a vigorous attempt would be made for expanding the existing small-scale units and developing new ones to absorb the skilled

workers and technically trained men.

On the practical plane, however, before embarking on schemes of development of small-scale industries, it would be advisable to define the sphere, study the structure and organisation of small-scale units in different industries, to ascertain existing conditions and assess possibilities for their development in the light of availability of the necessary mechanical equipment, raw materials, technical skill and indigenous demand for these products. In this connection, there are some important aspects, connected with the problem of development, which should be taken into account.

In the first place, the growth and development of small- and medium-scale units in various industries has been extremely haphazard, especially during the war period, in which the growing demand for products, which could not be imported, stimulated the establishment of innumerable small-scale units. With the return of the buyers' market, however, they are now in difficulties. It is no exaggeration to say that many of the present problems in this sector are attributable to this mushroom growth of small-scale units.

Secondly, it is important that serious thought should be given to the problem of adjustment between large-scale and small-scale units and small-scale and cottage-scale units within an industry, as, for instance, in the cotton textile, engineering and pharmaceutical industries.

DECENTRALISATION

Generally, for a large country like ours which proposes to embark upon an extensive industrial development programme over a period of years, it would be a sound policy to organise industries on a decentralised basis as far as possible, in order to provide employment, reduce cost of production and eliminate unnecessary use of transport. In this process, in the initial stages, the cost of production of goods produced by small units may be high and consumers may not resist paying slightly higher prices for a temporary period for goods which are necessities of life. But, as pointed out by the Textile Enquiry Committee whose report has been recently published, "Low-income consumer cannot for any length of time go on paying a high price for a product manufactured on a tool of production which could be made more efficient" (page 26). Ultimately, therefore, the price factor must prevail and disparities in costs for the same type of goods would have to be eliminated as far as possible.

Thirdly, though the general index number of industrial production has progressively gone up to a high limit of 149.3 in July, 1954, it is not generally known that many industries in the engineering and chemical groups are working much below their installed capacity. It would, therefore, be inadvisable to add further units in these industries before the volume of output in each industry exceeds its installed capacity.

Fourthly, while all help should certainly be given to small-scale undertakings and especially for the establishment of new units whether they are organised on co-operative or joint-stock or proprietary basis, it is important that they should be units of economic size, with modern and efficient mechanical equipment,

technical skill and able to hold their own in competition with large-scale units inside the country or against imported goods.

Fifthly, the main difficulty of the existing small-scale units is finance for current requirements. Up to now, the small entrepreneur has obtained long-term finance for purchase of capital assets from short-term deposits and short-term finance from moneylenders at high rates of interest. Both these are highly unstable sources, which have caused constant embarrassment to them. It is essential that the financial requirements of the existing units should be met through special agencies, since banks do not extend the credit required by small manufacturers. For financing development of new small-scale units, the problem of providing risk capital to innumerable units all over the country, aggregating several crores of rupees, has to be faced and solved if success is to be achieved in a measurable period of time.

TYPES OF PROBLEMS

The above are general considerations relating to the whole group of what are classed as small-scale industries. I shall illustrate the conditions in few specific industries divided into three broad categories of small industries.

(i) There are small industries producing goods which are required either as spare parts or semi-manufactured or intermediate materials utilised by large-scale units. In this group are included various types of engineering and chemical industries. For instance, in Bombay and Ahmedabad, there is a large number of engineering workshops of various sizes, producing goods required by the cotton textile and other industries. There is immense scope for these ancillary industries which can be systematically developed in the mechanical and allied industries to cater to the requirements of large-scale industries on profitable basis. Thus, a horizontal structure of large groups of industries can be built up. But this will require a great deal of co-ordination in production programmes, technical efficiency and business integrity between large and small units which at present do not obtain to the desired extent.

Taking the example of light engineering industry, there are literally hundreds of small units which are poorly equipped, having limited technical skill and suffering from lack of finance, managerial ability and other difficulties, but each trying to compete with other better-equipped small units of viable size. The result is that goods of low quality enter into unfair competition with goods of standard quality and thus lower the price which is neither to the advantage of the inefficient unit or the economic unit. Sometimes they are engaged in ambitious programmes without the necessary equipment, technical qualifications or financial resources. For instance, many units, small and very small, are engaged in the manufacture of diesel oil engines. There were in the country in 1953 15 factories having an installed capacity for annual production of 30,175 engines, but the actual production in 1953 was 3,716 engines. As a result of the recent change in the Import policy, however, there is a rush for production of engines of lower horse-power. Many small workshops have, therefore, started manufacturing diesel engines, sometimes two or

three pieces a month. They sell these in the market at cut-throat prices and, having sold them, they are unable to render after-sale service to the consumer. If these units were combined on a co-operative basis, they may obtain raw materials through their own agency, arrange common production programme and market their goods through a single organisation. But they do not co-operate among themselves.

SMALL vs. BIG

(ii) The second category consists of small industries which mainly manufacture consumer goods which are also produced by large-scale and cottage industries. In this field, there is undoubtedly great scope for development. For a population of 360 million people, industries can grow up to provide nutritive foods, clothing, housing, goods for domestic use, sanitation, medicines, agricultural implements, fertilisers, paper and various other requirements of the vast rural population which would substantially contribute to raising the standard of living. In the existing situation, however, the problem of adjustment between the large-scale and small-scale units has become most acute in this sector. Taking the classic example of cloth which is produced by mills, power-looms and handlooms, the Textile Enquiry Committee has pointed out that "the main cause of conflict between the sectors is that, except for Government and statutory action, fabrics which may be manufactured by the three sectors cannot always be differentiated and that the market for the products of all three sectors are competitive for reasons of price, except to a very small extent in the matter of expensive specialities." (*Textile Enquiry Committee Report*, page 28.) Whereas the Committee has come to the conclusion that the ultimate replacing by the powerloom of the handloom is perhaps inescapable, it has suggested practical measures for bringing about an adjustment between the three sectors of this industry. This approach should be followed in case of the engineering, chemical and other groups of industries also.

CONSUMER RESISTANCE

(iii) In the third category are included small industries which compete with imported goods. Most of them came into existence during the war and early post-war years. With the return of the buyers' market, they have suffered most and are now faced with serious difficulties of marketing their goods at competitive prices. Though they have enjoyed protection, sometimes liberal imports have hit them hard. But, in these industries, there are special problems which require careful consideration. I will take the instance of the pharmaceutical industry.

It is stated in the recent report of the Pharmaceutical Enquiry Committee that "out of the total number of 1,643 pharmaceutical manufacturers in the country, 1,568 are small-scale manufacturers." It may be noted that, of these, 261 covered almost all the important small-scale manufacturers, the remaining factories being mostly very small. In the opinion of the Committee, the capital invested, the sale value of products made and labour employed by them, would not be more than those of the 261 units. The Committee has remarked, "the manufacturers are working on a very small margin of profit due to the existing cut-throat competition prevailing among them and very few of them have any resources to equip themselves better or buy raw materials of standard quality." (*Report*, pages 80-81.)

This has given rise to the evils of manufacture of spurious drugs and black marketing of imported patent-

medicines. It would appear that there are far too many small units producing all types of pharmaceutical preparations which are unethical and, consequently, there has developed a strong consumers' resistance against Indian products. This is a serious setback to the Indian pharmaceutical industry as a whole.

There is another industry which is suffering from serious marketing difficulties—the clock manufacturing industry. In 1951-52, there were large imports of clocks from Japan as a result of liberalisation of import policy and the market was flooded with imported goods, with the result that Indian clock manufacturers could not market their products at competitive prices. Even with restricted imports at present, the clock manufacturing industry is not able to market its goods, because, in addition to consumers' resistance, there is also, it is understood, the traders' resistance, who prefer to sell imported goods and even Indian manufactured goods under names indicative of foreign brands!

The above examples in three categories of small-scale industries are given to illustrate the type of difficulties with which the small units are faced in different industries. Each group of industry has its own set of peculiar difficulties.

The sector of small-scale industry has been completely neglected so far. There is no official control or regulation. There are no statistics of production nor is there quality control. The small *entrepreneur* is completely left to himself and, if he is in difficulties, he has to find a solution for them or fade out. His difficulties relate to organisation, lack of efficient equipment, technical guidance, finance and marketing. Before starting new units, therefore, the real need is to know fully the conditions of the existing small

units in different industries. It would be advisable to carry out sample surveys in all important groups of industries, as a random sample survey of the handloom industry all over the country was undertaken by the Textile Enquiry Committee. After the results of the surveys are known, practical measures should be devised to remove the difficulties of the existing units. This will create confidence among the small *entrepreneurs* and provide encouragement for developing new enterprises.

THE CRUCIAL PROBLEM

For accelerating the process of development of industries in small- and medium-scale organisations, the Central Government should announce a definite policy of encouraging such units and providing assistance in their establishment and during the period of their growth. Secondly, the Planning Commission should, on the basis of the results of the surveys of existing industries, prepare a phased programme of development of small enterprises, indicating the lines of manufacture, type of organisation, opportunities for technical training and guidance and terms on which financial and other assistance would be available.

The crucial factor in the programme of industrial development would be finance. Generally, when a small *entrepreneur* starts his business, he has to provide initial capital for the purchase of block assets as well as for working finance. Thereafter, he may be able to obtain loan capital on the security of his fixed assets or working capital against the pledge of raw materials. During the war and thereafter, a small *entrepreneur* had his small savings with which he could make a start and obtain short-term deposits. But, at present, the small *entrepreneur* finds it difficult to pro-

vide the entire amount of initial capital and is unable to secure loan capital or working capital in accordance with his requirements.

The existing agencies of the State Aid to Industries Rules or the State Financial Corporations, wherever they have been established, may be of assistance to some extent. What the *entrepreneur* needs is at least a part of initial capital that is, equity capital, and there is at present no agency to provide it. Further, a new enterprise on a small scale takes longer to stabilise itself on a profitable basis; it is generally accepted that the "business risk" in a small enterprise is usually greater than in a comparatively bigger unit. Who is to bear this risk? The problem of providing "risk capital" in the development of small enterprises is indeed a baffling one and it should be solved if industrial programme is to be accelerated. The existing agencies like the commercial banks, co-operative banks or State Financial Corporations who have to safeguard the interests of their depositors or shareholders are unable to take this risk. It must, therefore, be borne by some other agencies created and supported by Government.

FOREIGN EXPERTS' SUGGESTIONS

To assist the small-scale industries, the Central Government have accepted the recommendations of the International Team of Experts sponsored by the Ford Foundation for the establishment of the following organisations:

(1) Four Multi-purpose Regional Institutes which would act as service agencies and would assist small industries in improving their technique of production and management; in obtaining credit and finance; in securing proper raw materials; in marketing their goods and in promoting patterns of development calculated to make small-scale industries ancillary to large-scale industries by bringing about co-ordination of production programmes.

(2) Small Industries Corporation with regional and sub-branches for the servicing of small industry in the field of Government indents in all its purchases from industry.

(3) Marketing and Service Corporation which can determine consumer demands through surveys, encourage producers to meet these demands and secure and process orders from wholesalers and retailers and which would integrate its activities with those of the Institutes of Technology.

These agencies, together with the Directorates of Industries in different States and the newly established State Financial Corporations, should make a concerted drive, first, for removing the difficulties of the existing small-scale units and thereafter for development of these industries in different States. The outstanding merit of the report of the International Team of Experts was the systematic approach to the problems of small industries which, in the words of the Team, was as under:

"The problem of small industries together form a vast complex where the different parts, regarding material production, quality control, finance, marketing, etc., cannot be tackled separately. Credit and finance problems have to be tackled as a part of the whole programme, if they are to be solved."

It may, therefore, be hoped that the Planning Commission and the various agencies set up by the Central and State Governments will approach the problem of promotion and development of small-scale industries in this spirit and thus provide stable foundation for the industrial structure in the country.—All Rights Reserved.

MANAGING AGENCY SYSTEM IT CAN STILL PLAY A VALUABLE ROLE

By A Special Correspondent

forward against interlocking of capital and whatever might be the nature of the new restrictions that will ultimately be imposed, the fact is undeniable that the earlier and even the recent development of the various industries has been brought about in an important measure through the effective utilisation of available resources. Those who are familiar with the developments in the industrial corporate sector in the first half of the century will be able to remember that the Nuddea Jute Mill, under the managing agency of Macneill Barry at the present, came into being largely with the employment of funds at the disposal of Gourepore Company, Ltd., under the same managing agency. The India Jute Company, Ltd., under the managing agency of Mackinnon Mackenzie & Co., was responsible for the promotion of the Megna Mills Company, Ltd. The Steel Corporation of Bengal, which was recently amalgamated with the Indian Iron and Steel Company, Ltd., was floated after the latter was amalgamated with the Bengal Iron and Steel Company Limited in 1936. Indian Iron and sister concerns had a large interest in the S.C.O.B. The Tata Iron and Steel Company, Ltd., itself in recent years has been responsible for the development of the Tata Locomotive and Engineering Company, Ltd., and the formation of the West Bokaro Ltd., while the hydro companies have progressed phenomenally and there has always been some sort of interlocking arrangement between one or other of the three companies. In fact, Tata Power, the last of the three to come into being in the group, was helped by the Andhra Valley and Tata Hydro Companies. Recently, it has been suggested that, for the Trombay project, these hydro-electric companies would be putting up large funds. There are many other outstanding examples.

EFFECT OF HIGH COST OF CAPITAL GOODS

In recent decades, the work of the managing agents has no doubt been greatly facilitated by the expanded capacity of the capital market and the accumulation of large reserves during World War II. It has been amply demonstrated, however, that, consequent on the inflation in prices, particularly for capital goods, and the need for undertaking the replacement of worn-out plant and machinery on a large-scale, available resources have been inadequate, especially as it has been necessary also to expand capacity wherever it was considered advisable. It must be said to the credit of the various managing agents that existing resources have been effectively spent and that once the period of readjustment was got over and the effect of the large-scale expenditure was beginning to be felt, industrial production tended to pick up at a faster rate. While the targets outlined in the Five-year Plan have been fulfilled in many directions, the established and new companies have the important task of maintaining a rapid rate of industrial development, which task can be carried out only by the more experienced industrial groups in the coming years.

Somewhat, it has been suggested by those who are not well informed that the managing agents have no large stake and that they have been trading on others' capital. This is far from the truth. The need for capital outlay in the various industries has been so great and the requirements have increased signifi-

cantly on account of the higher level of prices that considerably larger resources are now required. Apart from the fact that the managing agents have been obliged to retain their interest in the companies under their charge for well-known reasons, the reshuffling in the ownership of capital in the industrial corporate sector has come about differently at different stages. It may be that the percentage of holdings in particular companies has declined over a period. But the funds so realised have been utilised by the managing agents for the development of other units. It will, therefore, be not incorrect to say that while the stake of the managing agencies in the private industrial sector has increased considerably, the body of the shareholders also has greatly expanded. This feature will continue to be in evidence for a long time to come. The stage in which the public ownership of industry will be considerably diffused, with no need for special agencies for purposes of financing, is still far ahead.

The tempo of investment in the next two or three decades will have to be much greater and the required capital can be secured only if the managing agents, investors, personal and corporate, and the companies concerned themselves are able to provide funds on a much larger scale than they do at present.

A NEW TREND

It is necessary here to draw the attention of readers to a new trend in the constitution of managing agency companies. In the earlier

stages, managing agency houses were either partnerships or firms, with unlimited liability and usually the interest was confined to members of the family. But, over a period, it was found necessary to include outside members as well and it is an important feature of the Calcutta managing agency houses, particularly the British, to take partners from among members who were responsible for administration for a long period, though the main interests might be held by a few.

The rigours of taxation and an anxiety to take advantage of the provisions of the Indian Companies Act led to the formation of private limited companies and latterly of public limited companies. In the boom of 1944-46, particularly in Calcutta, the leading managing agency houses, which were formerly partnerships or firms with unlimited liability, were converted into public limited companies. Those who have been following developments in the capital market will be aware that Macneill Barrys, Kilburns, Kettlewell Bullens, McLeods, Balmer Lawries, Gillanders and others are public limited companies. The investor has been afforded an opportunity to participate in industrial management and elicit information. The movement has, however, not gathered strength. It can be expected that, over a period, such of those managing agencies as are still private limited companies will adopt a similar procedure, as it will enable them to raise additional capital.

It has been admitted by the more discerning investors that the shareholdings in public limited managing agency companies of established reputation are more in the nature of units in fixed trusts and that, with the payment of regular dividends, they will come to be regarded as good investments assuring safety of capital.

L. PALAZZINI

298, Bazargate Street
City Ice Building, Fort
BOMBAY-1

Telegrams: RAPCREDIT
Phone: • - 30156



Representative of the

CREDITO ITALIANO

one of the leading banks in Italy

established 1870

Head Office: MILAN, ITALY

262 Branches throughout Italy



Representatives also in:

Buenos Aires, Frankfurt a/M, London,
New York, Paris, Sao Paulo, Zurich.

In the event of more managing agencies becoming public limited companies, it would be possible to demonstrate to the outside public that the managing agents themselves have a large stake in the companies under their control.

LARGE INVESTMENTS HELD

That the bigger managing agency houses have been obliged to hold large investments in shares of the companies under their management will be evident from the fact that the investment portfolio of some of the public limited managing agency companies referred to above is large. The only difficulty relates to the depreciation in the value of investments in the companies concerned, as these were taken over at a time when prices were high. But due to the regular allocations to the investment reserves and the subsequent improvement in market values, along with the averaging of holdings, the losses also have been considerably reduced.

NO MONOPOLY

It is not as if the older managing agents are monopolising the field and the management of companies is handed over to generations as a matter of birthright. If the leading managing agency houses have held the field it is because of their efficiency and their active interest. There are new firms who have been responsible for the promotion of new industries like rayon, cement, vanaspathi, chemicals and others. In a period of acute shortage of financial resources, the part played by the old and new managing agents has proved to be very important.

It will be clear, therefore, that the managing agency system has been responsible for the promotion of many of the established and new industries and that they are continuing to do good work in developing the economic resources of the country. Over a period, it may probably be found necessary to adopt suitable changes in the system of corporate management which will be evolutionary in character. Immediately, some safeguards for investors might be considered appropriate. It must be remembered, however, that the sins of the few have been visited on the heads of the many and that the difficulties experienced in the past few years have been grossly exaggerated. Care must, therefore, be taken to ensure that new restrictions do not lead to the creation of new situations. There should also be no disposition to adopt the same attitude as was exhibited when the Indian Banking Companies Act and the Insurance Amendment Act were passed. While the main problem in the case of the credit institutions relates to the use of the funds of the depositors, the insureds and others who want to play for safety, in the case of the industrial units greater risk is undertaken and greater rewards also are expected.

With the changed conditions in the Indian economy and the better methods of corporate development, the constructive aspect of the managing agency system has become more important and it can be definitely stated that, given the pursuance of certain ethical and moral standards, the cause of shareholders as well as the public can be fully served. It will also be agreed that, with the more advanced nature of the economy and the possibility of greater help from authority, costs of industrial management can be rationalised and specific procedures adopted in regard to the different industries. But there can be no steam-roller formula.

REMUNERATION

Even now there are many instances where the costs of management are lower than that allowed under the formula that is being proposed. In the case of established

companies, even where the commission is payable as a percentage of sales, remuneration including commission payable to the managing agents works out to less than 10 per cent. of net profits. It may be considered desirable to pay remuneration to the managing agents on some uniform basis and it can also be legitimately expected that the payment of remuneration on the basis of sales, along with commission on purchases, sales or otherwise should not be allowed. But it is not generally recognised that the functions vary in respect of different companies in different industries and according to size and facilities available for purchases of raw materials and sale of finished goods. Besides, since some encouragement is necessary and it has been contended by important industrialists that, on an average, remuneration paid to the managing agents is not more than 20 to 22 per cent. of net profits even in the extreme cases, and that any surplus left over has automatically found its way into productive channels, an impartial attitude is necessary when tackling this question.

In the case of the leading managing agency houses at least, it has

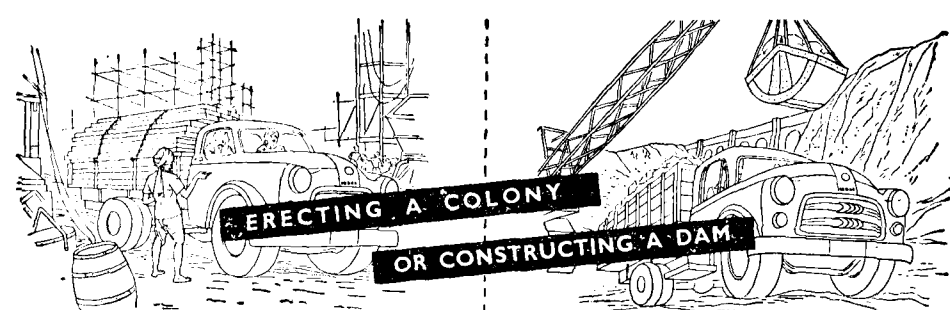
been indicated that, over a period, the remuneration paid to the managing agents has been offset to a large extent by heavy losses incurred in helping institutions in difficulty. The net benefit derived by the managing agents is not substantial and the saving as a result of a reduction in the scale of remuneration would probably be of the order of Rs. 2-3 crores.

EXPENDITURE RATIONALISED

The question has naturally been asked whether the cost of management can be reduced to less than two per cent. of the total value of industrial production and whether the cost of management in other countries is much lower. It is rather difficult to give a straight answer. No effective comparison can be made as the conditions that obtain in this country and elsewhere differ in nature considerably. But it is amply clear that, in the case of the bigger managing agency houses particularly, there has already been considerable rationalisation of expenditure and that, having regard to the difficulty in obtaining managerial and technical skill, available talent should be utilised in the most effective manner possible.

It is not correct at this stage to think in terms of limiting the number of companies that could belong to any group, as the splitting up, if it is compulsorily brought about, will lead to fresh difficulties and increase the cost of management.

In fine, there cannot be any opposition to the managing agency system as such. It has worked well in the past and it has been working well in recent years. It has great responsibilities to be discharged in the coming years and the system will be found greatly helpful in mobilising available resources. If in the earlier stages, the managing agency houses were investing family resources and the capital market was not greatly helpful, at the present moment the requirements are so large that existing resources have to be utilised in the most effective manner possible. What is required is only the provision of the minimum safeguards and the creation of conditions which will lead to the effective promotion of industries. If there could be the necessary checks and balances and the required changes are brought about over a period, the foundations for rapid industrialisation in the coming decades would have been truly laid.—All Rights Reserved.



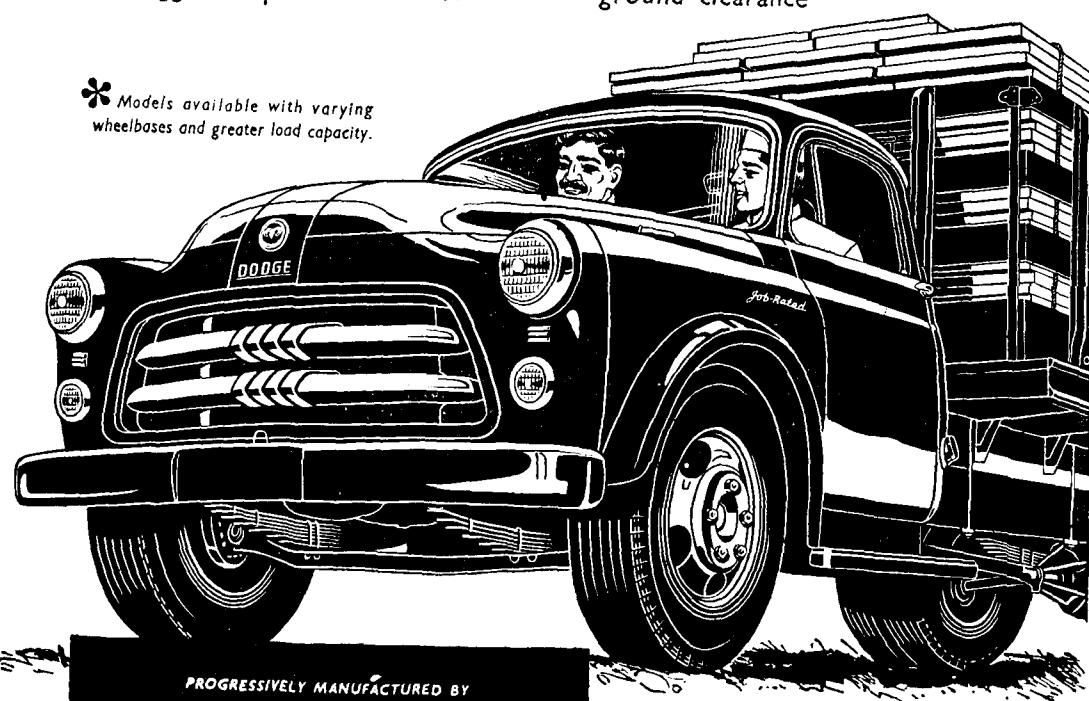
The New DODGE trucks are on the job

Whatever the haulage job, you can be sure that the exceptionally versatile Dodge truck can do it. Latest advancements enable the new Dodge trucks to haul heavy loads under the toughest road conditions with the minimum of maintenance.

★ Rugged deep-channel frames

- ★ Advanced design, heavy duty transmission
- ★ Better weight distribution, larger load-carrying
- ★ Maximum power at practical operating speed
- ★ Easier handling and better ground clearance

✱ Models available with varying wheelbases and greater load capacity.



PROGRESSIVELY MANUFACTURED BY
THE PREMIER AUTOMOBILES LTD.
AGRA ROAD, KURLA, BOMBAY

Contact your Dodge dealer today and he will show you many more new features and recommend the right Dodge truck for your job.

BOMBAY CYCLE & MOTOR AGENCY LIMITED
Sandhurst Bridge, Bombay

BRING SOUND SLEEP WITH famous RAMTIRTH (REGD.) BRAHMI OIL



RAMTIRTH YOGASHRAM, BOMBAY, 14.

RAMTIRTH BRAHMI OIL ends baldness, removes grey hair, stops falling hair, increases memory, insures eyesight, imparts sound sleep. Useful to everybody in all seasons. By massaging the body with this oil you will feel fresh and active.

YOGIC Classes are regularly conducted from 7-30 a.m. to 9-30 a.m. and from 6 p.m. to 7-30 p.m. at the above address. Lectures at 10 a.m. on every Sunday.

TO BE HEALTHY AND TO KEEP FIT ask for our attractive Chart (Map) showing **YOGIC** Asanas which will be sent on receipt of M.O. for Rs. 1/12. These Asanas can be easily performed at home.

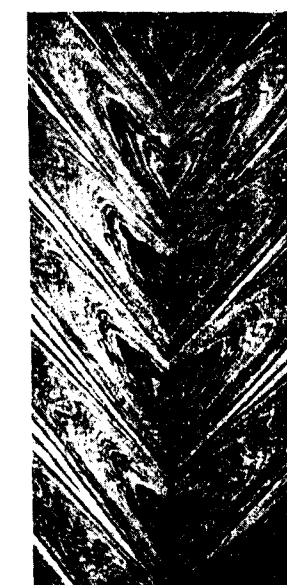
“SITABORD”

REGD.

FLUSH DOORS

AND

PANELLING



BEWARE OF IMITATIONS

PLYWOOD PRODUCTS

SITAPUR, U.P.

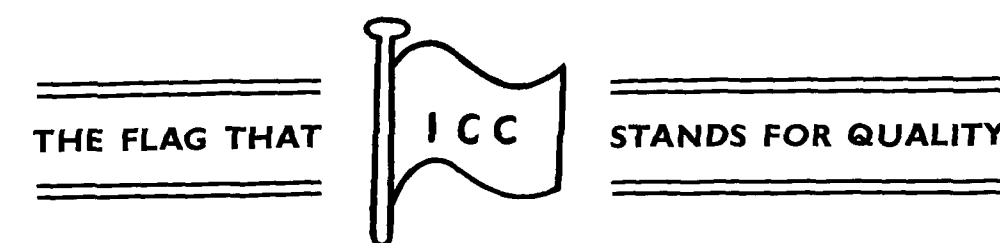
Grams: “WOOD”

Phone: 20

INDIAN COPPER CORPORATION LIMITED

GHATSILA P. O., EASTERN RLY., BIHAR

COPPER MINES AT MOSABONI, SINGHBHUM DISTRICT
SMELTER AND ROLLING MILL WITH THE GENERAL OFFICE AT
MOUBHANDAR NEAR GHATSILA



Producers of

HOT AND COLD ROLLED BRASS AND COPPER
SHEETS AND B. S. FIRE REFINED COPPER.

THE CORPORATION'S 4-HIGH NON-FERROUS
COLD ROLLING MILL IS THE LARGEST OF ITS
KIND IN INDIA



MANAGING AGENTS

GILLANDERS ARBUTHNOT AND COMPANY, LIMITED
NETAJI SUBHAS ROAD
CALCUTTA

BRANCHES: BOMBAY, MADRAS, DELHI, KANPUR, ETC.

RESOURCES RAISED UNDER THE PLAN ANALYSED

LARGE-SCALE DEFICIT FINANCING NOT POSSIBLE

By P. A. Seshan

WITH the talk about a blue-print for the second Five-year Plan and the hint of a rough estimate of an expenditure of Rs. 5,500 crores, for both the public and private sectors, the question has been naturally asked how far the first Plan has progressed and to what extent it has been necessary to resort to deficit financing of the pure and simple type. This question has great significance from the point of view of the planners, as it was feared by many that the resources at the disposal of the Central and State Governments were not adequate and that, to the extent deficit financing had to be incurred, the prospects for locating resources or adopting the same techniques for the prosecution of the second Five-year Plan were jeopardised.

It was naturally expected by those who have been regularly studying the data published by the Planning Commission that the third progress report, issued recently, would present a correct picture and that there would not be so much reluctance to accept openly that the resources budget, in spite of disappointments in particular directions, has not presented any difficulty so far and that the problem, if at all, has been one of utilising the expenditure allotments rather than eliminating the bottlenecks on account of the lack of resources. This would appear to be presenting an over-simplified picture. But, even though a more practical approach has been made in the latest report in assessing available resources and it has been openly admitted that revenue realisations by the Centre and borrowings from the open market and through small savings have been more than expectations, it is emphasised that there will still be a large gap if the programme is to be gone through fully in the last two years of the Plan.

There is no doubt that there will have to be deficit financing of the pure and simple type if expenditure in the last two years of the Plan is to be of the order of Rs. 1,400 crores, assuming that the estimates regarding the outlay in the first three years of the Plan, amounting to Rs. 885 crores, are correct. The only difference would seem to relate to the extent of the uncovered deficit which, according to the Planning Commission, might be Rs. 800 crores. That the deficit need not be so large is clearly proved later.

The trend of expenditure in the first three years will be evident from the figures given below. It will be seen that, Government machinery, as it is constituted at present, has not been equal to the task and that there is a considerable difference between original, revised and final estimates. It may so happen ultimately that total expenditure in 1951-54 amounts to only about Rs. 850 crores.

TABLE I
Trend of Expenditure under the Plan in 1951-54
(In crores of rupees)

	Budget estimates	Revised estimates	Accounts
1951-52	..	855.1	859.5
1952-53	..	945.7	922.4
1953-54	..	413.0	355.6
1954-55	..	572.0	..

Thus, more important is the fact that the total outlay cannot, by any stretch of imagination, amount to more than Rs. 1,900 crores. Up to date, there has been no resort to pure and simple deficit financing and

the tempo of expenditure has not even been such as to necessitate large net disbursements. In view of the fact that three and a half years of the Plan period are over and it is not possible to spend at a very much higher rate except on the projects that might be formulated in pursuance of flood control measures, rural electrification, water-supply schemes or others, in the remaining months of 1954-55 at best about Rs. 250 crores can be expected to be spent. Assuming that, between April and October this year about Rs. 175 crores has been spent, the total expenditure for 1954-55 will work out to Rs. 425 crores. In 1955-56 a sum of Rs. 500-550 crores can be spent at the outside limit. For the Plan period, therefore, the outlay will be Rs. 885 crores in 1951-54 plus Rs. 425 crores in 1954-55 plus Rs. 550 crores in 1955-56 or in all Rs. 1,860 crores. Rounding the figure to Rs. 1,900 crores, the shortfall in expenditure will be Rs. 350 crores and, necessarily, in the gap by an equal amount. Thus, on present indications, even on the basis of the Budget estimates regarding receipts for 1954-55 and a similar estimate for 1955-56, deficit financing cannot exceed Rs. 500 crores.

It will now be appropriate to examine how the Planning Commission has been very conservative in assessing the resources available at the disposal of the Central and State Governments and how the difficulties in meeting the expenditure have been exaggerated. The data given in the latest progress report about the resources secured from various sources for the execution of the Plan and the estimates for 1951-56 on the basis of the figures for 1951-54 are very important. These estimates, even taking into consideration the qualifying observations made by the Planning Commission, are somewhat misleading.

The main difficulty would appear to relate to the shortfall in public savings from current revenues of the Central and State Governments, borrowings and deposits, funds and other miscellaneous sources (net). The report has no doubt admitted that borrowings have been much better than expectations, especially in the last two years, and that "one may reasonably expect that the public at large will, over the whole five-year period, make available to the Government by way of loans at least part of what the latter did not find it possible to raise through taxation or surplus earnings on commercial enterprises." But it would have been more appropriate if this sentence were amended to read that the shortfall in taxation or surplus earnings of commercial enterprises and even resources from other directions would be more than offset by increased borrowings and that the estimates regarding the mobilisation of internal resources would be fully realised.

The following details will make the position more clear. Savings from current revenues of the Centre have been much better than expectations, especially if it is remembered that, as from April, 1952, it has been necessary for the Finance Minister to part with additionally Rs. 20 crores to the States as their share of Central taxes, in pursuance of the recommendations of the Neogy Commission. In 1951-52, the amount of savings is placed at Rs. 119.6 crores and in 1952-53 at Rs. 41.4 crores. While it is said that in 1954-55 there

could be a saving of Rs. 32 crores, in 1953-54 the figure is estimated to be only Rs. 0.1 crore. It has always happened since 1948-49 (see table given below), that there has been an anxiety to underestimate receipts.* As in 1952-53 also, the revised estimates showed a deficit and the accounts showed a sizable surplus, it will be reasonable to presume that the earlier experience would continue to be repeated, especially as recently there has been a greater disposition to debit developmental expenditure under the Plan to the revenue budget.

TABLE II
Budget Estimates of Revenue and Expenditure as compared to the Actuals or Revised.
(Figures for 1948-54)
(In crores of rupees)

	Revenue	Expenditure	Surplus (+) deficit (-)
1948-49			
Original estimates	255.24	257.37	-2.13
Revised	339.52	339.57	-1.05
Actual	371.70	320.86	+50.84
1949-50			
Original estimates	322.98	322.53	+0.45
Revised	332.36	336.10	-3.74
Actual	350.39	317.12	+33.27
1950-51			
Original estimates	338.59	337.88	+0.71
Revised	387.21	379.25	+7.93
Actual	410.66	351.44	+59.22
1951-52			
Original estimates	401.89	375.79	+26.10
Revised	497.67	495.06	+2.61
Actual	515.30	387.27	+128.03
1952-53			
Original estimates	404.98	401.25	+3.73
Revised	418.64	422.43	-3.79
Actual	435.11	396.18	+38.93
1953-54			
Original estimates	439.26	438.81	+0.45
Revised	413.69	430.65	-16.96
Estimates	452.88	407.09	-45.79

Against Rs. 160 crores for the whole period, of which Rs. 120 crores were realised even in the first year, it will happen that in 1952-56 alone the saving would amount to Rs. 180 crores. Which means, there would be a surplus of Rs. 140 crores over the five-year period.

As against this the States have realised only Rs. 160 crores in the first three years instead of Rs. 410 crores expected for the whole Plan period. Having regard to the larger payments from the Centre as the States' share of taxes, the "savings" from the State budgets should have been much more. But it is explained that unforeseen expenditure, execution of developmental projects outside the Plan and an unwillingness to levy additional taxation have prevented larger savings. In the years 1954-56, however, it can be expected that an amount of more than Rs. 100 crores will be available, especially as the food situation has considerably improved and it has not been necessary in Madras, Bombay and elsewhere to find large sums for famine relief or other works. Thus, it will not be incorrect to say that the savings from current revenues of the Central and State budgets together will reach the target of Rs. 570 crores.

As regards the railways, it is difficult to say anything definitely. But there may be a drop in the savings of the dimensions indicated, though recently revenue from passenger and freight traffic has been looking up and it can certainly be expected that a larger surplus could be located if there were effective economies in expenditure. In regard to loans from the public, the net realisations in 1951-54 were Rs. 35 crores. In the current year, the borrowing

*According to the Planning Commission, savings from current revenues and budget surpluses are not synonymous. But there is some relation between the two.

programme has been successful and the same experience can be expected to be repeated in the next year as well. With the result, it will not be surprising if the total borrowings amount to Rs. 250 crores against the target of Rs. 115 crores or a surplus of Rs. 135 crores. The estimates under small savings and other unfunded debt are likely to be fully realised, while, in regard to deposits, funds and other miscellaneous sources (net), the decline in the first two years was due to the large payments of E.P.T. deposits and E.P.T. refunds. In 1953-54, it has been indicated that there was a net increase of Rs. 34 crores. With the result, instead of the deficit of Rs. 76 crores, on the basis of the experience of 1951-54, there could be a net increase of Rs. 25 crores.

The final position may, therefore, emerge like this. The savings from current revenues of the Central and State budgets can be fully realised, while there may be a shortfall of Rs. 45 crores under railways. There can be an increase in borrowings from the public by Rs. 135 crores, while the estimates relating to small savings and other unfunded debt will be realised. Deposits, funds, etc., can show a net increase of about Rs. 25 crores. The relevant figures are given in the table below:

TABLE III
Availability of Internal Resources
(In crores of rupees)

	Budgetary resources available on basis of 1951-54	Our estimate, 1951-56	Original estimate, 1951-56
Public Savings from:			
(a) Current revenues	Rs. 535	Rs. 570	Rs. 570
(b) Railways	125	125	170
Private Savings absorbed through:			
(a) Loans from the public	58	250	115
(b) Small savings and other unfunded debt	251	270	270
(c) Deposits, funds and other miscellaneous (net)	—76	25	133
Total	893	1,240	1,258

On this basis, it will be seen that against the figure of Rs. 893 crores given in the progress report regarding the availability of internal resources, it will be easily possible to realise Rs. 1,240 crores notwithstanding the refusal of the State Governments to fulfil their undertakings and that, on the basis of external assistance of Rs. 234 crores, which has been already authorised, about Rs. 1,500 crores in all will be available. With the likelihood of further favourable developments and on the assumption that only Rs. 1,900 crores would be spent ultimately, pure and simple type deficit financing cannot exceed Rs. 350 crores at the outside limit. The Planning Commission's estimate will be probably over Rs. 500 crores.

This deficit financing, however, will not have any adverse effects. Also, as foreign balances are difficult to be spent at the present moment, there could always be a liberalisation of imports if inflationary tendencies develop and there is demand for types of goods which cannot be met by an increase in internal production. It is very unlikely, however, that increased rupee expenditure will lead to increased demand for consumer goods of the type which will lead to larger imports and which could not be met by a stepping up of the production of Indian industries. It is not, therefore, exactly correct to say that foreign balances would be run down

proportionately with regular doses of deficit financing of the pure and simple type.

The absence of financial strain, in spite of the Planning Commission's crying "wolf," will also be evident from an analysis of the Reserve Bank returns since 1951. It will be clear from the changes in Central Government and Other Government deposits that there is no alarmist trend. Also, there is no suggestion from the changes in the Issue Department that currency has been issued against *ad hoc* securities. The earlier decline in cash balances is due to the need for meeting the shortfall in Plan expenditure. The changes in the current year, however, have greater significance, as 1954-55 is considered to be the crucial year of the plan.

As the opening cash balances in 1954-55 were much higher than expected and the receipts under the National Plan Loan have been very much more than the budget estimates, the net incomes have been more than the net outgo. Thus, the Central Government balances were Rs. 93.52 crores on 12th November, 1954, against Rs. 63.59 crores on 2nd April, 1954, and Rs. 101.31 crores on 13th November, 1953. Other Government balances have declined by Rs. 21 crores during the year, though, till recently, they were mostly unchanged.

Naturally, one would have expected that the cash balances of both the Central and State Governments would show a net decline during a period when the Plan expenditure is expected to increase considerably. This has not come about due to the fact that the proceeds from various sources have been much more than expectations while the tempo of expenditure has not increased to the extent anticipated. The position will be clear from the changes in cash

balances of the Central and State Governments in 1951-54.

TABLE IV
Trend of Central and State Governments' Balances in 1951-54
(In crores of rupees)

Date	Central	State
November 12th, 1954	93.52	17.64
April 2nd, 1954	63.59	38.94
November 13th, 1953	101.31	27.09
April 3rd, 1953	87.28	39.41
April 4th, 1952	102.01	11.94
April 6th, 1951	131.04	35.20

TABLE V
Changes in Issue Department in 1951-54
(In crores of rupees)

Date	Active note circulation	Notes held in the Bank Department	Rupee securities	Foreign securities
Nov. 12th, 1954	1,172.28	13.09	417.74	623.15
Apr. 2nd, 1954	1,267.44	10.33	421.39	658.15
Nov. 13th, 1953	1,109.24	16.33	421.38	568.15
Apr. 3rd, 1953	1,149.06	9.92	449.86	583.15
Apr. 4th, 1952	1,157.07	19.45	444.64	602.15
Apr. 6th, 1951	1,269.30	8.41	501.62	678.15

What exactly will be the extent of expenditure in the remaining months of 1954-55 is difficult to say. But one could expect that, even if the disbursements prove to be higher, it will not be necessary to resort to large-scale deficit financing. The difficulty, if at all, might relate to rupee resources and not foreign exchange. It has been indicated in the progress report that external aid to the extent of Rs. 234 crores has been secured so far and that out of this there was an unspent balance of Rs. 102 crores at the beginning of this year. Even if Rs. 48 crores of the external assistance is utilised, there will be an amount of Rs. 54 crores left over for 1955-56.

The availability of sums in foreign exchange is, however, very much more. As on 12th November, 1954, foreign balances in the Issue and Banking Departments amounted to

Rs. 726.78 crores and were higher by over Rs. 25 crores as compared with the figure as on 13th November, 1953. If there has been a decline in foreign balances since 2nd April, 1954, by about Rs. 25 crores, it is due to the undue anxiety to utilise existing resources for bringing in imports of sugar, fertilisers, etc. The position in regard to sugar is such that the internal production could be stepped up to take care of the increasing demand through proper changes in official policies, while foreign exchange resources could be used to better purposes.

It will be clear from the trend of foreign balances in the Plan period (see Table VI) that, after the improvement in the food situation came about, foreign balances have not been used at all. On 6th April, 1951, the total of foreign balances stood at Rs. 875.17 crores. By 4th April, 1952, there was a decline to Rs. 721.34 crores or by Rs. 154 crores. Thereafter, there has been no large-scale utilisation of foreign balances. Actually, on 3rd April, 1953 there was an improvement to Rs. 726.62 crores and on 2nd April, 1954, to Rs. 754.19 crores.

If it is borne in mind that there is a seasonal increase in exports between September and March, there might actually be a net increase in foreign balances over the year. The outlook in this regard can be said to be favourable as tea prices are very high and exports are running at a high rate while prices for jute goods also have been higher along with a satisfactory offtake of cloth and yarn.

In these circumstances, it is not understandable why the progress reports of the Planning Commission have always been making repeated reference to the possibility of foreign exchange resources being completely utilised and that the balance left over will be only sufficient for back-

ing against currency. If this position is to be reached, it will be necessary for the Government to spend Rs. 325 crores between now and the end of March, 1956, along with current earnings and such other financial aid that will be received from abroad. This is obviously a difficult task as the imports of the required type can be secured only with maximum co-operation between the public and private sectors and there is no possibility of any large deficit on current trade account with a continuance of the present conditions.

TABLE VI
Trend of Foreign Balances in Issue and Banking Departments in 1951-54.
(In crores of rupees)

Date	Issue Department	Banking Department	Total
Nov. 12th, 1954	623.15	163.63	726.78
Apr. 2nd, 1954	658.15	96.04	754.19
Nov. 13th, 1953	568.15	142.81	710.96
Apr. 3rd, 1953	583.15	143.47	726.62
Apr. 4th, 1952	602.15	118.19	721.34
Apr. 6th, 1951	678.15	107.02	875.17

The outlook for 1955-56 and even for the second Plan period is not, therefore, so "discouraging" as is made out by some. In any case, there is no close direct relationship between deficit financing of the pure and simple type and utilisation of foreign balances, as matters stand at present. There will, of course, be larger demands for various types of goods with a larger money supply. But it has been amply demonstrated by the developments in the past two years that the increased production of various industries has not been easily absorbed and that there will have to be a larger investment than there has been if a continuous increase in the rate of production is to be maintained.—All Rights Reserved.

KILLICK INDUSTRIES LTD.

AGENTS FOR

THE KOHINOOR MILLS CO., LTD.

THE SHIVRAJPUR SYNDICATE LTD.

THE SURAT ELECTRICITY CO., LTD.

THE HINGIR-RAMPUR COAL CO., LTD.

THE AHMEDABAD ELECTRICITY CO., LTD.

BOMBAY SUBURBAN ELECTRIC SUPPLY, LTD.

THE CENTRAL PROVINCES RAILWAYS CO., LTD.

JOINT MEMBERS, CEMENT AGENCIES LIMITED

(MANAGING AGENTS, ASSOCIATED CEMENT COMPANIES, LTD.)

KILLICK BUILDING • HOME STREET • FORT • BOMBAY

SOAP IN THE SECOND FIVE-YEAR PLAN

NEED FOR CORRECTLY ESTIMATING PRODUCTION AND CONSUMPTION

By A Special Correspondent

THE first Five-year Plan is drawing to a close and the formulation of the second Five-year Plan is before the Government and the public. Now that the planners are reviewing the progress made under the first Plan and are considering the targets for the next one, each industry is examining its own position, and soap is no exception. However, in the soap industry, a clear picture is not before the planners or the public, largely as a result of inadequate assessment of the relevant facts—particularly about the market—and partly as a result of the many dissenting voices that are heard in the industry. It is, therefore, worthwhile glancing backwards a little, in order to assess how and why the prospect of the industry and the interests of the consumer have not been as clearly appreciated as they might have been.

At the commencement of the Plan, in 1951, the capacity of the soap industry was estimated to be 192,000 tons for large- and small-scale factories and 73,000 tons for the cottage units, or 265,000 tons for the whole industry. The Planning Commission had envisaged the expansion of capacity to about 280,000 tons per annum by 1956. According to the progress report issued by the Commission for the year 1953-54, the capacity has increased to 282,000 tons per annum and the increase is principally in the large-scale sector. The production in 1951 was put at 83,436 tons for the organised factories and 30,000 tons for the cottage units, or about 113,000 tons for the whole industry. It was planned that, as against a small increase in production capacity, internal consumption should expand to 190,000 tons per annum and the export market should be developed upto 10,000 tons, necessitating a total annual production of 200,000 tons. The progress report for 1953-54 states that, in that year, production in the organised factories stood at 76,000 tons, while production by the cottage units remained static at about 30,000 tons, making a total of only 106,000 tons for the whole industry. In view of the disparity between the estimated capacity and production and the alleged failure to increase consumption in the manner anticipated at the commencement of the Plan, it is necessary to enquire whether these estimates are correct and present a true picture of the actual situation.

PRODUCTION CAPACITY

We may take the question of production capacity first, about which there has been considerable controversy. It has been assumed by many that capacity lends itself to exact computation and that the estimates set out in the report must be taken as mathematically correct. This is, however, far from true. Reference may be made to the observation made by the Planning Commission itself in para 28 of Chapter 29 of the Report. "Rated capacity," it is stated in the report, "is a complex technical concept which should take into account the design of the plant, the number of shifts per day in the case of plants adopting batch or discontinuous processes, and the number of working days per annum. Rated capacity has also to take into account the balance between different sections

in a given unit, the age of the plant and its condition. There have been no expert technical surveys of rated capacity in various lines, so that estimates of the divergence between rated capacity and actual production have to be used with caution." Further, estimates of capacity of units other than large-scale factories can go completely wide of the mark, in view of the absence of any uniform standard process, and the extreme divergency in the equipment and technical efficiency of these units. The wide dispersal of the units in the cottage sector, estimated at three to four thousand, again makes it difficult to make any direct survey of their capacity. There are ample reasons to believe that the estimates of the output and, therefore, of the capacity of these cottage and small-scale units have been materially incorrect.

AN IMPORTANT POINT

Even were an estimate of the capacity of these widely differing units to be made with reasonable accuracy, after protracted and costly survey, the problem would still remain whether all such capacity is economically efficient in the circumstances of a given market and can ever hope to be fully utilised, except where the demand far outstrips production. Economically, capacity is only effective if it is efficient enough to sell its output profitably at competitive prices. In every industry, there exists some capacity which is so old and expensive that, in all normal circumstances, it will not be used. Even the most efficient factories sometimes have such capacity, which is not immediately scrapped, only because it is thought that such capacity might become useful in a peak period, when its use would be economically sustainable. The planners must pay attention to this aspect of the problem, estimate marginal capacity and discount it for purposes of assessing efficient capacity.

Again, while considering actual production achievements in relation to capacity, it must not be assumed that all new capacity installed in recent years has been brought in with the immediate object of satisfying a sufficiently big existing market, or that the owners of every unit have the intention of making a sustained effort to develop the market, which would ensure the present use of such capacity. It is a fact that, in the organised sector of the soap industry, capacity has been introduced by many far beyond what their immediate markets warranted; nor does it seem that they have shown sufficient enterprise in developing the market. This is borne out by the failure to expand the market substantially, contrary to the expectation of the Commission that there would be an expansion of consumption by 100,000 tons per annum. Further, it is also true that there are many producers of soap, who have no sustained interest in the soap industry, who regard soap production as only ancillary to their main business and who only go into production intermittently, whenever the return from such an operation is greater than the return from their other business ventures. Unless these factors are taken into account and due weight given thereto, the planners

and the public will come to a wrong picture of the economy of the soap industry.

MARKETING

Soap is an admitted necessity if people are to be clean and healthy. As the first interest of the Planning Commission is to extend its use, which is clear from the target set, a closer look at the type of manufacture which they wish to encourage seems necessary. While admitting that the benefits of the Five-year Plan and the growing prosperity of the country should aid the expansion of the soap market, it must be appreciated that an expansion of consumption of the order envisaged by the Commission requires enormous marketing and educational effort. Such an effort will obviously require considerable investment by the firms who will undertake it and it is likely that only the most progressive firms in the industry will make the attempt. The major effort is likely to be made by only a few firms; and, while that effort will undoubtedly expand the soap market and redound to the benefit of the industry as a whole, it is equally true that the percentage of business held by the firms making the most effective propaganda might increase. Indeed, without the hope of such an increase in their sales, there is no incentive for them to make the effort, as otherwise they would be incurring extra costs without any corresponding return.

MISLEADING REPRESENTATION

The make-up of the soap market is also generally represented in a misleading manner by an incorrect assessment of total production and consumption per annum. The Commission's report estimated a production of 102,000 tons of soap in the year 1950, of which 72,000 tons came from the organised factories and the balance of 30,000 tons from the small-scale factories and cottage units. Evidence that has been obtained or systematically analysed since the publication of the report suggests that this estimate was very wide of the mark. The production figures for the large-scale factories were accurate, because they were based on regular returns submitted to the Government. However, the assessment for the balance of the industry was little more than a guess. It has been assumed that the annual consumption of soap is equal to the annual production, the carry-over of stocks from each year being more or less the same.

There have been several investigations in recent years into various aspects of rural life, all of which throw new light on the consumption of soap in rural areas. Mention may be made here of the National Sample Survey and investigations into the conditions of agricultural labour and plantation labour, all of which have been made at the instance of the Central Government. These enquiries were conducted in terms of money and gave valuable information about the expenditure on soap. In order to get the tonnage of soap consumed, the expenditure in rupees may be converted into pounds at the price of a good laundry soap. This would naturally give a low figure since most of the soap in the market is of a poorer quality and, therefore,

cheaper, sometimes considerably cheaper, than good laundry soap; but the information so collated can be used as a reliable guide.

CONSUMPTION UNDERESTIMATED

The figure of expenditure on soap which one can calculate from the first National Sample Survey, when converted in this way, suggests a consumption of something over 110,000 tons in the rural areas. To that must be added consumption in the towns and this is probably of the order of not less than 90,000 tons, though we could only know for certain, if Government were to publish the figures for soap expenditure obtained in the urban enquiries of the National Sample Survey. Even without that, however, there are certain indications. Thus, the Government of India conducted a long series of enquiries into urban working class family expenditure in 1946 and the average amount spent on soap per year in those families was enough to buy 4.75 lbs. per head per year. Middle class consumption is naturally higher, perhaps as much as 7.5 lbs. per head per annum. Further confirmation comes from the Agricultural Labour Enquiry and the Plantation Labour Enquiry; for example, in Travancore-Cochin, agricultural labourer families spent as much as 17 rupees per year on soap, which is enough to buy 4 lbs. of the very best laundry soap for each member of the family per year; and in Madras, tea plantation manual labourers spent an average of Rs. 4-6-6 per head per annum, which could buy 5.00 lbs. The Planning Commission's figure of 106,000 tons as the output in 1953-54 did allow only 10½ ozs. per year. When even labourers are buying more, this is clearly far too small. Indeed, even the 200,000 tons we have suggested as the total annual consumption, and therefore production, may perhaps be distinctly low.

CHEMICAL ANALYSIS

We may refer to yet another piece of evidence to support the view that the annual production of soap in India, and consequently consumption, are far higher than hitherto generally estimated. The quantity of caustic soda consumed in the manufacture of soap is an index to the output of soap. One ton of this chemical would account for 10 tons of pure soap and several times that quantity of low grade soap, depending upon the extent of fillers used. Fillers are substances which have no intrinsic detergent property and are added only to increase weight. While the soap made by large-scale manufacturers is of the pure variety, much of the soap made by the small producers in the organised sector and almost all the soap made by the cottage units are of a filled variety. A chemical analysis of filled varieties, for example, the famous ball soaps of Bengal and Assam, shows that one ton of caustic soda might account for as much as 50 tons of such soap. The Planning Commission estimated the consumption of caustic soda in the soap industry at 19,000 tons in 1951, which should have accounted for 190,000 tons of pure soap alone. There is no published estimate of the present consumption of caustic soda, but, in any case, it cannot be less than 12,000 tons per annum, which is far below

what was originally estimated by the Commission. Having regard to the output of about 80,000 tons of soap in the organised sector, the consumption of caustic soda in that sector may be said to be 8,000 tons at present. The consumption of the chemical in the cottage sector would, therefore, be not less than 4,000 tons, which would account for perhaps 120,000 tons of filled soap. These figures again show that the consumption of soap in the country, particularly in the rural areas, has been materially underestimated. The source of error in the earlier assessments was that the production of the small factories and cottage units, from whom no official returns were received, was materially underestimated. Their combined production was almost certainly of the order of 120,000 tons, whereas that of the large-scale factories in the organised units was only about 80,000 tons.

This discloses a very different picture from that which has been hitherto assumed. The soap industry of India is dominated by the small-scale factories and cottage units, whose products do not conform to any set standards and are generally low grade. Yet exemptions from excise duty have been specially devised to assist them, and it is also noteworthy that these factories enjoy other advantages in the way of not having to pay corporation tax, which large-scale factories have to bear. Further, no monopolistic position is enjoyed by any one single unit and, in fact, there is keen competition in both the urban and the rural areas. Moreover, as will be gathered from the preceding paragraphs, the actual consumption during the years 1951-54 has probably

not been below 200,000 tons per annum, which the Planning Commission had set out as a target. But this is nothing to be complacent about, for even this tonnage only represents 20 ounces per head per annum, as compared with 41 ounces in Ceylon and several times that in Western countries. A re-assessment of the situation, in the light of these facts, is called for.

EXCISE DUTY INADVISABLE

The major problem before the soap industry is to expand the soap market. The market is not static as it is, and it is capable of enormous further expansion, provided the requisite effort is put in. The very low consumption of soap in India shows the prospects for future expansion. However, as has been stated above, the necessary effort will require considerable investment in marketing and educational efforts. Further, the expansion of the market is dependent upon the soap produced being of a consistent and reasonable quality. The problems of rural inaccessibility and improving washing methods have also to be solved. Having regard to the magnitude of the efforts and the cost involved, these can only be undertaken by such factories as have modern methods of production and marketing. The development of the glycerine industry which is a by-product of the soap industry, also points in the same direction. It should also be obvious that the development of the export market can only be undertaken by factories in the organised sector, particularly the larger ones, as has been the universal experience of other countries. The new Five-year Plan should recognise the important role

of large-scale factories in the future progress of the soap industry. The inadvisability of a discriminatory excise duty is thus clear.

CHALLENGE TO ORGANISED FACTORIES

Curtailment of production of the more efficient units, restriction of the propaganda and educative efforts made by such units, reservation of certain types of soaps for the cottage sector and any arrangement calculated to restrict the free play of competition in the determination of prices, are all methods which would be disastrous to the development of the soap industry. It may be stated here that the panel of oils and soap industries had emphatically recommended to the Government that "no cartel is necessary or desirable, and, in fact, every attempt to form cartel should be not only discouraged but put down." Replacement of un-economic capacity by more economic ones must be freely permitted, so that production costs can be reduced to the minimum and soap can be sold at low prices to the rural market.

The present situation is primarily a challenge to the factories in the organised sector to develop a dynamic marketing policy and organisation. They have to rationalise their distribution costs and undertake large-scale educative activity in the potential rural markets. Concentration of effort is required; and the attitude of treating soap production and marketing as mere ancillaries to other business ventures should be abandoned. All members of the industry, particularly in the large-scale sector, should come together in one organi-

sation, in order to solve their common problems and undertake, wherever necessary, educative campaigns for increasing the soap habit. —All Rights Reserved.

CANADIAN IMPORTS OF INDIAN OILS

The improvement in supplies of groundnuts in India is reflected in the increase in Canadian imports. The value of imports of groundnuts during the first half of 1954 was \$1,826,223, as against \$1,448,443 in the corresponding period of 1953. Despite the improvement, there is not much goodwill towards Indian exporters of this commodity in trade circles in Canada. Supplies from Mexico have also improved and, although the United States peanuts have never been too popular in Canada, several of the leading importers would now prefer to take American nuts than risk the uncertainties of trading with India.

Castor oil is in constant demand in Canada, but the story of Indian exports is not heartening. In the first six months of 1951, India's exports were valued at \$163,146, but in the corresponding periods of 1952, 1953 and 1954, India's exports were valued at \$57,559, \$35,503 and \$3,401, respectively. This continuous decline is not accidental; neither is it connected with the cost factor. This position has been brought about by some unscrupulous Indian speculators who, by their dealings, have lost for India the goodwill of the Canadian trade. Brazil has replaced India as a supplier of castor oil. The value of its exports this year already exceeds \$200,000.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated in England by Royal Charter, 1853)
(Liability of Stockholders Limited)

Capital (Paid-up) - - - - - £3,500,000
Reserve Fund - - - - - £5,000,000

Branches throughout India, Pakistan and the East

AFFILIATED BANK IN INDIA AND PAKISTAN:

THE ALLAHABAD BANK LTD., with over 70 offices in India and Pakistan

The Bank offers a complete Overseas Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application.

The Bank's London Office undertakes Trusteeships and Executorships.

Head Office:

38, BISHOPSGATE, LONDON, E. C. 2

West End Branch:

28, Charles II St., Haymarket, London, S. W. 1

Manchester Branch 52/54 Mosley Street
Liverpool Branch 27, Derby House, Exchange Buildings
New York Agency 65, Broadway, New York 6, N.Y.
Hamburg Agency Borsenbrücke 2A, Hamburg

Branches in Japan:

KOBE, OSAKA, TOKYO AND YOKOHAMA

Branches in India:

Amritsar, Bombay, Calcutta, Chowringhee (Calcutta), Cochin, Delhi, Kanpur, Kozhikode, Madras, New Delhi.

Branches in Pakistan:

CHITTAGONG AND KARACHI

Bombay Branch:

23-25, MAHATMA GANDHI ROAD

G. DODDS,
Manager.

A Policy Issued By

THE BOMBAY FIRE & GENERAL INSURANCE COMPANY, LIMITED

(Incorporated in India)

Your Symbol of Security in the Event of

FIRE, ACCIDENT OR A MARINE PERIL

Head Office:

14, JAMSHEDJI TATA ROAD
CHURCHGATE RECLAMATION
BOMBAY I

Represented In

INDIA, BURMA & PAKISTAN

LAST year, we said the supply position of oils and fats would improve. We were right. It has. The 1954 forecast is a million tons over the 1953 crop; and the 1953 crop itself was 600,000 tons bigger than originally expected. (The detailed figures are given in Table I.)

The result is that there is now enough oil and fat in the world to give everybody the same amount per head as they got before the war, despite the intervening increase in population; and since requirements for soap are lower, because of the steadily increasing popularity of synthetic detergents, there is actually more oil and fat to eat per person now than there was in 1938, though it is still very unevenly distributed between the different countries of the world. Moreover, in the short run, there are even more oils and fats available than these figures would suggest, since there were very large stocks, probably a million and a half tons, at the end of 1953, and, despite the best efforts of the U.S. which has most of them, there is little sign of their moving into consumption. It is a sign of the strength of the present position that the United Kingdom and Holland, which have strictly controlled the trade in oil and fats for years, have this year found it possible at last to go over to complete freedom.

All in the U.S.

The world export surplus of 5,900,000 tons (Table II) is probably 350,000 tons more than the world needs; and it has only been prevented from causing a very considerable drop in prices by the fact that the extra is nearly all in the United States which now has an export surplus of nearly a million and half tons against 100,000 tons pre-war. The price supports undertaken by the American Government, therefore, provide a floor for oils and fats prices virtually throughout the world. There is, however, one other

WORLD SUPPLY OF OILS AND FATS

By A Special Correspondent

factor which may possibly affect the position: the figures given above include China and Manchuria, but do not include any of the other Communist countries. There have been signs this year that they are short of oils and fats and there is always the chance that they may in their usual unpredictable way come into the market quite suddenly for quite large quantities.

Against possible extra commercial requirements must be set the fact that the exportable surplus in 1955 is likely to be even larger than that for 1954. The requirements of importing countries go up slowly; supplies in 1955 may take a sudden leap upwards. India, which has this year been able to export very little, should be able to come back into the market on its normal scale of about 125,000 tons net exports; China is planning to grow a lot more oilseeds next year; and there has been a quite considerable switch into soya beans in the United States.

Prices

Nevertheless, world prices may in fact not go down very much. As we have already pointed out, the stocks are mostly in American hands and the American Government was so distressed by the criticism lavished on it when it sold 200,000 tons of linseed oil at 6 cents per pound this summer, that it is, for the time being, likely to carry its enormous stocks, particularly of cottonseed oil, rather than to dump them; but this can only be a guess; and as long as these stocks overhang the market, there will be a perpetual threat to stability. Indeed, it might, in the long run, be better for other countries if the United States were

to dispose of its cottonseed oil now at whatever price it will commercially fetch rather than to leave it as a perpetual question mark, making nonsense of all their calculations.

Last year, we ventured the opinion that a reasonable price level for oils and fats would be between three and four times pre-war. The present surplus suggests that this may, perhaps, have been too high, but there are too many extraneous factors influencing prices nowadays for us to be prepared to venture any other opinion. A threat of war or of peace could change the whole market in a totally unpredictable way; and, even if nothing so exciting happens, there is always the possibility of, for instance, the United States deciding to make large gifts of surplus oil to its poorer friends.

India

India has had a very good year. The great rise in groundnut production has enabled us to produce this year the whole 5½ million tons of oilseeds which the Five-year Plan anticipated for 1955-56, and to do so on no larger an acreage than in 1952-53. Much of this increase, however, was due to the good monsoon and although this year's (1954-55) crop again looks like being good, we do not know how much of the increase will remain in a year of relatively poor rain. The detailed figures are given in Table III.

The outstanding feature of the position, however, is not the high production, but the very low consumption of fats. As Table IV shows, there is only about half an ounce of oil and fat available per

person per day; this is a mere quarter of the two ounces recommended by the Nutrition Advisory Committee in 1949. Even if one assumes, as is probable, that not all the oilseeds which are grown get into the figures, the most optimistic estimate would not bring consumption up to more than a third of the country's nutritional requirements. In the West, by contrast, most countries roughly have their two ounces per day per head; and such countries as the Netherlands and Germany positively overeat (the Netherlands 59 lbs. per annum and Germany 55 lbs. against the nutritional requirement of 45 lbs. per annum).

More Is Needed

It is thus clear that India needs more oils and fats; and clearly the target of the Central Oilseeds Committee for the second Five-year Plan, 6,600,000 to 6,700,000 tons of oilseeds, is only right, because to aim for a higher increase might be impracticable. 6,700,000 tons in 1960, assuming the population goes on increasing at the present rate, would only mean an increase in the availability of vegetable oil per head of 14 ozs. per year. People's habits, moreover, change slowly; and the public is unlikely to make a sudden leap from eating far too little oils and fats to eating just that amount which is nutritionally desirable. There is, therefore, always the possibility that India will have a surplus for export, especially because, whilst India is always deficit in coconut oil and has to import its palm oil, it always has a surplus in such oils as castor and it normally has a surplus of groundnut oil, though not a large one.

Imports and exports, however, are on the whole very marginal, and that makes Government's task in controlling imports and exports, particularly in controlling exports, very difficult. It is pleasing therefore, to be able to record that, on the whole, despite the lag in the

Commodity	Pre-war	1952	1953 Preliminary	1954 Forecast
'Edible' type oils:				
Cottonseed	1,453	1,671	1,743	1,731
Groundnut	1,755	1,692	1,662	1,993
Soya bean	1,263	2,042	2,202	2,193
Sunflower	435	917	820	846
Olive	950	1,624	799	1,192
Sesame	563	576	577	694
Maize	70	105	118	110
Teaseed	25	10	15	15
Total	6,514	8,637	7,936	8,674
'Palm' oils:				
Coconut	1,633	1,782	1,691	1,771
Palm kernel	355	393	409	418
Palm oil	644	936	961	990
Babassu kernel	27	28	35	30
Total	2,659	3,139	3,096	3,209
Industrial type oils:				
Linseed	1,040	931	978	988
Castor bean	178	177	192	207
Rapeseed	1,273	1,557	1,517	1,518
Oilicica	9	4	8	5
Tung	121	103	125	125
*All other vegetable oils	211	282	262	262
Total	2,832	3,054	3,082	3,105
Animal fats:				
Butter (fat contents)	4,160	3,611	3,826	3,911
Lard	2,913	3,243	3,120	3,033
Tallow	1,679	2,315	2,494	2,553
Total	8,752	9,169	9,440	9,497
Marine oils:				
Whale (including sperm oil)	507	494	432	452
Fish	323	262	283	311
Total	830	756	715	763
Estimated world total..	21,587	24,765	24,269	25,248

Notes: The above estimates are based on detailed consideration of production in each country, using actual visible oil production where it is possible to obtain a reasonably firm estimate, e.g., Europe, U.S.A., Australasia. For most other areas visible oil production has been calculated from crop estimates (after allowance for seedling, etc.), export supplies plus arbitrary allowances for domestic consumption, livestock statistics and any other relevant information.

* Includes *mourah*, niger, hempseed, perilla seed and other minor oils.

† Includes *glace*.

Commodity	Pre-war (Average 1934-38)	1952	1953 partly estimated	1954 forecast
By Commodities:				
Copra and coconut oil	1,057	1,117	993	1,052
Palm kernels	320	355	384	390
Palm oil	447	523	560	556
Groundnuts	826	466	503	555
Soya beans	432	269	282	272
Cottonseed	189	107	136	278
Linseed	572	192	269	540
All other vegetable oils	523	49	486	444
Butter (fat contents)	500	362	364	378
Lard	173	341	268	240
Tallow, etc.	162	425	657	598
Whale oil (including sperm)	507	494	432	453
Fish oils (including liver)	121	107	134	145
Total above	5,829	5,187	5,458	5,901
U.S. retained imports above commodities	960	390	400	390
Quantity available to Europe and rest of the world	4,869	4,797	5,058	5,511
By Producing Areas:				
United States of America	100	980	1,119	1,421
Other America (excluding Argentina and Uruguay)	133	134	126	108
Philippines	348	498	438	480
Portuguese Africa	62	86	87	86
Belgian Congo	97	211	200	210
Argentine and Uruguay	577	99	189	324
British West Africa	455	542	616	650
French West and Equatorial Africa	298	221	271	280
Other Africa	212	182	225	239
India and Ceylon	589	308	178	180
Malaya	132	100	114	110
Indonesia	529	378	363	375
Australasia and British Oceania	363	353	369	317
China and Manchuria	742	107	252	162
Other countries (including Europe)	685	434	489	506
Whale Oil (Antarctic and Arctic)	507	494	432	453
Grand Total	5,829	5,187	5,458	5,901

Sources: Pre-war to 1952: Compiled from official statistics.

1953: Official statistics and estimate.

1954: Estimates.

Complete Banking Service



With 25 offices strategically located in Mica, Cotton, Wool, Grains, Oilseeds centres within Rajasthan and Ajmer - Merwara—the "RAJBANK" offers prompt, careful handling of your banking needs in Rajasthan.

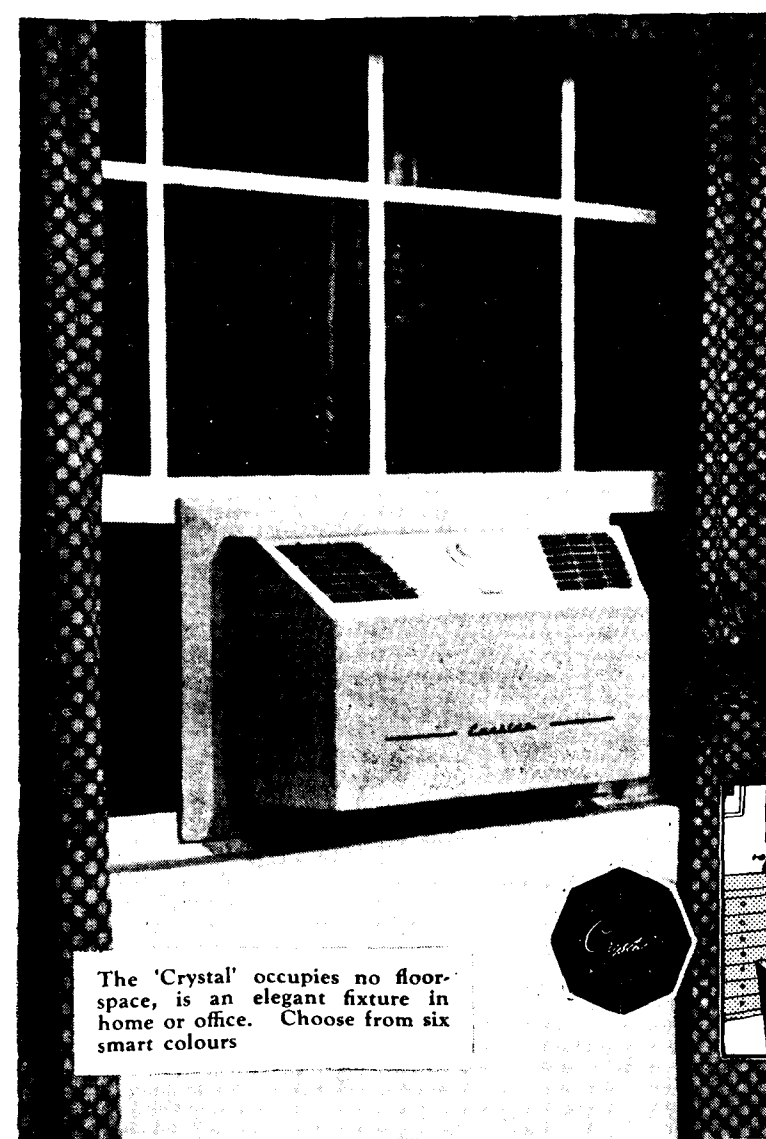
THE BANK of RAJASTHAN LTD.

Head Office: UDAIPUR

BRANCHES:

Banswara, Baran, Beawar, Bijainagar, Bhawanimandi, Bhilwara, Bundi, Chittorgarh, Chhotisadri, Dungarpur, Fatehnagar, Gulabpura, Jaipur (Johri Bazar), Jaipur (Mirza Ismail Road), Jhalawar, Jodhpur, Kekri, Kishangarh, Kotah, Neemuch, Partabgarh, Shahpura, Ramganjmandi, Tonk, Udaipur.

Specially designed for gracious living in India...



The 'Crystal' occupies no floor-space, is an elegant fixture in home or office. Choose from six smart colours

The NEW *Carrier Crystal* Room-Cooler — made in India for India by VOLTAS LTD.

NOW — a room-cooler specially made for India, by people with 20 years' experience of air conditioning in the Indian climate! It's the new Carrier 'Crystal', finest room-cooler ever made for home or office in India.

Made in India, the best for India

For 20 years, the engineers who make the 'Crystal' have worked on air conditioners in India.

So they know what usually goes wrong with room-coolers in India. And they have eliminated these defects from the 'Crystal'. That's why the 'Crystal' guarantees better service than any other room-cooler in India.

Write to Voltas Limited today! Let us show you how little the 'Crystal' costs to buy and run.

★ One ton cooling capacity

★ Low power consumption, inexpensive running

★ One year's guarantee and free service

★ So silent, you hardly know it is working



On particularly hot and humid days, the 'Crystal' gives you extra cooling — automatically!



The 'Crystal' is easily installed, quickly serviced without messy dismantling of working parts

VOLTAS LIMITED

successors to the Engineering & Import Division of

VOLKART BROTHERS

Ballard Estate, Bombay 1 — Showroom: 75, Apollo Street, Bombay 1
Railwaypura Road, Ahmedabad 2 — 87/D Rashtrapati Road, Secunderabad
CALCUTTA—MADRAS—NEW DELHI—COCHIN—LUCKNOW

response to market changes which seems inseparable from bureaucratic procedure, Government's policy has been very sound. The level of Rs. 1,000 per ton for groundnut oil at which they seem to have decided to try and stabilise the price, is very fair, neither so low that the grower is driven to millets, which would be an economic disaster, nor so high as to take the price out of reach of the consumer. Government's capacity to keep the price at this level depends on the weather and the farmer; if the crops are bad, prices are bound to go up; if foreign markets collapse, Government might find keeping the price up more than it could afford. But if neither of these happen, there is no particular reason why we should not look forward to a period of relative stability in the oils and fats market after the violent gyrations of the recent years.

Advice to Government

Government have done so well recently that there are, perhaps, only two cautions which are worth addressing to them. The first is that groundnuts normally bring in about two to two and a half times as much per acre as millets. A changeover to groundnuts is, therefore, a very quick way of increasing the farmers' income, especially in the poverty-stricken South. Now that cereals markets are so easy, Government should be careful to do nothing which might jeopardise the spread of groundnut growing. It must not try to keep too low a price, or to risk India's export markets by too many changes of policy. On the other hand, Government should not be panicked by any temporary surplus of oil and seed which might develop at the beginning of what it already appears is going to be a very good season. A time may come for freeing exports completely, but the decision should not be taken, until it is clear that there is a more than ample crop to cover India's own requirements, both for consumption and for stock until next year.

Conclusion

More vegetable oils are from every point of view one of India's major needs. The people need more to give them an adequate amount of fat in their diet; and they are a very good way of earning foreign exchange. The best of all ways of attaining this objective of more oil is to bring more land under groundnut cultivation, and to give oilseeds research, especially groundnut research, the same attention as has been given to cotton and jute. A relatively minor way is to encourage the crushing of cottonseed. At present, most cottonseed is used whole as cattle food and the valuable oil is, therefore, not available to feed human beings at all. Some firms have already taken the very large risk involved in the present circumstances in starting crushing on a fairly large scale, but until Government tells the farmer that cottonseed cake is just as good for his cattle as cottonseed, they will get a low price for their cake and will frequently find themselves running at a loss.

Avoid Waste

Finally, in the course of actually producing the oil, none should be wasted; in other words, as little as possible should be left behind in the cake. This is a subject which has been much bedevilled by prejudice in favour of the very inefficient method of crushing by *ghani*. It is, therefore, a matter of great satisfaction that the Government has now appointed a committee to investigate the conditions of oil milling. The crushing industry is at present under a whole variety of handicaps and it is reasonable to hope that the conclusions of this Committee will result in some at least of those handicaps being removed; it would be too much to imagine that the conclusions of any committee would induce Government to remove them all.—*All Rights Reserved.*

WORLD WOOL POSITION INFLUENCE OF DEMAND OVER PRICES

By A. P. Zentler

THE most significant feature of the 1953-54 wool season was the continuing steadiness of world prices despite the rather different conditions which prevailed. Throughout the season, the average level of prices was about the same as in 1952-53, but the range was even smaller than in that remarkably stable year. This feature has had a valuable steadying effect on the economies of those countries which rely mainly on wool for their export earnings and it has helped to strengthen wool's position *vis-a-vis* the new man-made fibres.

In spite of a slight rise in world wool production, from 4,369 million lbs. to 4,407 million lbs. (greasy basis), supplies in the market were somewhat lower than in the 1952-53 season, because there was no significant carryover at the beginning of this season. Clips were substantially higher in four of the major producing countries—New Zealand, South Africa, Uruguay and the United States. The New Zealand clip was the largest on record for that country and South Africa's was the largest for 20 years. In Australia, on the other hand, production was nearly 40 million lbs. (greasy basis), lower than the 1952-53 peak, though sheep numbers reached an all-time record. The smaller clip in that country, which is the world's largest producer, was due to lighter fleece weights caused by unusually dry weather. Climatic conditions were responsible for a slightly lower clip in Argentina.

The proportion of crossbred wool in the total world clip rose slightly as a result of these changes in production. Nevertheless, the proportion in total supplies declined, since the previous season's supplies showed an abnormally high percentage of crossbred, thanks to the large stocks of these wools brought in from 1951-52. This change in the composition of supplies accounts, to some extent, for one of the interesting features of the 1953-54 season, namely, the narrowing of the price differential between merino and crossbred wools. Whereas, over the whole season, merino wools averaged slightly less than in 1952-53, crossbred wools were sold on the average at about 10 per cent. more.

Competition for Wools

Although it seems likely that the smaller supplies of crossbreds provided the main stimulus to the greater competition for these wools, there were several other factors which must each have played some part. First, there appears to have been a tendency on the part of manufacturers to keep retail prices as low as possible by, if need be, lowering quality slightly. Such considerations seem to have played a part in all countries, but they have, perhaps, been especially important in the U.K., where a 25 per cent. purchase tax on the value of textiles exceeding a certain price level has encouraged firms to minimise the tax by keeping goods as cheap as is consistent with reasonable quality. Secondly, China was for a short time interested in crossbred tops and this may have helped to bring up crossbred prices for a time. Finally, the noticeable fall in value of merino wools suitable only for woollen spinning relative to those suitable for combing was not so marked among crossbred wools, so much so that the average level of merino prices fell more than crossbreds.

Among the buyers of wool, the U.K. was the world's largest importer, even though its purchases

were about 150 million lbs. less than in the previous season. This decline was due to a slower rate of manufacturing activity, following the period of recovery which was such a notable feature last year. The U.S. and Japan also bought much less wool than in the previous season, the former taking 180 million lbs. less and the latter 95 million lbs. less. In the U.S., the fall was due to the textile recession, which was very much more severe than that affecting the economy as a whole, whereas Japan's smaller purchases were necessitated by a critical shortage of sterling. It may perhaps, be noted, in passing, that as a result of the recession the U.S. surrendered to the U.K. the position of being the world's largest consumer of wool. That wool prices remained steady, in spite of greatly reduced purchases by three such important consumers, can be attributed partly to the smaller supplies in the market and partly to increased purchases on Russian and Continental account. So far as can be ascertained, Russian purchases, which were confined to Australia and New Zealand, amounted to about 66 million lbs., as compared with 3 million lbs. purchased in 1952-53. Nevertheless, the quantities taken were small in comparison with purchases by the U.K., the U.S., France and the other major importers. The fact that they exerted some considerable influence on prices was due to their concentration in time, place and qualities as well as their erratic character and the seeming willingness of buyers acting for Russia to pay top prices.

Wool Supplies

Turning now to the 1954-55 selling season, which opened in the Dominion markets at the end of August, the picture is, on the supply side at least, very much the same as last season. World wool output, provisionally estimated at 4,460 million lbs. (greasy), or 2,575 million lbs. (clean basis), will be slightly above last season, following favourable growing conditions and continued efforts by producers to increase their clips. It is expected that the Australian clip will equal its record 1952-53 level, and that South Africa and New Zealand will again show further slight increases in production. When the 60 million lbs. (clean basis), owned by the U.S. Commodity Credit Corporation is added to new production, the figure of available supplies is about 2,635 million lbs. or 45 million lbs. more than last season. This supply, which will mainly reach consuming countries in the calendar year 1955, is just greater than the estimated world consumption in 1954 of 2,500 and 2,550 million lbs. (clean). We must, therefore, look to possible changes in demand for indications as to the likely level of prices.

In this connection, the U.S. is, of course, one of the principal factors, for, should that country's consumption recover even to the extent of half the decline in the first nine months of 1954, it would take up the whole of this season's small increase in supplies. One may well ask, therefore, whether there are any indications that U.S. consumption would improve. Some hope that recovery is already under way can perhaps be drawn from the fact that American consumption in both the second and the third quarters of 1954 was higher than in the first quarter of the year. Even more important, however, may be the much greater recovery in retail clothing sales and, in consequence,

(Continued on page 149)

HERCULES INSURANCE CO., LTD.

(INCORPORATED IN INDIA)

• FIRE • MARINE
• MOTOR AND
MISCELLANEOUS
ACCIDENT INSURANCES

Head Office

16, HARE STREET, CALCUTTA

Branches

BOMBAY: 21, Ravelin Street - MADRAS: 1st Line Beach

Sub-Offices and Agencies

LUCKNOW - HYDERABAD - AHMEDNAGAR
NAGPUR - DELHI - INDORE - KARACHI
NAIROBI & LONDON

THE MORARJEE GOCULDAS SPINNING & WEAVING CO., LTD.

SOPARIBAG ROAD, PAREL, BOMBAY, No. 12.

TELEPHONE No/
60021 (THREE LINES)

TELEGRAMS:
'MOGOCO' BOMBAY



Estd.

A.D. 1871

ALWAYS IN THE FOREFRONT AS
MANUFACTURERS OF COTTON TEXTILES OF
QUALITY AND DURABILITY

Our Specialities

MINERAL KHAKI AND OTHER DRILLS, DHOTEES
AND SAREES, GADLAPATS, DOBBY CHADDARS AND
LONGCLOTHS, COATINGS AND SHIRTINGS, VOILES
AND MULLS AND OTHER FINE AND SUPERFINE
MERCERISING VARIETIES.

Agents: PIRAMAL & SONS

Selling Agents: PIRAMAL & CO., LTD.
CHANDRA CHOWK, MULJI JETHA MARKET, BOMBAY 2.
TELEPHONE No. 33513.

TABLE III

Acreage and Production of Oilseeds in India
(Figures in thousands)

Crop	Estimate	Area (acres)		Production (tons of 2,240 lbs.)	
		Current estimates, 1953-54	Corresponding adjusted estimates of the previous year	Current estimates, 1953-54	Corresponding adjusted estimates of the previous year
Groundnut ..	Final	11,356	11,850*	3,772†	2,884†*
Castorseed ..	Final	1,398	1,357*	107	106*
Sesamum ..	Final	6,132	5,860*	531	460*
Rape and mustard ..	Final	5,373	5,199	826	837
Linseed ..	Final	3,369	3,395	355	359
Total ..		27,598	27,661	5,591	4,646

* Partially revised.

† In terms of nuts in shell.

TABLE IV

Total Availability of Vegetable Oils in India
(Summary of Production, Imports and Exports)

	1953	1952	1951	1950	1949
Production of vegetable oils ..	Tons 1,268,893	Tons 1,308,136	Tons 1,378,508	Tons 1,400,524	Tons 1,233,950
Import of vegetable oils ..	43,688	29,461	19,187	6,660	10,381
Import of vegetable oilseeds (in terms of oil) ..	16,775	12,430	6,689	8,486	3,943
Total in terms of oil ..	1,329,356	1,350,027	1,404,684	1,415,670	1,250,274
Export of vegetable oils ..	58,224	146,805	137,759	64,142	57,219
Export of vegetable oilseeds (in terms of oil) ..	8,236	16,025	37,876	90,378	46,995
Exports of hydrogenated oil ..	997	3,298	1,989	N.A.	N.A.
Total exports in terms of oil ..	67,457	166,128	177,624	154,520	104,214
Net available supply ..	1,261,899	1,183,899	1,227,060	1,261,150	1,146,060
Ghee ..	412,000	412,000	412,000	412,000	412,000
Butter ..	71,000	71,000	71,000	71,000	71,000
Total fat supply ..	1,744,899	1,666,899	1,710,060	1,744,150	1,629,060
Population (million) ..	364	360	356	352	348
Per capita (lbs.)—excluding ghee and butter ..	7.76	7.37	7.72	8.03	7.38
Per capita (lbs.)—including ghee and butter ..	10.74	10.37	10.76	11.10	10.49

THE SOUTH INDIAN BANK LTD.

ESTD: 1929

Head Office: TRICHUR

A Scheduled Bank

Authorised Capital	Rs. 50,00,000
Subscribed Capital	„ 25,00,000
Paid-up Capital	„ 8,75,000
Reserve and Other Funds	„ 4,70,344
Deposits as on 31-12-53	„ 1,50,01,696

Deposits

are accepted at the following rates of interest

	Fixed
6 months	3½% p.a.
12 months	4% p.a.
24 months	4½% p.a.

SAVINGS BANK DEPOSITS

We offer interest at 3 per cent. per annum on daily balances without limit. Withdrawals by cheques.

Our CASH CERTIFICATES are specially attractive.

All kinds of banking business transacted. For terms and particulars please apply to Head Office or Branches.

Branches :

Alleppey, Alwaye, Cochin, Coimbatore, Ernakulam, Irinjalkuda, Kunnankulam, Kozhikode, Madras, Ottapalam, Palghat, Pollachi, Ponani, Salem, Tiruppur, Trichur and Wadankancheri.

United India

A HOUSE OF

STRENGTH
SECURITY
SERVICE

TRANSACTS

FIRE—MARINE—MOTOR

and other classes of miscellaneous

ACCIDENT INSURANCE BUSINESS

THE

UNITED INDIA FIRE AND GENERAL INSURANCE COMPANY, LTD.

“UNITED INDIA LIFE BUILDINGS”
ESPLANADE, MADRAS I.

Telegram: “UNIGEN”

Telephone: 4241

BRANCHES AT :

(INDIAN)

BOMBAY, BANGALORE, CALCUTTA, COIMBATORE,
HUBLI, LUCKNOW, NEW DELHI, PATNA, UJJAIN,
VIJAYAWADA.

(FOREIGN)

COLOMBO, HONGKONG, PENANG, SINGAPORE,
DJAKARTA.

N. RAMA RAU,
General Manager.

M. D. SMART,
Deputy General Manager.

Enemy Sighted . . .

Here in a modern laboratory, a pathologist probes into the secret life of the enemy—a disease germ. There in a dark room, a nuclear scientist traces the rapid passage of a radio-active particle. A few streets away in a dimly lit chawl, a social worker tries to unravel the distressing problems of a day labourer.

The scientist in India today is doing a vital job to promote the physical and social health of the Nation. He opens the door to a wider knowledge of the world we live in. Though many victories have been won in the scientific field, there is yet much to learn and much to achieve.

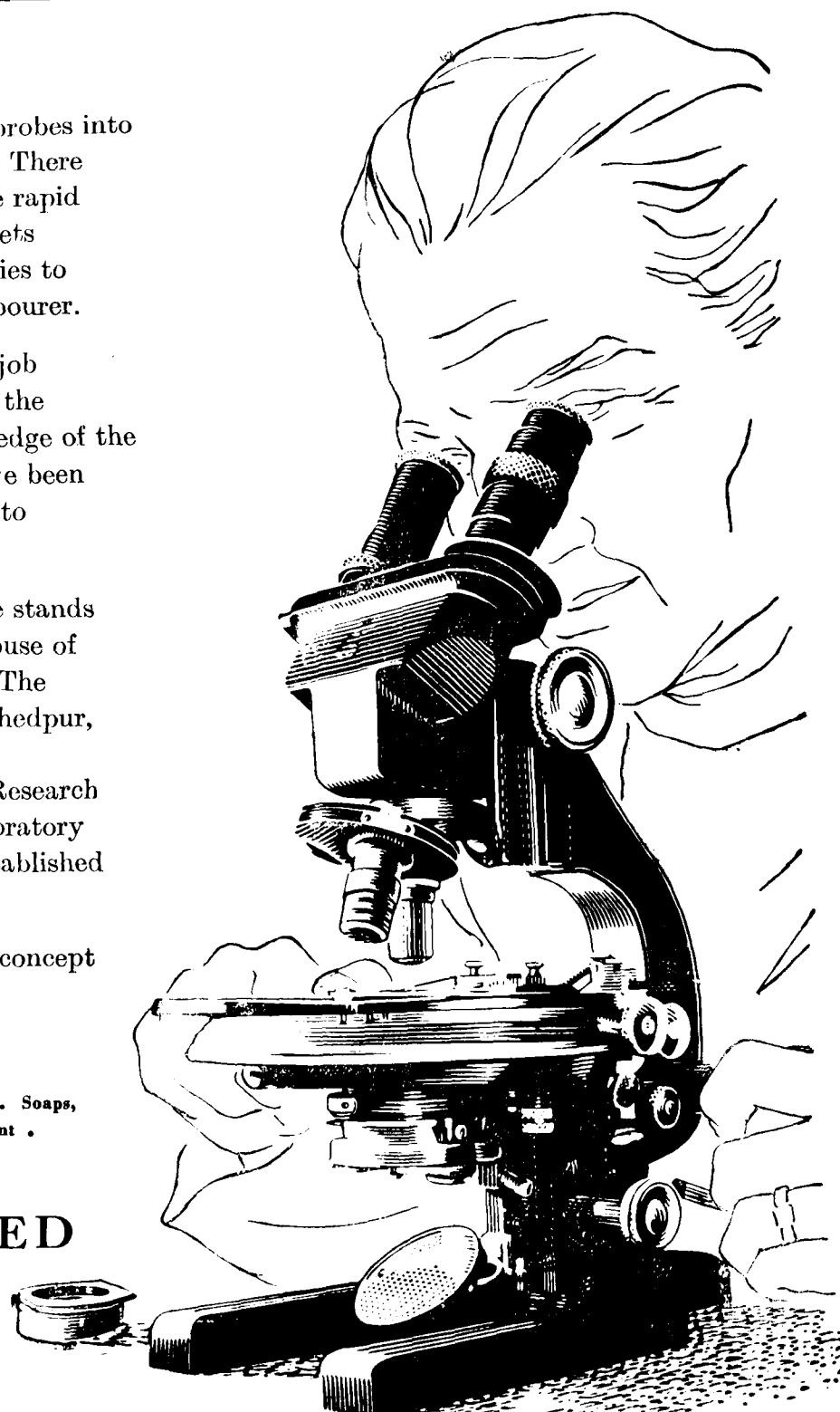
The Indian Institute of Science at Bangalore stands out as a monument to the founder of the House of Tata, symbolising his ideal of philanthropy. The National Metallurgical Laboratories at Jamshedpur, the Cancer Hospital, the Institute of Social Sciences and the Institute of Fundamental Research in Bombay, and the National Chemical Laboratory at Poona, demonstrate that the tradition established by the Founder still prevails.

Research as the handmaid of industry is the concept which pervades all Tata enterprises.

Tata contributions to our national life include :

Steel . Textiles . Hydro-Electric Power . Chemicals . Locomotives and Engineering . Soaps,
Glycerine and Edible Oils . Hotels . Machine Tools . Radios . Insurance . Cement .
Industrial Investment . Social Sciences . Scientific Research

TATA INDUSTRIES LIMITED



PROBLEM OF REHABILITATION OF COTTON TEXTILE INDUSTRY

By Surottam P. Hutheesing

CHAIRMAN, AHMEDABAD MILLOWNERS' ASSOCIATION

THE cotton textile industry is the premier industry of the country and no one can deny its position when he is aware of the fact that it gives direct employment to 7,64,500 workers and is the mainstay of more than 15 lakh handloom weavers. A sum of about Rs. 157 crores has been invested in its block and it annually produces cloth and yarn worth Rs. 350 to Rs. 400 crores.

The first textile mill in India was started in the year 1817 and the number of units reached the figure of 167 in the year 1900. The total reached the figure of 271 in the year 1914 and 389 in the year 1939. The number of units has now reached a total of 457, with 11.72 million spindles and 2,07,250 looms. Its progressive growth since the beginning of the present century is best illustrated by the table below :

TABLE I

Year ending 31st Aug.	No. of mills	No. of spindles installed	No. of looms installed	Average No. of hands employed daily
1900*	259	60,53,231	76,898	2,36,924
1914	271	67,78,895	1,04,179	2,60,278
1919	258	66,80,830	1,18,221	2,93,227
1924	336	88,13,273	1,51,485	3,56,887
1929	344	89,07,064	1,74,992	3,46,925
1934	352	96,13,174	1,94,388	3,44,038
1939	389	1,00,59,370	2,02,464	4,41,949
1940	388	1,00,05,785	2,00,078	4,30,165
1941	390	1,00,81,178	1,98,574	4,59,509
1942	396	1,00,26,425	2,00,170	4,80,447
1943	401	1,01,30,568	2,00,890	5,02,650
1944	407	1,02,22,107	2,01,781	5,05,502
1945	417	1,02,35,131	2,02,388	5,08,778
1946	421	1,03,05,169	2,02,814	5,05,456
1947	423	1,03,53,973	2,02,662	4,84,370
1948	408	1,02,65,841	1,97,490	4,68,477
1949	416	1,05,33,799	1,97,807	4,63,075
1950	425	1,08,40,026	1,99,775	4,33,816
1951	445	1,12,40,635	2,01,484	4,35,032

* Year ending 30th June.

In the initial stages, the mills started with the manufacture of yarn and later on extended their activities to weaving. During the present century, particularly in the third and fourth decades, the processing departments were developed. The rehabilitation of the industry, therefore, has to be viewed in its historical perspective, with the emphasis on the installation of productive machinery in the earlier stages and the processing machinery at a later date.

Working Party Findings

The problem of renovating and modernising the equipment has a direct bearing on the age of the various machinery and equipment. The Working Party for the Cotton Textile Industry, which conducted its enquiry in the year 1952, has collected very useful data about the age of the machinery relating to 25 per cent. of the units of the industry, which are reproduced in Table II.

The table reveals that 65 per cent. of the machinery in the spinning section, other than warp and weft ring frames, was installed and put into commission before 1925, while 30 per cent. or more was installed even prior to 1910. The situation is still worse in the case of weaving. From the table, it will be noticed that about 49 per cent. of the total number of looms was installed prior to 1910 and about 75 per cent. before 1925. As the useful life of machinery can be estimated at about 30 years, it is obvious that a substantial part of the machinery is in need of immediate replacement.

Financial Position of Mills

The magnitude of the problem can only be realised by a statistical study of the financial position of all mills in India. It is not possible to collect accurate data regarding the cost of plant, machinery and building of all mills in India, but on the basis of

figures available for Bombay and Ahmedabad mills, certain conclusions can be arrived at. The cost of block, namely, machinery and building in respect of Ahmedabad and Bombay as on 31st December, 1950, was as follows:

	No. of spindles	No. of looms	Machinery (Rs. crores)	Building (Rs. crores)
Bombay	29,30,162	65,394	33.81	12.00
Ahmedabad	19,80,032	42,165	22.28	6.66
Total	49,10,194	1,07,549	56.09	18.66

To arrive at the cost of machinery and building per spindle, from the above figures, the total number of 1,07,549 looms may be converted into spindles at the rate of 40 spindles to a loom, which, when added to the number of spindles as shown in the above statement, will bring the grand total to 92,21,154 spindles. Therefore, the per spindle cost of machinery and building in respect of Ahmedabad and Bombay block will work out at Rs. 60.13 and Rs. 20.4, respectively. On this basis, the cost of All-India spindles and looms namely, 1,12,40,635 spindles and 2,01,484 looms will work out at Rs. 156.44 crores (Rs. 117.36 crores machinery and Rs. 39.08 crores building).

Of the total cost of Rs. 56.09 crores of machinery at Ahmedabad and Bombay as on 31st December, 1950, the cost of machinery installed prior to 1948 was Rs. 41.67 crores. Calculated on this basis, the value of machinery installed prior to 1948 would work out at Rs. 87.18 crores for all-India. Of the machinery installed prior to 1948, a substantial portion was installed before World War II and hence it will not be incorrect to assume that the machinery as in 1948 was the same as it was in 1939. It requires replacement in full. As the amount required for replacement would be about three times the amount of original cost, it would be necessary to provide Rs. 261.54 crores to replace the machinery that had been working before the Second World War. As against this, the industry has at its disposal, on the basis of depreciation charged at Bombay and Ahmedabad, an amount of only Rs. 82.74 crores, thus leaving a balance of Rs. 178.80 crores required for rehabilitation. The industry will

have to find this amount in order to survive. The problem is further complicated by the fact that about 150 units in the industry are uneconomic and require financial and other assistance in order to make them economic.

Depreciation Allowances

The additional depreciation allowances on the basis of original cost have not met with any success, because of the high prices of machinery. The back-log in modernisation cannot be remedied by obtaining fresh capital. It is clear that depreciation set apart so far is not adequate for the purpose of renovation and hence other ways will have to be found to enable the mills to carry out their programmes of renovation.

During the development of the first Five-year Plan, the rate of investment has fallen short of expectations. The reasons vary from industry to industry. Some of them are, however, common. In the first place, the Plan left full scope to the industries to develop to their capacity but the policy of the Central and State Governments in the spheres of labour legislation, rationalisation and taxation, has proved a hindrance to the industry in attracting new capital. Government have been continuously borrowing money for their various projects, with the result that the private sector is finding it difficult to raise all the capital needed.

The attitude of the Government in the matter of nationalisation of airlines, establishment of a machine tool factory at Bangalore and consideration of a proposal for a steel plant, has left no doubt in the minds of the investing public that the Government is paying lip service to, but not showing sincere interest in, the development of the private sector, with the result that it has become difficult to get new capital for industry.

During war-time, the industry enjoyed a fairly good spell of prosperity and it should have been able to build up sufficient reserves to take care of this problem. However, the scale of taxation deprived the industry of a large part of the profits and the back-log of depreciation from the years of depression absorbed a further substantial part.

Difficult Problem

The need for rehabilitation, and that too, at a rapid pace, has been recognised by the Government, who have provided for special concessions by way of initial and additional depreciation allowances for machinery installed after 1948. It was hoped that this method would enable the industrialists to embark on a programme of modernisation, but, when one realises that these benefits can accrue to the mills only if they make profits, it would be apparent that the advantage would be lost to many. Mills with insufficient resources would find this method inadequate for their purpose and, in order to emphasise the difficult nature of the problem, it need only be stated that units with insufficient resources predominate.

A way out of this dilemma has been suggested, that depreciation allowance should be allowed to be calculated on the basis of present-day cost of replacement, instead of being calculated on the basis of original cost as is being done at present. This method has been followed in France and has been found partly successful in quickening the tempo of modernisation and it is worthwhile for the Government to try the method in India with proper safeguards that, unless the amount of such depreciation allowance is ploughed back in the purchase of plant and machinery, it would be made subject to taxation.

The urgency of the need for rehabilitation has been very well

TABLE II

	Prior to 1910		1910 to 1925		1925 onwards		Total	
	No.	%	No.	%	No.	%	No.	%
Drawing frames	858	31.3	1,158	42.2	728	26.5	2,744	100
Slubber frames	302	26.9	431	38.4	390	34.7	1,123	100
Inter frames	788	36.0	767	35.0	633	29.0	2,188	100
Twisting frames	1,038	36.0	1,032	35.0	1,232	34.5	3,302	100
Warp ring frames	1,392	17.2	2,878	35.6	3,812	47.2	8,082	100
Weft ring frames	711	17.4	1,440	35.3	1,934	47.3	4,085	100
Weaving (looms)	45,388	49.4	29,376	25.4	23,130	25.2	91,893	100

For HOISTS-HAULAGES-ELEVATORS & CONVEYORS

ENGINES-CHAINS-PUMPS

Garlick & Co. Ltd.

ENGINEERS

JACOB CIRCLE BOMBAY II.

emphasised by the Industrial Financial Corporation. They state:

"During the war years, the machinery and the plant of the textile mills were put to intensive use and renewals and replacements could not be carried out on an adequate scale, partly as a result of restrictions imposed on imports, and the diversion of productive capacity of the supplying countries to war purposes. Since the cessation of the hostilities, the supply of new machinery has not been adequate to meet the demand, and while the prices are approximately three times pre-war or higher, deliveries are extended over long periods. Generally speaking, very few textile mills have adequate reserve or higher, deliveries are extended over at present prices to replace the old machine."

Necessary In Everybody's Interest

The Working Party has strongly urged that "it is in the interest of the consumer, in the interest of the general economy of the country, and in the interest of the large labour population engaged in the industry, that proper rehabilitation, renovation, and replacement of this old and deteriorated plant and machinery should be undertaken." Re-equipment, therefore, should not be considered a luxury but a pressing need, the basic idea being to reduce production cost, to improve the quality of manufactures and to stimulate higher production. The manner in which most of the leading textile manufacturing countries have undertaken this task, should serve as a guide to all of us. In Japan, more than 65 per cent. of the equipment is new and a large proportion of looms is automatic. Japanese manufacturers, therefore, have been able to reduce production cost and have acquired special competitive capacity in the world market. The American textile mill industry as a whole has been spending more than 500 million dollars per annum since 1947 and about 40 per cent. of this is being spent by the cotton mills alone, chiefly for rehabilitation rather than for additional plant. In England, a similar problem was solved by the Government undertaking the cost of rehabilitation at the cost of general exchequer.

It is true that our Government is alive to the seriousness of the problem and has granted tax concessions to a certain extent, but its general attitude towards the industry has not been generous. The Finance Minister declared some months ago, that the necessity of prompt and immediate relief to the industry was not apparent to him. The Taxation Enquiry Commission may find a solution to the problem, but, for the time being, nothing substantial is being done by the Government to grant relief to the industry, and many units have to manage as best as they can.

Freedom For Employers

Rehabilitation and modernisation should provide for introduction of the most up-to-date and modernised type of machinery requiring a careful selection on the part of the employers. The introduction of single process blow-room, bigger-sized bobbins and consequential changes in equipment, introduction of automatic spoolers, and warpers, automatic looms, automatic reaching and drawing-in machinery, hot air-sizing, cheese and beam dyeing, and single process continuous bleaching has proved completely successful. The latest chemical development in finishing and embossing processes have also expanded the range of fabrics that are being manufactured and incorporation of these new types of processes will, in time to come, gain considerable importance.

Unfortunately, the Government's present policy vis-a-vis imports of textile machinery is not likely to lead to speedy rehabilitation of the industry. While one cannot deny the need for encouragement to, and protection for, the indigenous manu-

facturer, one must also admit that long-term investments in the nature of purchase of plant and machinery should be carefully planned, and there should be freedom to import machinery that would meet the requirement of the industry. In the United States of America, the premier protectionist country and the leader of the world in industrial progress, there appears to be no restriction on import of capital goods. France and Italy, important machinery manufacturing countries of long standing, also do not impose any ban on imports of machinery. Even in England, duty-free imports of machinery are being advocated, in order to keep the equipment up to date and the indigenous machinery manufacturers on the alert. When other countries are spending such large amounts on obtaining from foreign countries machinery of the highest technical efficiency, the Government of India should also follow a more realistic policy which will help modernisation and encourage many a hesitant entrepreneur to install suitable and up to date machinery.

Quality of Cloth

Rehabilitation, as previously stated, is necessary to improve the quality of cloth and also to make it cheaper. Without such improve-

ment, we will have to struggle against outside economic forces and will be falling behind in the competitive markets of the world. In a rapidly shrinking world market, where only the fit can survive, modernisation is a vital necessity. It will be difficult to maintain production and employment at the present level, and every effort should be made to improve our quality and reduce our cost, which is only possible through carefully planned rehabilitation and modernisation. Without modernisation and a scientific employment of labour, we cannot produce cheaply a better quality product and make Indian cloth acceptable to foreign consumers.

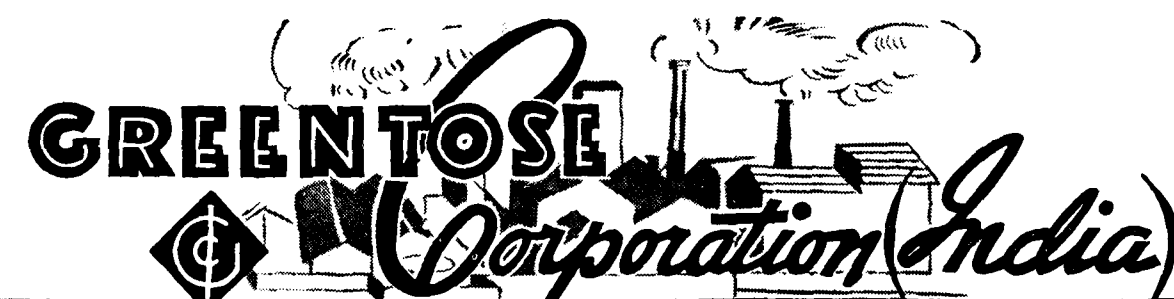
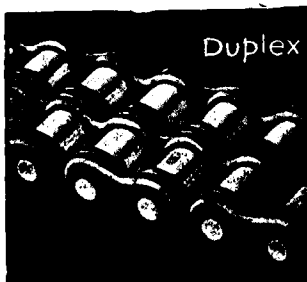
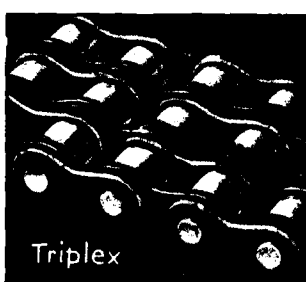
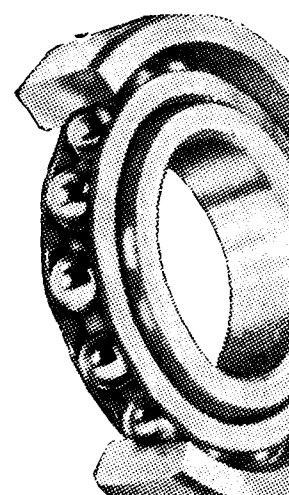
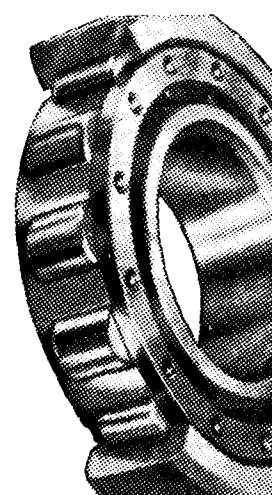
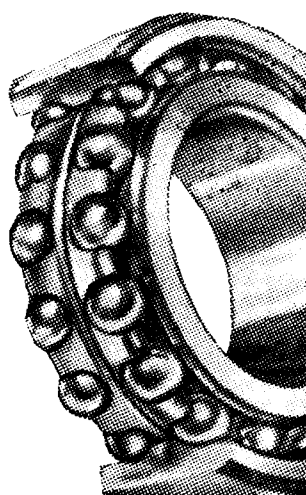
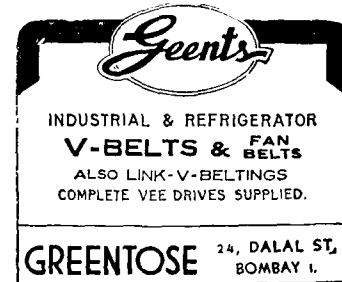
Appeal to Labour

The renovation and rehabilitation of machinery on the lines indicated above is likely to cause deployment of labour to a certain extent, because most of the modern machinery that is essential for modernisation is, by its very nature, labour-saving. Labour is, naturally, worried about the introduction of new type of equipment, because it is afraid of unemployment—actual and potential. The installation of new machinery will necessitate re-determination of workloads and consequential deployment of labour. But the fact must not be lost sight of that the machin-

ery is not being installed for the sole purpose of reduction of labour. The machinery is intended to improve the quality of the product which will also help the country to face international competition. Looking to the ultimate aim, it is to be hoped that labour will co-operate in the installation of machinery which will improve the quality of manufacture, aid the consumer and help the country in the promotion of exports.—All Rights Reserved.

JAPANESE TEXTILES

As a result of the Japanese Government's decision to control allocation of foreign exchange for raw cotton imports, the production of yarn will be pegged at about 160,000 bales per month. This restrictive policy will continue for a period of three months, from 1st December, 1954 to the end of February, 1955. The policy hitherto has been to allow traders the use of all foreign exchange funds automatically, after they had succeeded in exporting a given quantity of piece-goods. The result was a big rise in the exports of cotton piece-goods from 95 million square yards in June, 1954 to 120 million square yards in October, 1954, with a consequent fall in prices. October-November export commitments were at comparatively low prices, thus exposing the Japanese Government to the charge of dumping. It is estimated that Japanese exports are likely to drop to an average of 80 million square yards in the next few months and the prices of future offers are likely to go up.



Calcutta Office :
81, N. S. ROAD
CALCUTTA
Tele: BANK 4439

Grams: "GREENTOSE"

Head Office :
24, DALAL STREET
BOMBAY 1
Tele: 25347

THE NATIONAL BANK OF INDIA LIMITED

Established in India 1863.

(Incorporated in the United Kingdom.)

Registered in London under the Companies Act of 1862,
on 23rd March, 1866.

**BANKERS TO THE GOVERNMENT IN KENYA, UGANDA,
ZANZIBAR AND ADEN.**

Subscribed Capital - - - £4,562,500
Paid-up Capital - - - £2,851,562
Reserve Funds - - - £3,104,687

HEAD OFFICE: 26, Bishopsgate, London, E.C. 2.

WEST END OFFICE: 13 ST. JAMES'S SQUARE, LONDON, S.W. 1

BRANCHES:

INDIA - Calcutta, Chowringhee Calcutta, Bombay, Madras, Mount Road
Madras, Bangalore, Delhi, New Delhi, Amritsar, Kanpur,
Tuticorin, Cochin.
PAKISTAN - - - Karachi, Saddar Branch Karachi, Lahore, Chittagong,
Agra Road Chittagong, Narayanganj, Khulna.
CEYLON - - - Colombo, Kandy, Nuwara Eliya.
BURMA - - - Rangoon.
ARABIA - - - Aden, Steamer Point Aden, Little Aden (Sub-Branch
to Aden).
SOMALILAND PROTECTORATE - - - Hargeisa, Berbera.
KENYA COLONY - Mombasa, Nairobi, Delamere Avenue Nairobi, Thika,
Nakuru, Naivasha (Sub-Branch to Nakuru), Kisumu,
Kericho, Sotik (Sub-Branch to Kericho), Eldoret.
UGANDA - - - Entebbe, Kampala, Jinja, Mbale, Soroti, Tororo,
Masaka, Fort Portal, Mbarara.
TANGANYIKA TERRITORY - Tanga, Dar-es-Salaam, Mwanza, Lindi,
Moshi, Mtwara, Mikindani (Sub-Branch
to Mtwara), Bukoba.
ZANZIBAR ISLAND - - - Zanzibar.

BOARD OF DIRECTORS:

J. K. MICHIE, Esqr., Chairman.
A. N. STUART, Esqr., C.B.E., Deputy Chairman.
R. L. HIRD, Esqr. E. J. MACKENZIE HAY, Esqr.
W. G. LELY, Esqr. W. H. MILES, Esqr.
A. M. McGRIGOR, Esqr.
Sir ROBERT N. REID, K.C.S.I., K.C.I.E.
Sir HENRY GUY COOPER, M.C., D.C.M.
T. T. K. ALLAN, Esqr.
General Manager - - - N. W. CHISHOLM, Esqr.
Deputy General Manager - - - W. KERR, Esqr.
London Manager - - - G. T. GILLESPIE, Esqr.

THE HINDUSTAN CONSTRUCTION COMPANY, LIMITED

Civil Engineers, Builders and Contractors.

FOREMOST IN THE FIELD IN

Designing and Construction of Dams for Multi-purpose ;
Railway and Road Bridges with all types of foundations
(including Caisson and monolith sinking) ;
Docks and Jetties ;
Water Supply and Drainage Schemes ;
Aerodromes and Hangars ;
Tunnels ;
Heavy Earthworks ;
Buildings—Industrial and Administrative ;
Marine and Land Pipe Lines ;
Road Construction ;
Guniting, Core Drilling and Grouting ;
Sewage Purification and Public Health Engineering ;
Etc. Etc.

**WE ALSO UNDERTAKE PILING WORK UNDER
HINDUSTAN-ZEISSL SYSTEM**

Head Office :

**"CONSTRUCTION HOUSE," BALLARD ESTATE,
BOMBAY 1.**

Telephone: 26036

Telegrams: HINCON-BOMBAY

LAKSHMI

Stands for

STRENGTH ★ SECURITY ★ SERVICE

Guarantee

Your financial Independence and Provision for Old Age through a

POLICY

of your choice, or

by representing this Progressive Company

★

THE LAKSHMI INSURANCE COMPANY, LIMITED

Head Office: NEW DELHI

Branches: ALL OVER INDIA AND B. E. AFRICA

LANCASHIRE MILLS FARE WELL DESPITE COMPETITION

EQUIPMENT MODERNISED—FINANCES STRENGTHENED

From Our Manchester Correspondent

MANCHESTER, 16th November
In a year during which trading in cotton goods in the United Kingdom has fluctuated between considerable activity and a sustained lack of interest among buyers, the most important single event has been the return of futures trading at Liverpool in the raw material. This resumption of private business, after 13 years of centralised purchasing and strict control over distribution, took place in May, when, amidst a blaze of publicity, raw cotton traders from many parts of the world gathered to observe the reopening ceremony.

During the previous two years, the monopolistic powers vested in the Raw Cotton Commission, which had superseded the war-time Cotton Control at the beginning of 1948, had been broken. Users of raw cotton were given the opportunity of buying through private merchants in direct competition with the Commission. The Government had adopted this course, following the two reports rendered by the Hopkins Commission which proposed this method of dealing with the complex raw cotton price and distribution machinery as an interim measure towards a complete return to free trading.

It was not until this year, however, that the sponsors of this movement in Liverpool felt that the time was ripe to re-establish futures trading as such. This important move was taken with the general support of

the majority of the employers in the industry and, although the market has subsequently been rather narrow in scope, its facilities are gradually broadening and should enable reversion to full-scale futures trading, as in pre-war, to be accomplished in due course.

For some time prior to the reopening of the Liverpool market, prices for the raw material had moved within narrow limits. There has been no substantial variations in prices in the subsequent period and the following table shows spot price changes for the leading growths week by week:—

		American 15/16	Egyptian Karnak G/P/G	Ash- muni G/P/G	Brazilian Santos Good G/P/G	Peruvian Tarma G/P/G
1954	d.	d.	d.	d.	d.	d.
May 19	32.35	51.70	44.90	32.50	40.25	40.25
" 21	33.35	49.75	42.00	32.50	40.25	40.25
" 23	33.45	49.10	41.50	32.50	40.75	40.75
June 4	35.25	49.10	41.50	32.00	41.00	41.00
" 10	35.25	48.90	41.50	32.00	41.00	41.00
" 18	33.40	48.75	41.00	32.25	41.00	41.00
" 25	32.95	48.00	40.50	32.00	41.00	41.00
July 2	32.95	48.00	40.50	32.00	40.75	40.75
" 9	32.95	48.00	40.50	32.00	40.50	40.50
" 16	33.03	48.00	40.50	32.25	40.50	40.50
" 23	32.98	47.15	39.70	32.00	40.50	40.50
" 30	33.09	47.15	39.70	32.00	39.50	39.50
Aug. 6	33.17	47.50	40.50	32.00	39.50	39.50
" 12	32.70	47.35	40.35	32.00	39.50	39.50
" 20	32.95	47.25	40.25	32.00	40.00	40.00
" 27	33.04	47.25	40.25	32.00	40.00	40.00
Sept. 3	33.40	47.50	40.50	32.75	40.25	40.25
" 10	33.25	47.55	40.55	32.50	40.25	40.25
" 17	33.54	47.75	40.75	32.50	40.25	40.25
" 24	33.70	48.20	41.20	32.85	40.25	40.25
Oct. 1	33.38	48.00	41.00	32.75	40.25	40.25
" 8	33.22	47.85	40.85	32.50	40.25	40.25
" 15	33.38	47.95	40.95	32.50	40.50	40.50
" 22	32.84	47.95	40.95	32.50	40.50	40.50
" 29	33.06	48.55	41.05	32.50	40.50	40.50
Nov. 5	32.60	48.55	41.05	32.50	40.75	40.75
" 12	32.36	48.55	40.40	32.15	41.50	41.50

While these developments were taking place on the Lancashire coast

at Liverpool, further inland in the mill centres it has been a year of rather sharp contrasts. The pulse of activity quickened sharply in the first quarter of 1954 and orders flowed into the mills at a much quicker rate than deliveries could be completed. As a result, the contracts booked exceeded the ability of the machines to produce them and deliveries were extended for months ahead into the closing quarter of the year. A lull in business activity followed, mainly as a result of these extended delivery times and a belief among buyers that prices would show a declining tendency.

Throughout the summer, the cotton industry went through a lean time so far as new transactions were concerned, although machinery kept busy and operatives were fully employed. Fears began to grow, however, as the months went by and order lists shortened perceptibly. A few sporadic instances of short-time working in the early autumn created alarm, but, with the end of the holiday season, a new feeling crept into the market and buyers took heart again. Rumours began to abound that prices were likely to rise and on this assumption, which was later justified, orders were placed much more freely and the industry gained relief.

LABOUR PROBLEMS

One of the factors which has hampered the post-war expansion of the industry in Britain has been the shortage of labour which resulted

from the concentration of the trade during the war. Manpower was rebuilt by many methods until at the end of 1951 about 320,000 people were employed in the spinning and weaving sections of the industry. Then came the textile recession which saw 60,000 operatives dispersed from the mills. Subsequently, the numbers have slowly increased and at one time early this year exceeded 290,000.

It is usual to expect some reduction in the number employed in the summer months, but the loss in 1954 involved some 4,000 adult workers between March and October. On the other hand, school-leavers are beginning to return to the industry after the textile recession and, in the summer holiday period, over 14 per cent. of total school-leavers in England decided to make cotton their career.

ANGLO-JAPANESE TRADE PACT

There has been a steady exchange of views between the industry and the Government since the news of the Anglo-Japanese Trade Agreement burst upon the industry at the beginning of the year. The pact itself created widespread alarm in Lancashire and practically every trade organisation, both employers and unions, sent representations to London to protest at its implications.

Import quotas for a number of traditional Japanese exports to this country, amounting to about £1,000,000, were established and arrangements were made for the importation of some £3,000,000—worth of Japanese cotton and rayon grey cloth to be re-exported after processing. The objection to the agreement was not so much about these particular developments but rather that it opened the door for

Japanese goods to be sent on a much larger scale to British Colonial markets which, particularly since the war, have been the mainstay of Lancashire's export trade in cotton cloth.

The industry was only partly mollified by the decision of various Governments in British East Africa to maintain import restrictions on Japanese goods until the end of the year. It has recently been announced that Japanese cloth is to be readmitted into several East African territories in 1955, thus bearing out the forebodings of those who criticised the agreement in strong terms.

LARGER CLOTH IMPORTS

Another vital matter concerning the trade which has arisen during the year has been the much larger importation of foreign grey cloth entering Britain. The system of obtaining unbleached cotton goods from abroad, having them processed in this country and reshipped as British-made came into favour about seven years ago when local mills were unable to meet their commitments. Most of the cloth went to African territories and enabled merchants and manufacturers in this country to maintain their contacts by providing goods.

The original cloth was chiefly Japanese but subsequently bigger supplies began to be secured from India. During the 1952 recession, imports were severely curtailed and, in the following year, they were smaller than for a considerable time past. Towards the end of 1953, however, larger supplies began to arrive and cargoes from India this year have been reaching Britain at the rate of over 10,000,000 yards a month.

The chief objection to this trade has been that some of the Indian cloth is being distributed on the home market, and the fact that it enters this country duty-free, whereas British textiles have to surmount high tariffs before they can be sold in the Indian market. Many arguments have been raised against the continuance of this trade and the Government has made representations to the authorities in India, so that quantitative restrictions on imports of British cloth into India have been removed. The tariff rates, however, remain too high to enable more than a small trickle of cloth to enter that once vital market for Lancashire cotton goods.

FOREIGN TRADE TALKS

Negotiators on behalf of the Lancashire cotton trade have had a busy year. In addition to the internal matters already mentioned, which have necessitated talks with Government leaders, there has been direct contact with textile interests, both from Japan and Pakistan. Anglo-Pakistan trade talks were set in motion in an effort to improve business opportunities for both countries. Pakistan is anxious to supply more raw cotton for Lancashire mills, while in turn manufacturers and merchants in this country are keen to sell more of British textile products to Pakistan. A series of negotiations took place in London and Manchester and it was arranged that a Lancashire mission should go out to Pakistan towards the end of the year to continue the discussions.

In addition to the problems raised by the Anglo-Japanese Trade Agreement, a good deal of resentment has been caused in Lancashire by a further outbreak of alleged copying of British textile designs by the Japanese. The President of the Board of Trade suggested that the Manchester Chamber of Commerce should enlist the aid of individual firms to obtain documentary evidence of these infringements of design. When this was accomplished, contact was made with Japanese trade leaders and a small delegation

came to Manchester in October. The representatives from Japan had no powers to arrange any agreement but they were shown examples of the "pirating" of designs and the British laws regarding copyright were fully explained to them. The talks ended with assurances being given by the Japanese that their millowners would be given advice so as to avoid a repetition of this practice before the designs were actually committed to fabric. A Lancashire team is to visit Japan in due course to continue the negotiations, with a view to drawing up an agreement on the subject.

HIGHER WAGE RATES

In April, the trade unions in the spinning and weaving branches of the Lancashire cotton industry, representing about 290,000 workers, submitted an application to the employers for a wage advance of 10 per cent. on current earnings. Previously, an increase of 5 per cent. had been obtained, operating from August, 1953. At the first meeting between the negotiators, the claim was rejected outright by the employers' representatives.

The unions referred their application to the Industrial Disputes Tribunal and this body awarded them an increase of 6 per cent. on

current earnings operating from the beginning of October.

Prior to this settlement, an advance had been obtained by operatives in the textile finishing trade whose wages are governed by an agreement linking earnings to the official cost of living index number. This involved payment of an extra 2s. 9d. weekly for men and 2s. for women from October.

RIISING OUTPUT

Throughout the year, there was a tendency for output of goods to increase. The mills had more labour at their disposal than in the previous 12 months, although it was not possible to regain the levels of output secured in 1951 before the textile recession. Average weekly production of all types of cotton, rayon and mixture yarn for the first quarter of the year was 26,280,000 lbs. as compared with a peak of 27,110,000 lbs. weekly in 1951. In the following two quarters holiday influences restricted the output to some extent.

Similar developments occurred in the weaving branch where production of cotton, rayon and mixture yarn in the first quarter reached an average of 55,680,000 linear yards weekly which compar-

ed with the peak of 56,920,000 yards weekly achieved in 1951.

PROSPECTS

In view of the conditions prevailing in the cotton industry in Lancashire during 1954, there are few traders who can regard the outlook with any sustained degree of confidence. To an increasing extent, the effects of foreign competition are being felt and a major factor has been the decline in overseas trade.

In many quarters, it is being urged that Lancashire's best policy is to concentrate to an even greater extent on quality goods and the production of fabrics which cannot be made for the moment in other countries. At the same time, the consumption of textile goods in the home market is increasing and the call for supplies is on a larger scale than would have been believed possible some years ago. In particular, users of goods for industrial purposes are very anxious to secure their requirements and it has been estimated that sales for the home trade now represent about 75 per cent. of production in Lancashire.

During the next 12 months, there will be plentiful supplies of raw cotton throughout the world. The Gov-

(Continued on next page)

Famous Malwa FABRICS

GREY, BLEACHED & DYED
GREY & BLEACHED
LONG CLOTH, SHEETING,
DRILLS. SHIRTING,
RAISED & UNRAISED DOSUTI.
BLANKETS
FLANNELS • MAZRI • COATING

THE INDORE MALWA UNITED MILLS LTD.,
Managing and Selling Agents: **GOVINDRAM SEKSARIA (INDORE).**

ADDRESS: **MILL PREMISES, INDORE (MADHYA BHARAT)**
REGISTERED OFFICE: **SEKSARIA CHAMBERS, 139, MEADOWS STREET, FORT, BOMBAY-1.**

PHONE: **GENERAL OFFICE: 6063**
SALES MANAGER: 507
PHONE: **30814-5-6**

GRAM: **MALWAMILL**
GRAM: **INDOREMILL**

the BIGGEST small car in the world!
-and now it's de Luxe!

- * Elegant and spacious
- * Four wide doors for comfortable entrance and exit
- * Winding Glasses
- * Adjustable front seats
- * Push-button door locks
- * Ample luggage space
- * 40-45 miles per gallon

STANDARD EIGHT de Luxe

STANDARD MOTOR PRODUCTS OF INDIA LTD., MADRAS

Metro Motors, BOMBAY.
Ahmedabad Motors Ltd., AHMEDABAD.
Sikand & Co., NEW DELHI.

DISTRIBUTORS:
Sanghi Bros. (Indore), Ltd., INDORE CITY.
French Motor Car Co. Ltd., CALCUTTA.
Vikram Motors, KANPUR.

R. I. Works, NAGPUR.
The Union Co. (Motors) Ltd., MADRAS.
Auto Chenoy, SECUNDERABAD (Dn.)

THE silk industry is an old-established cottage industry, occupying a well defined place in India's rural economy wherever it is practised as a subsidiary occupation to agriculture. India being preponderantly an agricultural country, the silk industry or, to be precise, the sericulture industry, has a very significant role to play in the well-being of the many rural families engaged in silkworm rearing and silk reeling. India is unique in rearing all the four kinds of silkworms, namely, mulberry, tassar, eri and muga, each cultivated with its own economic and technical peculiarities. Of these varieties of silkworms, the most important, from the economic point of view is the mulberry silkworm.

The characteristic features of the cottage aspect of the industry, comprising mulberry cultivation and silkworm rearing, which form a combined operation of the household of the agriculturist, are the minimum investment of capital required for work which consists mainly of a portion of his agricultural land for mulberry plantation, his livestock and manure, collective output of his self-supplied family labour and frequent cash returns for his rearing operations of about five to six in number in a year. Essentially, it is an ideal and a congenial home occupation of the agriculturist and it cannot, therefore, be carried on on hired labour or on a large scale.

The economic importance of the industry could be easily gauged by the fact that it supports about 5 million people, directly and indirectly, and provides an annual income of about seven to eight crores of rupees to the cottage worker. It is this basic economic aspect that entitled the industry to its claim on the State for assistance and solicitude. The Indian silk industry has had throughout a chequered career, as was the case elsewhere, marked by periods of prosperity and serious setbacks brought about by either trade depression or outbreak of diseases affecting the silkworm rearings; but, the industry was not forsaken even during its worst period, because of the useful and sustaining livelihood it gave to the agriculturist. This is, in fact, the keynote of the silk industry.

The distribution of the industry in India is mainly in Mysore, Madras, West Bengal, Jammu and Kashmir and Assam, besides Punjab (I), Himachal Pradesh, Uttar Pradesh, Bihar and Orissa on a small scale. The area under mulberry cultivation is about 150,000 acres at present, besides about 4,500,000 of mulberry trees in Jammu and Kashmir, Punjab (I) and other places in the North. The annual production of silk is estimated at about 2 million pounds of mulberry silk and about 8 lakh pounds of muga tassar and eri silk. The production of silk in India roughly represents half the demand in the country. India has, therefore, to depend on foreign imports to make up her full requirements of silk.

Present Problems of the Industry

The silk industry in India, though it is being practised for a long time, did not attain any appreciable degree of efficiency and bears no comparison with that in such progressive silk producing countries as Japan. Owing to technical backwardness, the industry was often times exposed to severe foreign competition from China and Japan and to some extent from Italy. Prior to 1875 the Indian silk industry was in a fairly prosperous condition, with an annual output of raw silk at times exceeding 2 million pounds—mostly from Bengal. Thereafter, a steady decline was noticeable, especially from the early 'thirties. The industry was at a low ebb,

INDIAN SILK INDUSTRY FUTURE DEPENDS ON PRICE FACTOR

By A. T. Janakiraman, B.Sc.,

SECRETARY, CENTRAL SILK BOARD, BOMBAY

when prices of silk slumped to incredibly low levels as a result of dumping of Chinese raw silk.

Because of the precarious position of the industry, the first tariff enquiry was undertaken in 1933, when the case for protection of the industry was established. Protection was granted to the industry for a period of five years. But, during this period, the State Governments could not bring about any appreciable improvements in the industry for lowering costs, mainly because of the fact that the tariff duties did not effectively prevent the onslaught of foreign competition. The result was that the position of the industry was precarious at the end of the period of protection in 1939. Subsequent tariff enquiries held in 1938, 1949, 1951 and 1953 afforded protection to the industry. But, despite the fact that the industry enjoyed tariff protection for well over two decades since 1934, the overall improvements in the various sectors of the industry and the general progress of the industry have not been substantial.

The production of raw silk has not increased sufficiently and the proportion of filature raw silk has not gone beyond 16 per cent. of the total production of raw silk in the country. The industry came in for severe criticism before the Tariff Commission in 1953, when the case for continuance of protection was examined. However, taking a dispassionate view of the situation of the industry at present, it may be stated that the indigenous industry was not able to introduce or adopt modern technique or technical standards in some aspects owing to certain extraneous factors which, in a way, overwhelmed the industry. The Second World War certainly gave a strong impetus to the industry in creating a keen demand for Indian raw silk for defence purposes, but, during the hectic period of war, orderly progress could not be had.

Foreign Competition

There are several problems facing the silk industry at present; these may be set out as:

- (1) competition from foreign silk;
- (2) competition from synthetic fibres;
- (3) international competition between mechanised and non-mechanised production of raw silk; and
- (4) comparative technical and organisational backwardness of the indigenous industry.

Briefly stated, the competition from foreign silk is in regard to both price and volume of imports, despite the fact that even world prices are high. The f.o.b. prices of foreign silk are still far below the costs of production of indigenous silk. Regulation of imports with imposition of quantitative and monetary ceilings, having regard to the needs of the industry and the effect on the price of Indian silk, is imperative and essential. Competition from rayon and other man-made fibres has been steadily increasing and the high prices of raw silk for over two years past have allowed the rayon industry to usurp the legitimate field of the silk industry in the matter of consumption of silk. At present, this competition seems to hold a serious threat to the silk industry. The only remedy is to bring down the prices of raw silk and to carry on effective propaganda in favour of raw silk, so that the lost ground may be regained by the silk industry.

With the march of science and technological developments in the

industry in Japan, which is the biggest producer of raw silk in the world, mechanised production of raw silk to cut down costs is making headway. In India, the bulk production of raw silk comprises *charka* grade raw silk, and this sets a serious handicap to the progress of the silk industry. For effective progress, the production of high-grade raw silk in the country, which would stand the competition from foreign silk in quality and price, has to be encouraged. At present, the *charka* silk industry is better placed as compared with the filature industry on account of the demand for it induced by the high prices of filature silk itself. This internal competition in the reeling industry has also seriously affected the industry in general. Unless improvements are brought about in each branch of the industry by treating the Indian silk industry as one indivisible unit for the purpose, progress of the industry will be halting, and competitive strength of the industry will always be low.

Remedial Measures

Since the constitution of the Central Silk Board in the year 1949, it has been possible to co-ordinate the work in the States by formulating development plans and in execution of the same with the help of the States and the Central Silk Board. With the keen and solicitous care of the Government of India towards the industry, the Central Silk Board was provided with generous grants to take up both short-term and long-term schemes which would place the industry on a highly scientific and technical level.

The Central Silk Board has recently formed an important committee for devising ways and means of stabilising the prices of raw silk and of bringing about co-ordinated effort on the part of the States towards technical and scientific improvements in the industry. This Committee comprises technical experts and experienced administrators in the industry drawn from the major silk-producing States in India. The Committee has toured all the places in the country, in order to acquaint itself with the actual conditions of the industry and to assess the industry's requirements in the several regions. Its report, which would embody all aspects of the industry, would be available for the Board. The policies of development on an all-India basis would be laid down thereafter for execution by the States in close co-operation with the Central Silk Board.

It may, however, be stated that, in order to increase the production of raw silk, to improve the quality of raw silk with a view to bringing down the costs to economic levels and to keep the technical bases of the industry abreast of the latest developments as is observed in Japan, where the silk industry is highly specialised, necessary attention is being paid to the immediate problems facing the industry. Mulberry leaf, which constitutes about 60 per cent. of the cost of structure of cocoons, is being improved both in quality and quantity by the introduction of mulberry grafts. Genetical work in silkworms to enable economically useful strains is making rapid headway in some of the research stations in the country. Permanent improvement of silk industry lies in the modernisation of reeling industry and considerable progress has already been achieved

in this direction. Regulation of cocoon prices by establishing cocoon markets is being introduced by legislative action in Mysore State and ere long this system will be followed by other States also. Co-operative marketing organisations for raw silk are under formation, in order to eliminate speculation and price fluctuation in trade. Proper emphasis has been laid on scientific research and experiments, and substantial grants have been given to the States for organisation of a central research station with regional or zonal stations. A scheme is in force for deputing technical officers to Japan for organisational studies and higher scientific work so that an efficient technical personnel may be available for reorganising the industry on modern lines.

Broadly speaking, the planning work undertaken by the States and the Central Silk Board during the post-war period may be grouped under the following heads: (1) Research and experiments; (2) improvements in mulberry; (3) improvements in silkworm seed; (4) improvements in silkworm rearing methods; (5) improvements in silk reeling; (6) regulated marketing of cocoons; (7) marketing organisation for silk; (8) application of 'standards' for raw silk through silk testing and conditioning houses; and (9) sericultural education and training, including higher studies in Japan and other leading countries.

Outlook for the Industry

In spite of the phenomenal progress made by synthetic yarns in the field of textile industry, it may be safely pointed out that pure silk fabrics cannot be replaced from the standpoint of beauty and elegance. It is seen that, through the efforts of the International Silk Association, vigorous campaign has been started in the major silk-consuming countries in the world for the popularisation of pure silk fabrics. While efforts are being directed towards reviving popular interest in the increased consumption of silk, one should not, however, forget the problem of the price factor. If the silk industry is to retrieve its former glory and position in the field of textiles, it is very important to bring down the prices of silk so that the pure silk manufactures may be within the reasonable purchasing power of the consumer.

(Concluded from previous page)

ernments in producing countries have a strong hold on output and can guide conditions to suit their own interests. The American crop for the current season is likely to be larger than was originally anticipated at around 13,000,000 bales and this will involve curtailment of production for some years to come. Were it not for the price support programme adopted by the United States Government, price levels for the raw material throughout the world would be very much lower than at present.

Although little progress has been made in introducing shift work into Lancashire mills, machinery is gradually being modernised and a good deal of re-equipment is taking place. The need to install the latest plant and labour-saving devices is very widely recognised. The general opinion points to the fact that the industry's labour force is not likely to increase in view of competition from other trades but the Lancashire cotton trade is now a more compact industry than it was years ago, and, in view of the profitable trading era which has been experienced since the war, has a stronger financial background from which to compete with its rivals.—All Rights Reserved.

THE LAXMI BANK LIMITED

Head Office: AKOLA (M.P.)

Established 1938.

The Premier Scheduled Bank of Madhya Pradesh.

Chairman: Diwan Bahadur Seth Gopaldas Mohta,
Banker, Landlord, Mills and Mines Owner,
Member, Council of States

SPECIAL FEATURES

- ★ All kinds of Banking Business Transacted.
- ★★ Attractive rates on Fixed Deposits.
- ★★★ Good Returns on 3 Years' Cash Certificates.
- ★★★★ Largest Representation in the State of Madhya Pradesh with a network of 34 Branches in the State.

BRANCHES IN MADHYA PRADESH:

- | | | |
|--------------------|-------------------|-----------------|
| (1) Akola | (2) Akot | (3) Amrawati |
| (4) Achalpur | (5) Burhanpur | (6) Bilaspur |
| (7) Balaghat | (8) Bhandara | (9) Betul |
| (10) Chanda | (11) Chhindwara | (12) Dhamangaon |
| (13) Dhamtari | (14) Dongargarh | (15) Durg |
| (16) Gondia | (17) Hinganghat | (18) Jabalpur |
| (19) Karanja | (20) Kharggaon | (21) Khandwa |
| (22) Nagpur (City) | (23) Nagpur Bardi | (24) Fulgaon |
| (25) Pusad | (26) Raigarh | (27) Raipur |
| (28) Rajnandgaon | (29) Shegaon | (30) Tumsar |
| (31) Umarkhed | (32) Wardha | (33) Washim |
| | (34) Yeotmal | |

BOMBAY STATE:

- | | |
|------------------|--------------------------|
| (35) Bombay Fort | (36) Bombay Zaveri Bazar |
| (37) Bhusawal | (38) Jalgaon |

(39) Delhi and (40) Calcutta

P. N. VASUDEVA, B.A., F.S.A.A.
General Manager.

THE COMMONWEALTH ASSURANCE COMPANY, LIMITED

Head Office: Laxmi Road, POONA 2

Offers

BEST AND EFFICIENT SERVICE

SOME SALIENT FEATURES OF 1953 BUSINESS

Business in Force	-	-	-	Rs.	3,26,13,019-	0-0
Total Assets	-	-	-	"	1,48,12,451-	11-9
Life Fund	-	-	-	"	1,21,78,745-	1-3
New Life Business	-	-	-	"	42,65,000-	0-0
Premium Income (Life)	-	-	-	"	15,39,100-	1-9
Premium Income (General)	-	-	-	"	1,83,003-	7-6

Transacts

Life, Fire, Motor Accident and
Workmen's Compensation
Insurance

Branches or Chief Agency Offices at:
BOMBAY, BANGALORE, CALCUTTA, DELHI
HYDERABAD (Dn.), NAGPUR, SILIGURI, TENALI.

For insurance and representation please write to the nearest Branch
of Chief Agency Office.

PARRY & COMPANY, LTD.

MANUFACTURERS • IMPORTERS • MERCHANTS

FOUNDED 1788

Head Office: MADRAS

BOMBAY, CALCUTTA,
NEW DELHI
AND
THROUGHOUT
SOUTH INDIA



DARE HOUSE

Managed and Associated Companies

THE EAST INDIA DISTILLERIES AND SUGAR FACTORIES, LTD.
Sugar, Carbonic Acid Gas, Denatured, Methylated and Rectified Spirits, Acids, Heavy Chemicals, Pottery, Stoneware, Earthenware and Sanitaryware. (Factories at Nellikuppam and Ranipet).

THE DECCAN SUGAR AND ABKHARI CO., LTD.
Sugar, Confectionery, Carbonic Acid Gas, Denatured, Methylated and Rectified Spirits. (Factories at Pugalur and Samalkot.)

THE TRAVANCORE SUGARS AND CHEMICALS LTD.
Sugar, Denatured, Methylated and Rectified Spirits, Pharmaceuticals and Toilet Preparations. (Factory at Tiruvalla.)

PARRY'S CONFECTIONERY LTD.
Confectionery. (Factory at Nellikuppam.)

THE BRUSH ELECTRICAL ENGINEERING CO., LTD.
ASSOCIATED BRITISH OIL ENGINES (EXPORT) LTD.
THE MOFUSILLWAREHOUSE AND TRADING CO., LTD.

Organisation

PARRY'S FERTILISER WORKS
at Ranipet, Cochin, Cuddalore and Mettupalayam
PARRY'S LIGHT RAILWAY ENGINEERING WORKS
at Kidderpore Calcutta.

Eight manufacturing establishments, nine major offices and 23 sub-branches, covering all principal ports and inland markets.

PARRY & COMPANY, LTD., DARE HOUSE, MADRAS

Telegram : UMayAL

Telephone : 82

THE ASOK TEXTILES LTD.

POST BOX No. 17, ASOKPURAM, ALWAYE

★

Manufacturers of :

HIGH CLASS COTTON YARN
AND STAPLE FIBRE YARN
SINGLE AND DOUBLE

★

Counts - - 10s to 40s

Spindleage - 14,000

★

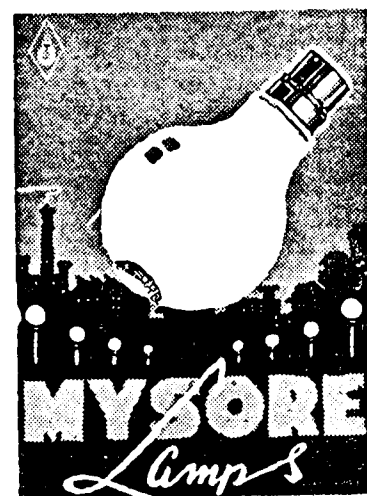
**OUTSTANDING FOR QUALITY AND
PROMPT IN EXECUTION**

MYSORE LAMPS

Last Longer

*Longer Life of a Mysore Lamp helps you
save on replacement and enjoy bright light
always.*

Over 12,00,000 lamps sold every year.



AVAILABLE WITH ALL DEALERS

Manufactured by :

THE MYSORE LAMP WORKS

MALLESWARAM LIMITED BANGALORE 3

Telegram: "MYSORELAMP"

Telephone: 2026

GROWTH OF SOME NEW ENGINEERING INDUSTRIES

NOTABLE DEVELOPMENTS IN RECENT YEARS

CONDITIONS of acute scarcity created by World War II saw the birth and growth of a number of minor engineering industries in India. The outbreak of the war found the country cut off from overseas supplies of various articles of consumption and raw materials. India had, therefore, to depend for these on its own resources. Besides, the exigencies of war demanded that this country should also supply the requirements of many other countries in the Eastern theatres of war. This gave an impetus to the establishment of a number of industries. Besides, additional stimulus was provided by the promise of tariff protection to all war-time industries by the Government of India. The existence of a sellers' market, too, was helpful to the development of what may be called second-line industries. In the result, some of them have developed so well as to make themselves felt, while others are relatively unknown, although they too are playing a valuable role in the economy of the country. Despite substantial progress made by them, some of the industries have been passing, in recent months, through a somewhat uneasy period on account of slackness in demand and competition from foreign manufacturers. The position of importance which they have already attained necessitates the keeping of a close and continued watch on the performance and progress of these industries.

These second-line industries in India may be broadly divided under three heads, namely, electrical engineering industries, mechanical engineering industries, and other minor industries. A general survey as to the manner in which they have fared so far and the position they occupy in the economy of the country makes encouraging reading.

TRANSFORMERS

Among the electrical engineering industries, manufacture of transformers has made notable progress during the past four or five years. Transformers are used in stepping up or stepping down the voltage in alternating current system. Manufacture of transformers was first started in India in 1936-37 by the Government Electric Factory, Bangalore. Since then, seven more units have entered the field. The rated capacity of the eight units is estimated at 370,000 k.v.a. per annum. The total demand for transformers upto 33 k.v. required to utilise additional power during the Five-year Plan period is estimated at 2,650,000 k.v.a.

Some of the existing units have plans to expand their production. Among these units are the Crompton Parkinson (Works) Ltd., Bombay, 120,000 k.v.a., the Associated Electrical Industries Manufacturing Company, Ltd., Calcutta (84,000 k.v.a.), the National Electrical Industries Ltd., Bombay (60,000 k.v.a.), the Government Electric Factory, Bangalore (40,000 k.v.a.), Radio Electric Ltd., Madras (30,000 k.v.a.), the Electric Construction and Equipment Company, Ltd., Calcutta (24,000 k.v.a.), Radio and Electricals Ltd., Bombay (12,000 k.v.a.). The Government Electric Factory, Bangalore, has a scheme to expand its capacity from 40,000 to 80,000 k.v.a. Radio Electricals also proposes to increase its capacity to 50,000 k.v.a. When these expansion projects are implemented, the capacity of the industry would be nearly 485,000 per annum.

Only 57 per cent. of the rated capacity of 370,000 k.v.a. is at present utilised. This is attributed to lack of orders. Only the Bangalore factory is now working to its full capacity.

The industry is trying to widen its range of output and is producing transformers upto 2,000 k.v.a. and 11 k.v. on the H.T. side. Transformers of smaller output capacity, but voltages upto 33 k.v. on the H.T. side are also being produced. The bulk of production consists of ratings upto 1,000 k.v.a. and 11 k.v. on the H.T. side.

WIRES AND CABLES

Transmission and distribution of electric energy from the point of generation to the point of actual use is by means of cables and wires. Bare copper conductors and aluminium conductors of various sizes are required for overhead transmission. Paper insulated cables are needed for underground transmission. Rubber insulated cables and flexibles are used for internal wiring.

The total capacity for the manufacture of bare copper conductors in 1947 was 20,000 tons and that of rubber insulated wires and cables was of the order of 45 million core yards. The present installed capacity of copper winding wires such as cotton covered, silk covered and enamel coated is 450 tons per year. The manufacture of aluminium core steel reinforced conductors has also been undertaken in the country. The total capacity is of the order of 4,000 to 5,000 tons per year.

Two schemes for the manufacture of paper insulated power cables with a total capacity of 600 miles of cables per year have been approved.

ELECTRIC FANS

In 1947, there were 26 well-organised units engaged in the manufacture of electric fans. Their total capacity was 250,000 fans per annum. A few units having gone out of production, there are, at present, only 18 producers, having a total installed capacity of 300,000 fans per year. They are meeting in full the total demand in the country. The range of manufacture includes ceiling fans, table fans, railway fans, pedestal fans and air circulators.

ELECTRIC BATTERIES

Indian enterprise has entered the line of manufacturing dry batteries. These are needed for use in flashlights, cycle lamps, radio sets, post and telegraphs equipment, deaf-aid

apparatus, medical instruments, and some meteorological instruments. There are, besides, requirements of defence services. In 1926, only two factories with a capacity of 18 million cells were in the field, and today five units, with a total capacity of 231.5 million cells, are operating. Research is being carried out to design batteries to secure longer shelf life and less weight. Storage batteries are used extensively in modern motor cars. They are also used as starting mechanism in aircraft. Train lighting is also effectively achieved by the use of the special types of storage batteries. At present, there are 13 factories with a total capacity of 350,000 batteries per year. Containers and separators required by the industry are made in India, but lead for making plates is imported from abroad.

ELECTRIC LAMPS

Electric lamp industry was established in 1932. The four units had a capacity of 5.45 million lamps per year. As a result of development since then, 11 units, having a total installed capacity of 28.3 million lamps per year, are operating in the field today. This is more than sufficient to meet the country's demand. The range of production covers general lighting service, tram lighting service, coloured lamps for decoration, fluorescent tubes, torch, cycle dynamo and auto belts. Manufacture of components such as brass lamp caps, etc., is also under contemplation.

ELECTRIC MOTORS

Real progress has been made by the electric motor industry since 1948. While the number of units at present is 12, the installed capacity has increased to 200,000 h.p. and production in 1953 was 163,200 h.p., that is, approximately 81 per cent. of the installed capacity. The present installed capacity is sufficient to meet the country's demand of A.C. squirrel cage and slipring motors upto 50 h.p. Some units are producing motors upto 100 h.p. A few others have taken up the manufacture of special types of motors such as loom motors, high torque motors, dual speed motors, hollow shaft vertical spindle motors for turbine pumps.

Although there were a few mechanical engineering industries in India more than 30 years ago, it was not until World War II that this section of the country's industry made rapid strides. Existing concerns expanded, while new ones rose. These cover the manufacture of diesel engines, power pumps, machine tools, ball and roller bearings, radio sets, refrigerators, assembly of motor cars, bicycles, sewing machines, machine tools, hurricane lanterns, structural materials and piston and piston rings. There are also units manufacturing tin plate, bolts and nuts, wire and wire products, screws, expanded metal, and utensils. In addition to all these, considerable progress has also been made in the development of such light engineering industries as coated abrasives, beltings, grinding wheels, pipes and tubes, scientific instruments. In almost all these industries, India is either already self-sufficient or planning to be self-sufficient during the next 10 or 15 years. It may be noted that the list excludes ordnance and railway workshops run by the Government.

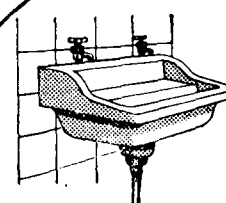
These enterprises helped India to meet its own requirements during a time of scarcity and saved the country's foreign exchange which is being used for purchasing capital goods and equipment for future industrial development.

The development of mechanical engineering industries falls under two phases in the post-war period. The first phase covers the period from the end of the war to the Partition and the second, the period since Partition to the present day. In the first phase, the industries faced considerable difficulties in switching over from production for war to civilian markets. They needed careful nursing and this was attended, to a considerable extent, by the Development Wing of the Commerce and Industry Department. The Wing was responsible for the rationing of raw materials, namely, iron and steel and cement to all the existing units. Assistance was also provided in providing adequate transport facilities. In the second phase, the

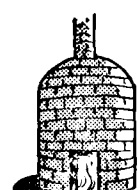
Building of a nation

To make the country self-sufficient, more and more goods are now manufactured in India. We also manufacture various quality goods and our aim is to supply a quality product at competitive rates. There is no wonder therefore that "DALMIA" Products have rapidly become popular with the consumers.

On the approved list of suppliers to the Director General of Supplies and Disposals, Railways, Municipalities etc.



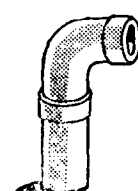
**SANITARY
WARES**
Highly glazed
and durable.



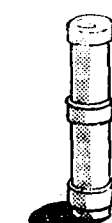
REFRACTORIES
Moderate, high
and super heat,
suitable for all
types of
furnaces.



**ACID JARS
AND INSULATORS**
Manufactured
according to
specifications.



**STONEWARE
PIPES**
For underground
drainage.



**REINFORCED
CEMENT
CONCRETE
PIPES**



CEMENT
According to
Indian
Standard
Specifications.

DALMIA
CEMENT (BHARAT) LTD.

Sales Managers, CEMENT DISTRIBUTORS LIMITED, Dalmiapuram

*** 4 leaders
IN THE FIELD!**

**WILSON
"JUNIOR"**
VACOFIL (PLASTIC)
fitted with Alloy
clipped nib. Rs. 3/12

**WILSON
"DELUX"**
VACOFIL (CELLULOID)
fitted with 14ct gold nib. Rs. 8/12

**WILSON
"MAJOR"**
VACOFIL (CELLULOID)
fitted with Iridium tipped nib. Rs. 5/12

**WILSON
"ADMIRAL"**
VACOFIL
fitted with 14ct big size gold nib. Rs. 12/8

Sole Distributors for India
KIRON & CO. LTD.
73-75, CHHIPI CHAWL, NEAR ZAYERI BAZAR
BOMBAY 2
BRANCHES IN CALCUTTA & MADRAS
ALWAYS USE WILSON INK WITH WILSON PEN

industries had to face new problems created by the Partition. There was large-scale displacement of labour in some factories and dislocation of transport affected several others. Food shortage requiring movement of grains also handicapped free supplies of wagons for the transport of raw materials and finished goods of these industries. Competition from products imported from the U.S. and U.K. seemed to threaten the existence of most of them. Tariff protection had, therefore, to be given to them. Other measures were also adopted to reduce the effect of competition. Consequently, their position improved and production showed an upward trend.

DIESEL ENGINES

The diesel engine industry was not organised on a large scale before the last war. A beginning was made by the Cooper Engineering Company, Ltd., Satara. This factory manufactured slow speed horizontal type engines to British design from 7 to 30 h.p. After the war, there was demand for the engines, but no progress was made, because of the difficulties in securing from abroad some of the component parts. The "Grow-more-food" campaign encouraged farmers to adopt mechanised methods of cultivation. Irrigation by pumping water from wells to fields provided a market for the diesel engine and power-driven pumps. From 1950 onwards, large units began to undertake the manufacture of the engines. There are now eight units with a capacity of 13,164 engines. The Government has accorded sanction to six more firms to manufacture engines. When these schemes are implemented, the annual capacity will go up to 36,135 engines.

PUMP INDUSTRY

The annual demand for centrifugal pumps with horizontal spindles upto 6 inch delivery is estimated at 50,000 pumps. The target laid by the Planning Commission to be reached by 1955-56 is 100,000 pumps. At present there are 25 organised factories with a capacity of 60,000 pumps engaged in the manufacture of power-driven pumps. The output of pumps in 1951 was 47,989. In the following year, it declined to 32,400 on account of the general slump caused by heavy accumulation of stocks. More or less the same level was maintained in 1953. There are also certain schemes already approved by the Government for the manufacture of the pumps.

BALL BEARINGS

Ball bearings have been produced in India by a factory in Jaipur since 1950. The industry has made good progress in the last three or four years and has increasingly supplied the needs of the country in ball bearings used in electric fans, electric motors, pumps, chaff-cutters, diesel

engines, etc. The industry used to depend on imports for its entire requirements of raw materials in 1950 and 1951. Indigenous sources of supply have now been developed and all raw materials are available within the country. To encourage this industry, ball bearings upto 2 inch bore diameter now enjoy a protective duty of 94½ per cent. *ad valorem*.

SEWING MACHINES

Two units, namely, Messrs. K. C. Mallik and Sons, Ltd., Calcutta, and the Jay Engineering Works, Ltd., Calcutta, are engaged in the manufacture of sewing machines in India. During the war, the firms had to switch over a part of their productive capacity to munition production. Consequently, sewing machine manufacture was retarded. Since then, there has been some improvement. In 1953, the industry produced 62,424 machines, as against an annual estimated demand of 57,000 machines. The quality of the machine is good and has been appreciated in the neighbouring countries.

STRUCTURAL ENGINEERING

Manufacture of structural materials is one of the oldest mechanical industries in India. The Second World War gave the industry a very good fillip. During the war, this industry fabricated and delivered over 100,000 tons of steel structurals. Shortage of steel and paucity of orders caused a setback in its progress in the immediate post-war period. Production was, therefore, low at 20,000 tons in 1947. Steel distribution control and the implementation of new projects brought about an improvement in the position of the industry. The annual production averaged 30,000 tons a year during 1948-52. It can now supply well designed H.2 transmission towers, both galvanised and painted, and other complicated structures.

HURRICANE LANTERNS

The industry was first started in 1925. Before the war, there were only two manufacturers. There are now a dozen factories, with an installed capacity of 4.41 million lanterns. Production in 1947 was about 9 lakh lanterns. In 1953, 4.31 million lanterns were manufactured. The quality is generally of a high standard and with the surplus capacity, it is considered possible to export them in large quantities. The country is self-sufficient in this article. The industry will be deprotected from 1st January, 1955.

PISTON AND PISTON RINGS

Only one unit is operating in India. Its present capacity is nearly half a million piston rings on three shifts. The rings are of a high standard and automobile manufacturers propose to use them in the assembly of original equipment. An up-

to-date foundry has been established by this unit for producing piston rings. Pistons also are being manufactured since November, 1952.

HARDWARE FITTINGS

Hinges, tower bolts, hasps, staples, etc., required by the building industry are manufactured by a number of small units. A factory was established in Bombay in 1952 for the production of hinges on a large scale. The quality of the products is comparable with any of the imported products, as the factory uses imported mild steel strips for the fabrication of the stores.

There are four units now engaged in the manufacture of watches on fairly up-to-date machinery. Absence of technical know-how has been a handicap in the production of clocks on a large scale and at cheap rates.

BICYCLE INDUSTRY

The manufacture of bicycles and cycle components has also made good progress in recent years. The Indian Cycle Manufacturing Company, Patna, the Hind Cycles Company of Bombay, Sen-Raleigh factory at Calcutta and T.L. Cycles of India at Madras are engaged in the manufacture of bicycles in India. Several small firms in Calcutta, Delhi and Punjab make component parts. In 1953, nearly 264,168 cycles were produced. This is a protected industry.

BELTING

The establishment of belting industry dates as far back as 1882. Since then as many as six units have come into operation. A point of special interest is that all the belting factories in India are concentrated within a radius of 10 miles round about Serampore in West Bengal. This is because the need for local manufacture of belting was felt by the jute industry of Bengal which was located round about that area and which required very large quantities of belting. The rated capacity of the six units is 2,220 tons. They manufacture solid woven cotton and hair, cotton bituminised, cotton rubberised and canvas ply belts, and with the assistance of tariff protection, the indigenous belting industry has now firmly established itself and is in a position to export these types of belting after fully meeting the internal demand. Apart from the above, there are 14 units manufacturing other varieties of belts. Of these units, five manufacture fan belts and nine rubber ply transmission belts. The rated capacity of the fan belt units is 882,000 belts and that of ply transmission belt units 708 tons.

REFRACTORIES

The demand for refractories during the war was heavy. Many factories came then into production. In 1947, 16 firms had a total capacity of

213,700 tons. The number today is 24, with a capacity of 290,200 tons. Production also increased from 157,000 tons in 1947 to 228,000 tons in 1953. Most of the factories engaged in the industries are located in the coalfields of Bengal and Bihar within a radius of 30 miles from Asansol. This is because the raw materials, firebrick and silica brick, are found nearer this area. Production is not upto capacity owing to shortage of coal and transport bottlenecks. The type of refractories manufactured in India covers high and moderate heat duty firebricks, silica and chrome firebricks, magnesite firebricks, silimanite bricks, fireclay, fire cement, silica cement and silimanite cement.

NATIONAL EXTENSION SERVICE

(Concluded from page 24)

qualifications in at least one co-operative society? Has every family made its own contribution to works of common benefit to the community in the form of money and/or labour? How far has the interest of women and the youth in villages been enlisted in this campaign? Have all these become part of the permanent life of the village and not a mere temporary phase?

I have attempted to indicate, in broad outline, the National Extension Service Programme as embodied in the Plan. It is based on the dignity and the worth of the individual. Its basic idea is to bring about a change in the outlook of the millions of families in the countryside and to assist them in their efforts to build up a new life. The foundations are being laid for a National Extension Service Organisation—the Welfare State in action—which will cover the whole country by 1961. A pattern of social and economic life has thus been placed before the country which it will be the aim of the Welfare State to bring into existence.

There are instances of communities organising themselves on this pattern, but nowhere has the experiment been tried for a vast rural population like ours and in an under-developed economy with so many intractable problems. The results so far obtained have been on the whole encouraging and, as the administration and leaders of the village and other associations gain more and more experience, there are grounds for the hope that the movement will gather momentum. What is essential is that the movement, basing itself on the application of the co-operative principles in its infinitely varying forms, should always retain its vigour and dynamism as a genuine people's movement, ever adapting itself speedily to the new demands and new situations that will arise.

Insurance gives the protection which makes all the difference between Confidence and Insecurity



ALL CLASSES OF INSURANCE EFFECTED

**MOTOR CAR • FIDELITY • BAGGAGE
PERSONAL ACCIDENT • WORKMEN'S
COMPENSATION • MARINE • FIRE • RIOT
EARTHQUAKE AND LOSS OF PROFITS**



**THE CONCORD OF INDIA
INSURANCE COMPANY LIMITED**

(Incorporated in India)

Head Office:
**8, Clive Row
Calcutta**

Tele { Phone : Bank 4310/19
Grams : "YULINSURE"

Bombay Branch:
**Hongkong Bank Buildings
Veer Nariman Road
Bombay**

Tele { Phone : 22006 (2 lines)
Grams : "CONCORDIA"

INSULATORS

**HIGH TENSION AND LOW TENSION
WITH
FULLY TESTED HARDWARE FITTINGS
AND
TRANSMISSION LINE EQUIPMENT
TO SUIT ALL CAPACITIES**

Also

**Boilers and Hot Water Plants,
Steam Engines and Diesel Engines,
H. T. Isolating Switches,
H. T. Porcelain Insulators**

and

**LONG ROD INSULATORS FOR 22 kV
and above.**

PLEASE FORWARD ENQUIRIES TO:

ORIENT TEXTILE ENGINEERS LTD.

24, Netaji Subhas Road, CALCUTTA, 1.

Telegram: OTEXEEL

THE NEW GUARDIAN OF INDIA LIFE INSURANCE COMPANY, LIMITED.

Head Office: MADRAS
(Estd: 1934)

**BUSINESS IN FORCE EXCEEDS Rs. 3½ CRORES.
EXCELLENT VALUATION RESULTS.**

Valuation made for the Triennium ended
31st December 1953 on very stringent basis

BONUS DECLARED

Rs. 12 Per thousand per annum on Whole-Life With-Profit Policies; and
Rs. 10 Per thousand per annum on Endowment With-Profit Policies.

These satisfactory results reflect the care exercised by the Company in regard to selection of lives for insurance, its prudent investment policy and its economical management.
A Policy in this progressive Life Office is an excellent asset; its Agency is a valuable business connection.

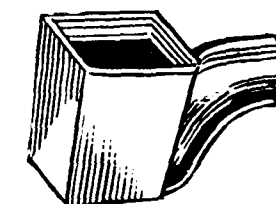
THE NEW GUARDIAN OF INDIA LIFE INSCE. CO., LTD.
Head Office: United India Life Bldg., Esplanade, MADRAS

THE STONEWARE PIPES (MADRAS) LTD. TRIVELLORE, S. Rly. (Chingleput Dist.)

Grams: STONEWARE.

Phone: PCO 4

Manufacturers of:



STONEWARE PIPES, Saltglazed and all types of Fittings for Drainage and Sewage work. Stoneware Jars, Skid-proof and Acid and Alkali-resisting Floorings, Stoneware Water Closets, Saltglazed Vitrified Floorings, Stable Bricks, etc., etc.

WHITE GLAZED or PORCELAIN Sanitarywares, Indian and European LABORATORY Porcelain Equipment etc.

REFRACTORIES of High Quality for all purposes conforming to I.S. Specifications and used by the Railways.



Calcutta Office and Godown at

46, Dharamtala Street - - - - - Calcutta 13.

Grams: SMITANKO

Phone: 24-1270

Madras Office and Godown at

48 Theagaraya Road, T. Nagar - - - - - Madras 17.

Grams: HOUSEAUTO

Phone: 88342

INDUSTRIES OF RAJASTHAN—A BRIEF SURVEY

By K. B. Dangayach

THE State of Rajasthan has an area of 130,207 square miles and a population of 15.29 million. It is the largest of the Part 'B' States in area and a close second to Madhya Pradesh by only 65 miles amongst Part 'A' States. The average density works out to 117 per square mile—the lowest amongst all the Part A and B States of the Union. This density also varies from 263 in Jaipur District to six in Jaisalmer District. Means of transportation and communication are not developed. Even important places are not connected by road, for example, Bikaner is not connected by road with Jaipur or Jodhpur, while Udaipur, for all practical purposes, is not connected with the rest of the State. Road mileage comes to about 6.7 per hundred sq. miles—the lowest of all other States. Between 84 and 90 per cent. of the people depend upon agriculture and pastoral pursuits. The supply of electric power is at a very high rate, much higher than in most other States. Supply of the power is also limited, because of the worn out condition of the plants of power houses.

Rajasthan has been an undeveloped State industrially, too, because of a number of handicaps, natural and artificial. The resources of this State have remained unexplored, although there are vast potentialities for the industrial and mineral development. It is hoped that the second Five-year Plan, which lays the main emphasis on the industrial development of the country, will include many schemes for the development of this "backward" tract of land. It is proposed here to discuss the present position of industries.

Textile Mills

Not many large-scale industries exist in the State. Among the existing number of large-scale establishments, the textile industry comes first. There are seven of these, equipped with 84,480 spindles and 1,679 looms and giving employment to about 7,200 persons. The cloth manufactured is, of course, of coarse variety. The production figures for the last five years are given below:

Year	Cloth (Lakh yds.)	Yarn (Lakh lbs.)
1949	304	139
1950	320	147
1951	329	170
1952	387	194
1953	363	195

Two of these mills have recently been restarted after a lapse of about 3 or 4 years. One of these seven mills has equipped itself with the latest types of equipment for the hosiery industry and is manufacturing inter-lock underwear and other kinds of hosiery.

Sugar Mills

Both the sugar factories situated at Sri Ganganagar and Bhupalsagar have been working satisfactorily. Last year, these manufactured about 5,300 tons of sugar. The former factory was, for several reasons, taken over on lease by the Government last year and is being managed by the State.

Cement Factories

The production capacity of the two cement factories situated in the State is about 4 lakh tons per annum. Last year, these worked to their full capacity. These employ about 3,600 workers.

Other Important Concerns

The National Bearing Company of Birlas is a very important unit for the country as a whole. It is the only concern in this part of the country engaged in the manufacture of balls and bearings. Jaipur

Metals and Electricals Ltd., Jaipur, is manufacturing some parts of electrical meters and assembling meters after using several parts imported from Japan. There are a few important metal concerns also. The United Trading Company, Jodhpur, is engaged in manufacturing sodium sulphide and is capable of meeting the demands of the country as a whole. For certain reasons, it is not working to full capacity. The Dholpur Glass Works Ltd., Dholpur, is an important unit for manufacturing scientific and laboratory glassware like penicillin vials, beakers, flasks, measuring glasses, funnels, etc. Other glass factories of the State are lying closed mainly for reasons of finance.

Medium and Small-scale Industries

There are 35 oil mills situated throughout the State. Udaipur Division is the important cotton-producing area and that is why 13 cotton pressing and about 100 cotton ginning factories have been established there, as compared to 12 and 40, respectively, in other parts of the State. Other important concerns under this head are: two biscuit and confectionery factories, working with power, one rubber toy industry, four umbrella factories, eleven powerloom factories, five bone crushing factories, distilleries and hosiery, etc.

Cottage Industries

Rajasthan is not backward as compared with any of the States in its handicrafts and cottage industries. It has been the home of cottage industries since time immemorial. Many of our cottage industry products have a reputation of their own not only in India but also in foreign countries. A number of firms from Bombay and Calcutta is exporting every year these goods, particularly "tie and dye" fabrics, Jaipur brass work, lac bangles, Jodhpur badlas and Sanganer prints, etc.

Handlooms.—There are about 67,000 handlooms in Rajasthan. Lakhs of persons are depending upon this industry for their livelihood. The All-India Spinners' Association and the Rajasthan Khadi Sangh are the two important institutions, actively working for the development of khadi industry in the State, besides a dozen smaller ones. The All-India Handloom Board has sanctioned a grant of Rs. 4 lakhs for the development of the handloom industry in the State. The Industries and Commerce Directorate is implementing the scheme which will help the weavers in all respects. The Rajasthan Government also set up a Khadi and Village Industries Board and recently a large-scale campaign for pushing the sales of khadi hundies was launched and it is hoped to sell Rs. 5 lakhs worth of these hundies.

Wool Industry.—With ten lakh persons engaged in various aspects of sheep and wool industry in Rajasthan and with 34 per cent. of India's total wool production, that is, 21 million pounds, worth more than Rs. 5 crores, the industry has great scope for development. On an average 18 million pounds of wool, valued at Rs. 4 crores and 4 lakhs sheep, worth nearly Rs. 60 lakhs, are exported from the State per year, bringing a revenue of about Rs. 17 lakhs to the State. There are a large number of weavers engaged in weaving blankets, tweeds and *pattus*, *namdas*, etc. The development of this industry was included in the first Five-year Plan and it is hoped would be included in the second Five-year Plan too.

Leather Industry.—The decorated *juties* and embroidered leather bags manufactured in Jaipur and Jodhpur are in popular demand outside the State. Large quantities of hides and skins are exported annually out of the State. Four centres for the development of the footwear industry are to be opened by the Government. The Small Scale Industries Directorate of the Government of India is considering the question of financial assistance to be given to the State for this industry. Tanning by improved methods is also being demonstrated by Government organisations.

Others.—Space does not permit us to discuss in detail the various other cottage industries. We shall, very briefly, discuss some of these here:

(a) Jaipur has been an important centre for diamond cutting and polishing throughout the whole world. On a very rough estimate it is thought that about 5,000 workers are engaged in this industry alone.

(b) Marble stone work industry is another important industry giving employment to hundreds in Jaipur and Jodhpur. Statues of gods and goddesses and also of important personalities who have died are being manufactured and sent from Jaipur to places throughout India. Many utility articles of daily use of marble are being manufactured in Jodhpur.

(c) Carpets of Jaipur are famous throughout the world for the high degree of workmanship and beauty of design and are exported to Far Eastern as well as Western countries.

(d) Miscellaneous.—Printing of cloth, including double-printing being done at Barmer is a speciality of Sanganer, Barmer, Hameeragarh, Nathdwara and Bundi, etc. Tie-dye work of Jaipur and Jodhpur and "Durry manufacturing" being done in Jaipur, brass enamelling of Jaipur, silver enamelling and painting of Nathdwara, hand-made paper of Sanganer, Gosunda and Kotla, paper mache of Jaipur and lac industry of Jaipur, palm-gur manufacturing scattered throughout mainly at Udaipur, Jaipur, and Kotha Divisions, etc., are other important cottage industries of the State.

Government Aid

For the development of small-scale industries, land and electricity are given at concessional rates and exemptions from customs duty on imports and exports of the factories is granted for a period of six months on the merits of each case. That is why more than a thousand small-scale industries have been sanctioned during the last two years alone. For popularising the sale of cottage industries products and seeing their demand outside Rajasthan, a sales emporium of handicrafts was opened in Delhi during 1953. The sales are very encouraging. Foreign tourists and residents of Delhi are the principal buyers. It is noteworthy that our Prime Minister, while leaving for China on his recent historic visit, purchased artistic products from this emporium worth Rs. 1,000 as gifts.

The Government has almost finalised the proposals for setting up an Industrial Finance Corporation for the State. The Industries Minister announced, at a recent meeting of the Rajasthan Industrial Advisory Council, that a non-official member would be the Chairman of the same. Proposals are also under consideration for undertaking an industrial survey of the State, setting up of a Handloom Development Board and passing of State Aid to Industries Act (for giving financial aid to small-scale industries).

The Government of Rajasthan has given a loan of Rs. 20,000 to the Sanganer Hand-made Paper Makers' Co-operative Society. The All-India Khadi and Village Industries Board has also granted financial aid of Rs. 58,000. Mechanically driven beater for making pulp has been in-

stalled and other improvements are being carried out.

An amount of Rs. 1,00,000 has been set apart in the current year's budget for advancing loan to the cottage workers for replacement of tools. Recently, the Government has set up a Committee for scrutinising applications for granting financial assistance to small-scale and cottage industries.

Potentialities

No systematic survey has ever been made of this vast tract of land and as such definite information regarding prospects cannot be given accurately. Amongst large-scale industries, the important categories having enough prospects are:—textile mills, cement factory, leather goods, colour paint and varnish, glass and chemical industries, etc. It is felt that the new ammonium sulphate factory which the Government of India wants to establish should be set up at Hanumangarh (Bikaner Division) where best quality of gypsum, cheap water, electricity and labour would be available. There is a good market, too, in the neighbourhood of the State.

Col. Tod discovered Rajasthan historically, the great Sardar politically, and it is now for the sons of this land who have played a very important part in the industrialisation of other parts of the country to turn to their own home State. The Government is giving every sort of aid and it is to be hoped that during the period of the second Five-year Plan we shall be able to have many more industries than we have so far.

Notice

THE HINDUSTAN CONSTRUCTION COMPANY, LIMITED

NOTICE

NOTICE IS HEREBY GIVEN that the Twenty-ninth Ordinary General Meeting of the Company will be held at "Construction House," Ballard Estate, Bombay, on Wednesday the 29th December, 1954, at 5-15 p.m. (S.T.), for the purpose of transacting the following business:—

- To receive and adopt the Directors' Report and Audited Statement of Accounts for the year ended 31st August, 1954, and to declare dividends on Preference and Ordinary Shares.
- To elect Directors in place of those who retire under the Articles of Association of the Company and who are eligible for re-election.
- To appoint Auditors for the current year and to fix their remuneration.

The Transfer Books of the Company will be closed as from Friday the 17th December, 1954, to Saturday the 8th January, 1955 (both days inclusive).

By Order of the Board,

B. D. SARDESAI,
Secretary.

CONSTRUCTION HOUSE,
BALLARD ESTATE,
BOMBAY, 24th November, 1954.

Note.—The Dividends, if sanctioned, will be paid at the Company's Registered Office at Construction House, Ballard Estate, Fort, Bombay, on and from Monday the 10th January, 1955, to those shareholders whose names stand on the Company's Register on Saturday the 8th January, 1955.



ECONOMICAL SKY TOURIST

Low, low fares
Complimentary Meals
Stretch-out Comfort
44 lbs. free baggage allowance

Westbound :
Every Monday and Friday, from Bombay

EITHER WAY-IT'S TWA

LUXURIOUS New Yorker

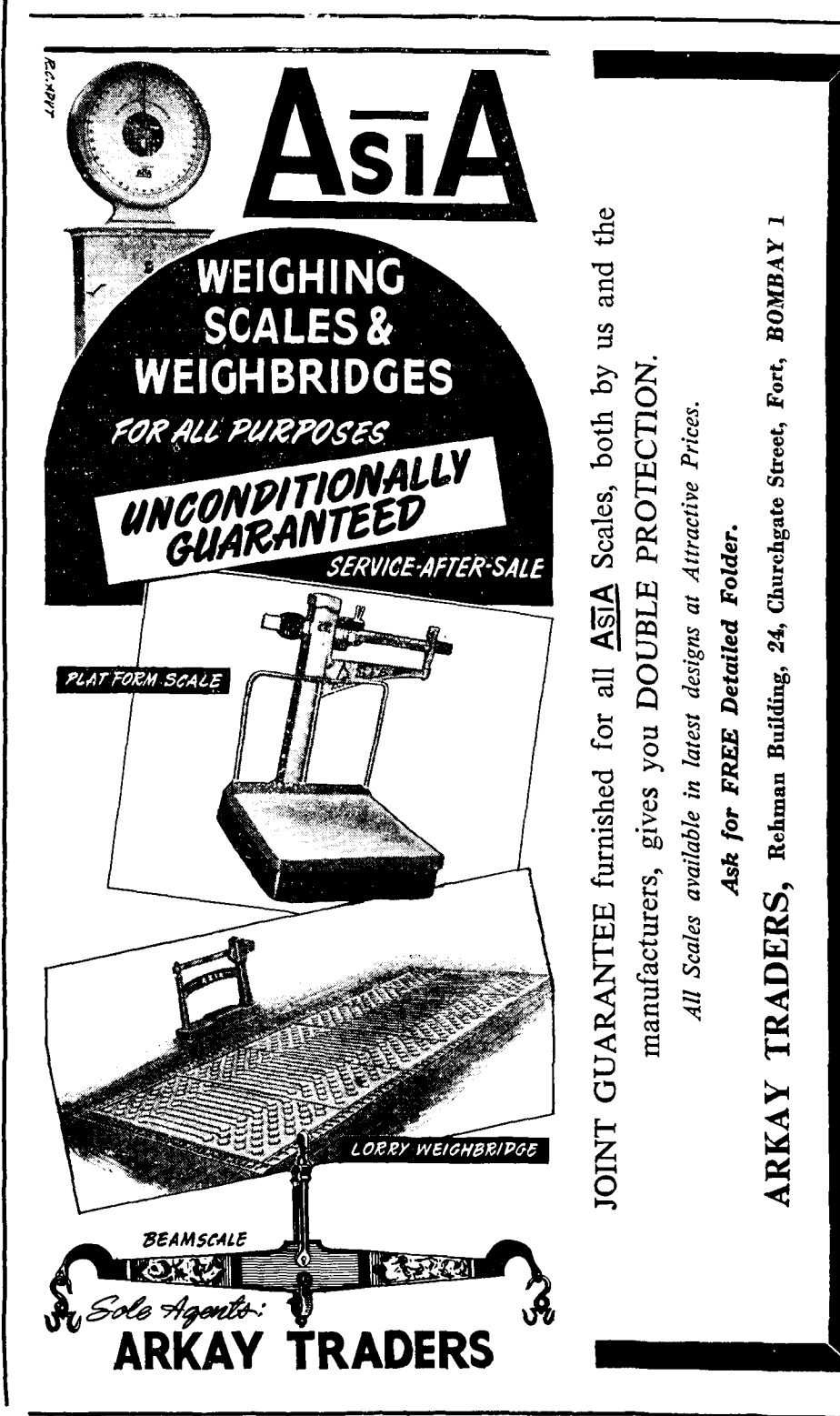
Seats and full-size beds available
Specially trained cabin attendants
Spacious Cocktail Lounge
Superlative meals, complimentary drinks

Westbound : Every Wednesday, from Bombay

One-Class dependable TWA Constellations on all services.
Only TWA goes all the way... to and across the U.S.A.

For details, see your nearby TWA Office, or your Travel Agent.

Fly the finest... FLY TWA
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.



AsiA

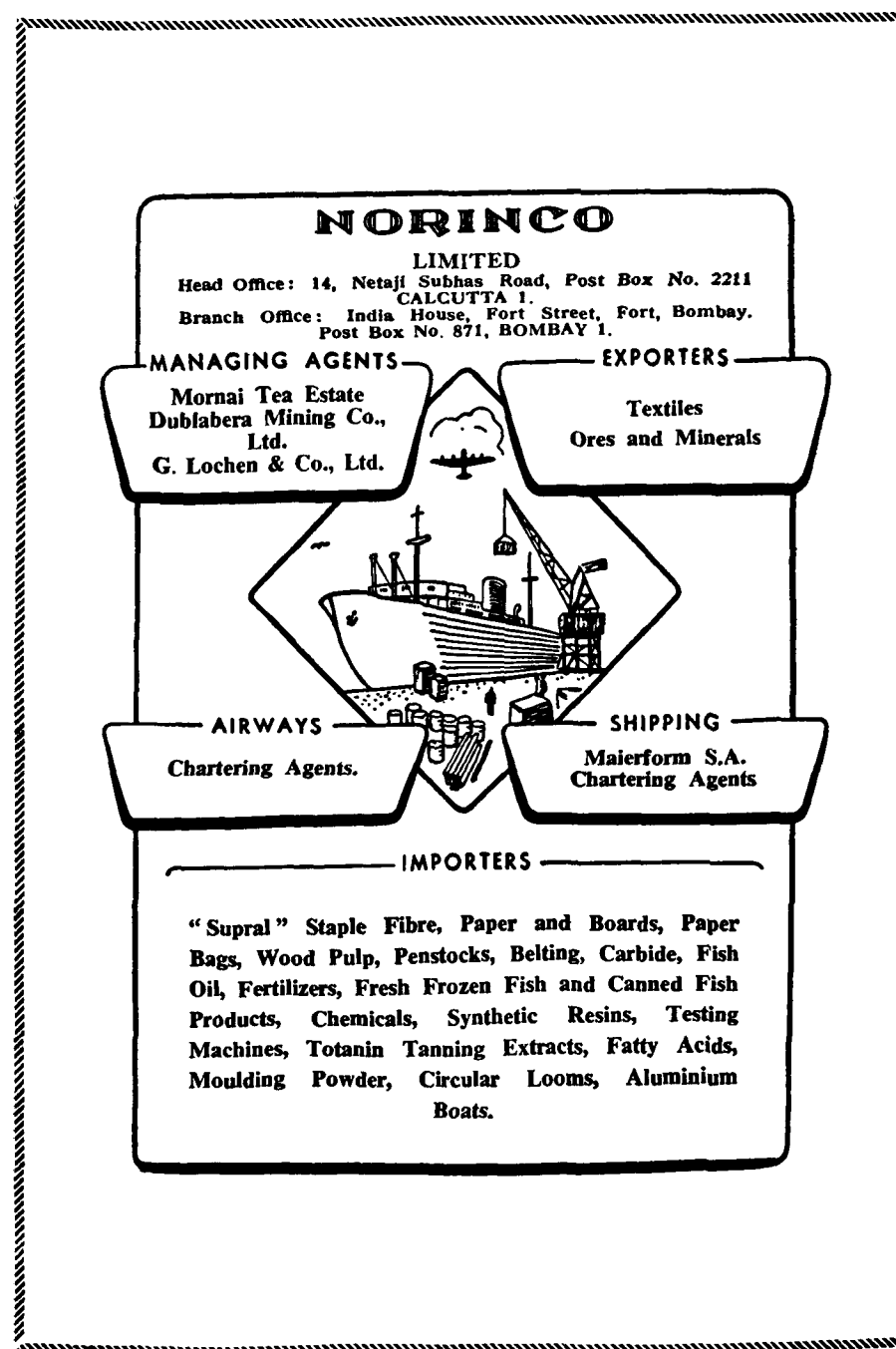
WEIGHING SCALES & WEIGHBRIDGES
FOR ALL PURPOSES
UNCONDITIONALLY GUARANTEED
SERVICE-AFTER-SALE

PLATFORM SCALE
LORRY WEIGHBRIDGE
BEAMSCALE

Arkay Traders

JOINT GUARANTEE furnished for all **AsiA** Scales, both by us and the manufacturers, gives you **DOUBLE PROTECTION**.
All Scales available in latest designs at Attractive Prices.
Ask for **FREE Detailed Folder**.

ARKAY TRADERS, Rehman Building, 24, Churchgate Street, Fort, BOMBAY 1



NORINCO LIMITED
Head Office: 14, Netaji Subhas Road, Post Box No. 2211
CALCUTTA 1.
Branch Office: India House, Fort Street, Fort, Bombay.
Post Box No. 871, BOMBAY 1.

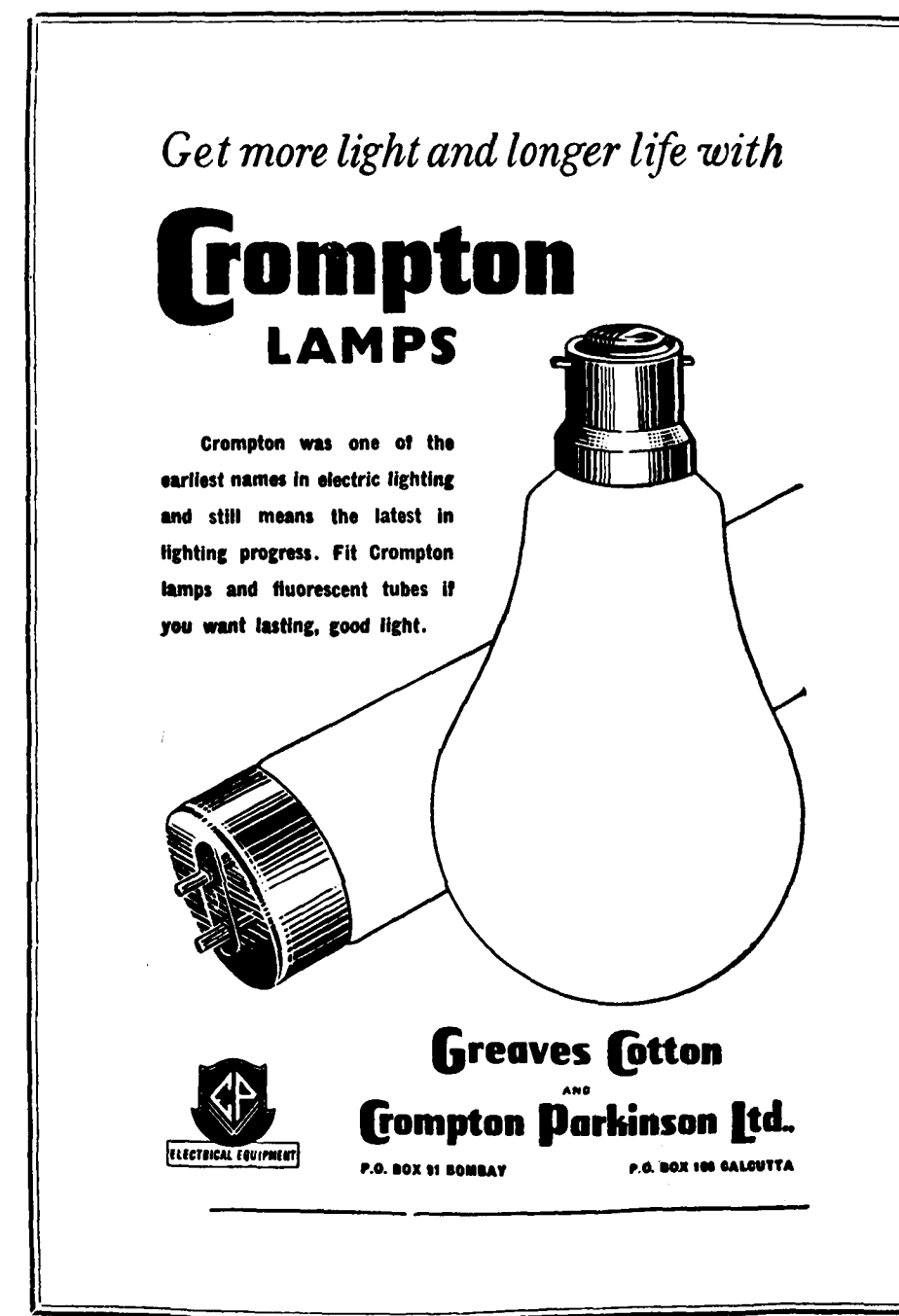
MANAGING AGENTS:
Mornai Tea Estate
Dublabera Mining Co., Ltd.
G. Lochen & Co., Ltd.

EXPORTERS:
Textiles
Ores and Minerals

AIRWAYS:
Chartering Agents.

SHIPPING:
Maierform S.A. Chartering Agents

IMPORTERS:
"Supral" Staple Fibre, Paper and Boards, Paper Bags, Wood Pulp, Penstocks, Belting, Carbide, Fish Oil, Fertilizers, Fresh Frozen Fish and Canned Fish Products, Chemicals, Synthetic Resins, Testing Machines, Totanin Tanning Extracts, Fatty Acids, Moulding Powder, Circular Looms, Aluminium Boats.



Get more light and longer life with

Crompton LAMPS

Crompton was one of the earliest names in electric lighting and still means the latest in lighting progress. Fit Crompton lamps and fluorescent tubes if you want lasting, good light.

Greaves Cotton AND Crompton Parkinson Ltd.
P.O. BOX 51 BOMBAY P.O. BOX 106 CALCUTTA

THE year 1954 was a year of stress and strain for the plastics industry. The selling prices became more competitive, the demand for consumer goods suffered, and the costs rose. Such a difficult position for the industry is due to the heavy concentration on production of consumer goods by all the different units of the industry which has resulted in an excess production of consumer goods vis-a-vis the static demand. This has brought about the problem of lower and still lower prices in the face of higher costs.

The figures relating to the production of plastic goods tell their own tale. As against the total 1,446,000 gross mouldings produced in 1951, output during the year 1952 was 1,544,400, in 1953, it was 1,357,200 and, in 1954 up to June, it was 647,100 gross mouldings. The average monthly production for the years 1952, 1953 and 1954 thus works out to 128,700, 113,100, and 107,850 gross mouldings, respectively, as against the monthly average of 120,500 gross mouldings for the year 1951.

The production of P.F. moulding powders has also not shown much improvement. Any expansion in the output of P.F. moulding powders is generally a good index of a general improvement in the plastics industry, as higher production of P.F. moulding powders follows only better consumption of these materials. The production of P.F. moulding powders was 459,600 lbs. in 1951, 667,200 lbs. in 1952, 837,600 lbs. in 1953 and 490,100 lbs. upto July, 1954. The monthly average for the years 1951, 1952, 1953 and upto July, 1954, works out to 38,100 lbs., 55,600 lbs., 69,800 lbs. and 70,000 lbs., respectively. The slight increase in production and consumption of P.F. moulding powders is due to enlarged demand for some of the compression moulded items, such as bottle caps, etc., for pharmaceutical industry.

RAW MATERIALS

The supply position in respect of raw materials continued to be satisfactory. During the year, there was no change in the import licence policy for plastics raw materials. The following figures for imports of raw materials are of interest:

	1951-52	1952-53	1953-54
Synthetic resins and moulding powder—			
Quantity (cwt.)	80,052	76,402	75,937
Value (Rs.)	1,58,15,816	1,40,10,792	1,48,16,297
Semi-fabricated plastic materials—			
Value (Rs.)	97,97,330	87,53,401	88,30,433
Finished plastics goods—			
Value (Rs.)	12,43,762	11,39,354	4,02,814
Total	2,68,56,908	2,39,03,551	2,40,43,544

PLASTICS INDUSTRY IN INDIA PLEA FOR LIBERAL IMPORTS OF RAW MATERIALS

By R. C. Shah

It will be seen from the above figures that, as against the total imports valued at Rs. 2,68,56,908 during 1951-52, imports in 1952-53 and 1953-54 were just Rs. 2,39,03,551 and Rs. 2,40,43,544, respectively. This also suggests that the setback, which the industry received during 1952, still continues. An important feature is that the value of imports from the U.S. in 1953-54 were lower at Rs. 12,79,633, as against Rs. 43,91,624 in 1951-52 and Rs. 41,26,866 in 1952-53. This was due to the fact that, while raw materials are allowed to be freely imported from sterling and soft currency areas, the imports from dollar areas are restricted. Restriction of imports from dollar areas is not helpful to manufacturers in the country, as the scope for purchases is restricted and the possibility of buying the raw materials cheaper is reduced. This particular aspect of raw material imports deserves the serious consideration of the Government, and it would be worthwhile, if the Government were to consider liberalisation of imports of plastics raw materials from dollar areas, at least for the manufacturers.

In spite of odds, it may be noted that the industry has been able to show some progress in the lines of manufacture. Apart from the production of laminated sheets and P.V.C. sheets (unsupported), which was commenced last year and which saw good progress during the year, two outstanding developments of the year are (1) manufacture of plastics flexible bottles and (2) manufacture of plastics films for packaging. In the range of moulded items, the year witnessed the introduction of moulded long-playing gramophone records and the pirms

and bobbins for the textile and silk mills.

The difficult market conditions made it necessary for the moulders to search for new items and to use better materials for the same, if the items were already being moulded. This development also resulted in the higher use of raw materials, such as improved polystyrene, butyrate, polyethylene and cellulose acetate, in contrast with the entire use of polystyrene for injection moulding purposes earlier.

EXPORT OF PLASTICS MANUFACTURE

Another important consequence of the difficult conditions in the home market has been the search for sales outside the country. It is reported that plastics goods made here are now being exported to as many as 20 countries. During 1953-54, India exported Rs. 15,88,294 worth of plastics goods (not elsewhere classified), as against Rs. 13,02,714 in 1952-53 and Rs. 6,44,826 in 1951-52.

The Government of India has taken note of the possibility of developing the export markets for plastics goods made locally. It has already moved, for this purpose, in the direction of (1) considering necessary legislation for drawback of import duty on raw materials used in the plastic goods meant for export and (2) setting up an Export Promotion Council for plastic goods.

THE FUTURE

The year under review has also been notable for the visit to this country of a few important representatives of British firms engaged in the manufacture of plastics raw materials, both with a view to studying the development of the industry in this country, as also to finding out the possibilities of commencing manufacture of some raw materials in the country and introducing new items of manufacture. The visits of these eminent plastics industrialists from the U.K. have been useful in the sense that it has created an atmosphere for some definite thinking about the future of the plastics industry in India. In this connection, it is worthwhile to note what the plastics industry has been in foreign countries. In his book,

Plastics and Industrial Design (George Allen and Unwin Ltd., London), Mr. John Gloag observes:

"The research chemist and the production engineer went into partnership, as metallurgists and engineers had gone into partnership over a hundred years earlier. That century-old association of technicians had produced a new world of steel, which altered the technique of shipbuilding and architecture. Today, the chemist and the production engineer have brought nearer a world of new weights and measures, new ways of withstanding stresses and strains, new resistances to wear, tear and changes of temperature, new tensions. The vigour and development of the plastics industry in Britain, the enterprising and progressive outlook of the men who are directing it, and the inventive fecundity of its technicians, suggest that we may look forward to changes in the familiar shapes of innumerable things. New qualities, such as translucency and transparency, will be conferred upon the objects of everyday life and on industrial products. Such anticipations are not mere flights of imagination; some hard-working reality of practical achievement already sustains them, for the British plastics industry in war-time has proved that these vastly varied materials can stand up to tasks so exacting that, normally, only hard metals were supposed to be endowed with the endurance demanded for their effective and safe performance. Plastics are used for aircraft windows and cockpit covers, tank windows, aircraft stowages, eye-shields, floating torches, emergency ration packs, map cases; and some of the latest types are replacing rubber for insulation purposes. That is only the beginning of a huge list of uses."

To draw a parallel, it may be mentioned that the development of plastics industry in this country calls for an enterprising and progressive outlook of the men who are directing it and the inventive fecundity of its technicians. The plastics raw materials and their applications have immense possibilities. But it is very much necessary that, for such applications, the chemist and the engineer should work together (1) to select right items, (2) to select right raw materials, (3) to work on proper moulding methods and techniques, and (4) to produce items which will stand necessary tests and standards. These are, indeed, great problems which call for a high degree of business enterprise, good planning, enough capital resources, and scientific outlook and approach. The plastics industry is a paradox: it is easy and cheap for those who do not comprehend its possibilities and scope. It is really difficult and interesting for those who visualise it as the industry serving various other industries such as textiles, jute, automobile, aircraft, radios, building, pharmaceuticals, power, etc.—All Rights Reserved.

THE SREE MEENAKSHI MILLS LIMITED MADURAI & MANAPARAI



Manufacturers of
SINGLE YARN IN COUNTS 16s TO 40s AND CONE YARNS FOR
WEAVING AND HOSIERY FACTORIES AND MULLS, LONGCLOTH,
GADA, ETC.

Spindles : 66,616

Power Looms : 144

Managing Agents:

THIAGARAJA CHETTY & CO.

Tirupparankundram Road, MADURAI (South India)

Tel. Address:
'KARUMUTTU'

Telephone:
No. 1 (2 Lines) & 347

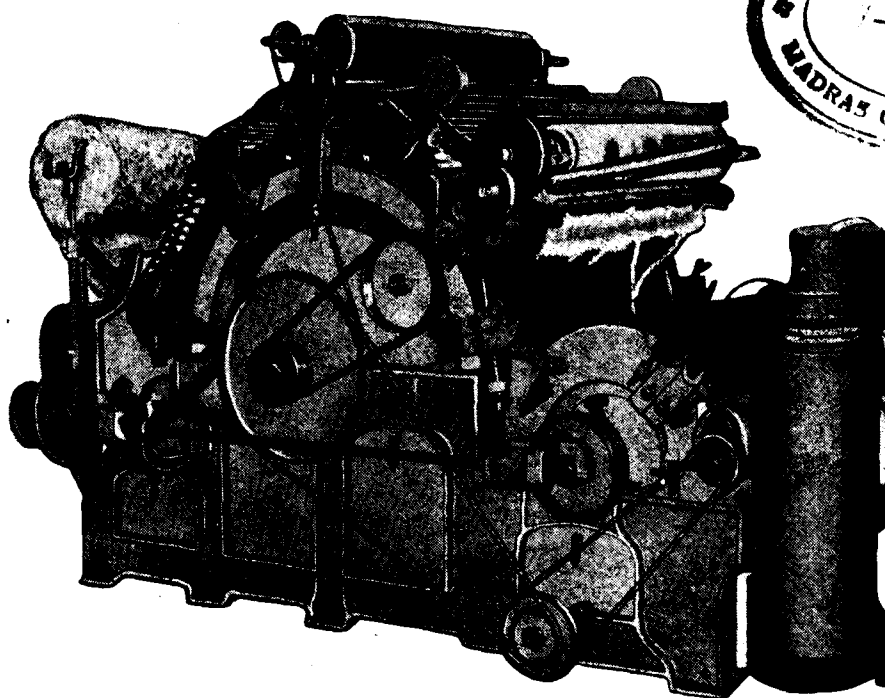
Post Box: No. 1
MADURAI

For day long
Comfort

STATESMAN
Men's all weather
City oxford in brown or
black—quality upper—strong leather
sole with stormwelt

Bata

MMC REVOLVING FLAT CARDS



MACHINERY MANUFACTURERS CORPORATION LTD.

Factory: Sonai Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITED

Head Office: Gateway Building, Apollo Bunder, Bombay.

Calcutta Office: Hall & Anderson Building, Park Street.

are now being extensively used
in Textile Mills in India.
Their efficiency is undisputed,
their reliability guaranteed.

OUTSTANDING FEATURES

1. Five distinct setting points, used singly or in combination, to control setting to .001 inch.
2. Johnson bronze bearings for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
3. Ball bearings to lick-in pedestals.
4. Self-lubricating 'Olive' bearings at several locations.
5. William's patent stripping motion for flats.
6. Drop lever with new disengaging handle.
7. Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
8. Cards can be geared for any production in a mill organization.

SYLVANIA
Blue Dot
FLASHBULBS!

Manufactured by:
SYLVANIA ELECTRIC PRODUCTS INC. U.S.A.

Exclusive Representatives:
CHIMANLAL DESAI AND COMPANY
COOL MANSION, HOMJI STREET, FORT, BOMBAY

THE BANK OF NEW INDIA LIMITED

Head Office: TRIVANDRUM

★
BRANCHES

ALLEPPEY
ALWAYE
CHATHANNOOR
CHENGANOOR
CHIRAYINKIL
ERNAKULAM
KOTTAYAM
KOZHENCHERRY
KUMBANAD

PANDALAM
PATHANAMTHITTA
PERUMPAVOOR
PUNALUR
TIRUVALLA
TRIVANDRUM
VAKKOM
(Kadavoor P.O.)
VENNIKULAM

K. GEORGE, B.A.,
Chairman.

K. E. CHERIAN,
General Manager.

THE INDIA SUGARS AND REFINERIES LIMITED

"Catholic Centre," Armenian Street
Post Bag 5033, MADRAS 1

Factory: **HOSPET (Bellary District)**

MANUFACTURE:

WHITE CRYSTAL SUGAR:

I.S.S. GRADES 29-E, 28-D, 28-E and 27-E.

DISTILLERY PRODUCTS:

Rectified and Denatured Spirit. French Polish
of highest grade made to customers' speci-
fication.

Managing Agents:

THE INDIA SUGAR AGENCIES LIMITED BANGALORE

Sole Selling Agents:

AMALGAMATED COMMERCIAL TRADERS LIMITED

BOMBAY - HOSPET - MADRAS

THE BANK OF INDORE LTD.

INDORE

(INCORPORATED IN INDORE 1920)

Authorised Capital	- - - -	Rs. 50,00,000
Subscribed Capital	- - - -	Rs. 30,60,750
Paid-up Capital	- - - -	Rs. 15,30,375
Reserve Fund	- - - -	Rs. 25,00,000

★

HEAD OFFICE:

PRINCE YESHWANT ROAD, INDORE CITY.

BOMBAY OFFICES:

44, HAMAM STREET, FORT AND
JAI HIND ESTATE, BHULESHWAR.

BRANCH OFFICES:

Cloth Market, Siyaganj and Sanyogitaganj
(Indore City).

BRANCHES:

Anjar, Dhar, Khargone, Mhow, Ratlam, Sanawad,
Tarana and Ujjain.

Pay-Offices at Sendhwa and Jaora (Madhya Bharat).

SAFE DEPOSIT LOCKERS are available at Head Office,
Siyaganj, Cloth Market, Indore. Branch Offices: Mhow,
Ujjain, Ratlam, Sanawad and Tarana on favourable terms.

★

Banking Business of every description
transacted.

N. D. JOSHI
Manager

BRANCHES

INDIA: Bombay, Calcutta, Howrah, Delhi, Madras

PAKISTAN: Karachi, Chittagong, Khulna

BURMA: Rangoon

CEYLON: Colombo, Kandy, Galle, Jaffna

THAILAND: Bangkok

HONGKONG:

JAPAN: Tokyo, Osaka, Sema

MALAYA: Singapore, Penang, Kuala Lumpur, Kota-
Bharu, Kuantan, Kuala Trengganu,
Kuala Lipis, Ipoh

MAURITIUS: Port Louis

THE MERCANTILE BANK OF INDIA LIMITED

(INCORPORATED IN ENGLAND)

Authorised Capital	- - - -	£ 3,000,000
Subscribed Capital	- - - -	£ 2,220,000
Paid-up Capital	- - - -	£ 1,470,000
Reserve Fund	- - - -	£ 1,750,000

HEAD OFFICE:

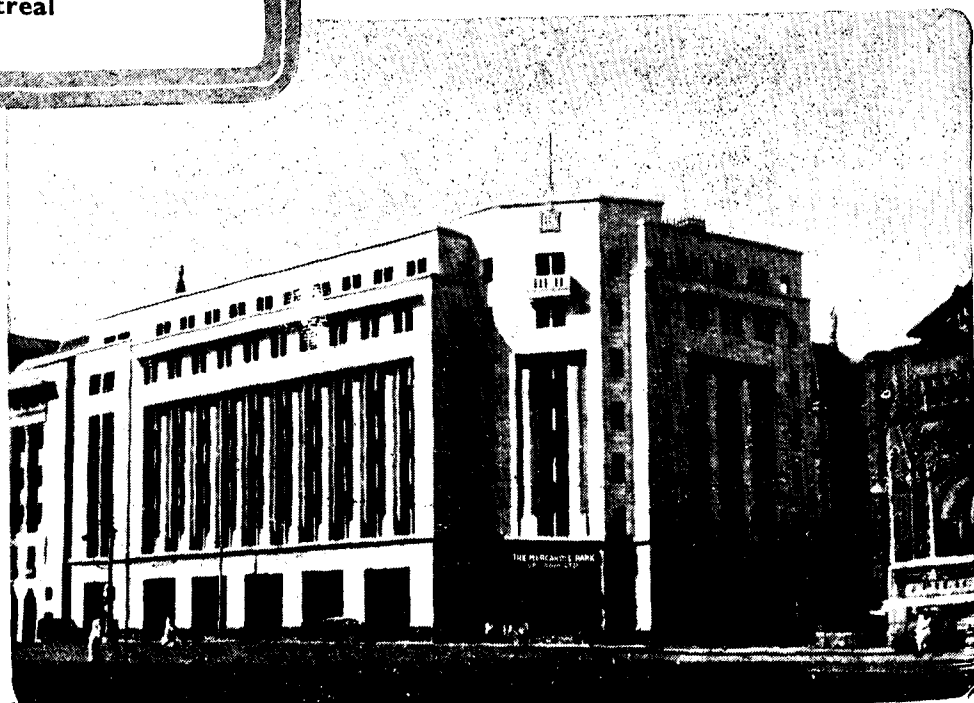
15, Gracechurch Street, London E. C. 3.

AGENTS IN NEW YORK

Chase National Bank of the
City of New York | Bank of Montreal

- Current Accounts are opened and Fixed Deposits received on suitable terms.
- The Bank has facilities for transacting Banking and Exchange business throughout the world.
- The Bank undertakes Trusteeships and Executorships.
- Safe Deposit Lockers Available.

Premises of the Bombay Branch
at 52/66, Mahatma Gandhi Road.



FUTURE OF FOOD SUPPLY WILL POPULATION OUTSTRIP AVAILABILITY?

By P. C. Bansil, M.A.

THE Census Report for 1951 calls the year 1920 the Great Divide and traces our food shortage from that year. The increase in food production, according to it, fell behind that in population from that year. These readings into future population pressure make one feel nervous. There is, in fact, no lack of such enthusiasts who have been playing the Malthus. Sir William Crooks, in the course of his Presidential address to the British Association, at Bristol, in 1891—he was speaking on the Wheat Problem—referred to the views of a leading Indian economist. Writing in the *Daily Englishman* of Calcutta, dated the 16th April, 1891, the economist said: "People do not realise the fact that all the wheat India produces is required for home consumption, and that this fact is not likely to be realised until a serious disaster occurs. . . . I believe that, comparatively speaking, India will in a few years cease to export wheat, and soon thereafter become an importing country." India did import wheat for about a decade, but after 50 years and that also, not merely because of population pressure. Just two good monsoons have done away with the necessity of even these increasing imports.

Similarly, Dr. Naoroji, in his *Poverty of India*, showed as early as 1870, from a review of figures which he had collated, that the masses of Indian population were existing in a condition verging on starvation. Prof. Brij Narain in the twenties and Dr. Thomas in the thirties, however, reached conclusions which were opposed to those reached by Dr. Naoroji.

It is difficult to be dogmatic in expressing an opinion on prospects of food supply. The great economist, Schumpeter, who was a believer in technological progress, said: "It is one of the safest predictions that in the calculable future we shall live in a profusion of both foodstuffs and raw material." And science has now been able to produce synthetic rice which is much cheaper as well as more nutritious than natural rice. Pilot project to produce one ton of synthetic rice a day is being set up shortly. It is not, however, strictly necessary for the purposes of our present study, to examine the long-term effects of technology on the food position.

PRESENT POSITION

There is no denying the fact that the food problem is now a thing of the past. The test is not far to seek. Floods this year have affected some 25,650 square miles, involving about 95 lakhs of people in Assam, West Bengal, Bihar and the U.P. alone. Even the Punjab has not been spared. Late monsoons in the North-West have damaged the *kharif* crop. But the problem of the Government is that of disposal of surplus stocks, not of meeting any shortage in food. Indeed, the question of reviving the export trade in foodgrains is being seriously considered. The food position today is said to be "comfortable" and Government foodgrain godowns are full. Stabilisation of agricultural prices and price support for agricultural produce are the popular topics of discussion, despite the fact that as much as 48 per cent. of our cultivated lands still belong to big landlords and our land policies are only half-way through.

MALARIA

Vast areas of India's fertile land are yet being jealously guarded by King Malaria and his mosquito hoards who keep a terrible punishment in store for the trespassers.

Nearly 94 per cent. of the country's water resources have not yet been utilised and some 96 per cent. of the fishable marine area remain untapped. With our coastline of about 4,000 miles and continental shelf more than one lakh square miles, an endless harvest is waiting for us, just for the mere gathering. The earth, sea and air are the vast reservoirs, containing the constituents of our food, simply to be synthesised into palatable dishes. In this context, it would be incorrect to say that agriculture obeys the law of decreasing returns. It would, in this connection, be appropriate to quote Colin Clark who says:

"The law of diminishing returns does not in the least mean what many people believe it to be. It certainly does not mean that the returns from agriculture diminish from year to year. The law has no reference to any supposed diminution in time. All that it does say is that if, on a limited area of land, you place an increasing number of men, who go on farming by the same methods as their predecessors (this is the important point), then returns per man will diminish, though returns per acre will go on increasing. For the whole law breaks down if they do not use the same methods; or if they use more capital per man."

Agriculture in India has so far followed only orthodox methods of cultivation. Technological and scientific improvements have not been introduced. Vast potential resources, far from being exhausted, remain practically untouched. Water power

alone—yet to be harnessed—is assessed at 27 million h.p. and is thus nearly equal to the 28 million h.p. of the U.S.A. There is no possibility of the operation of the law of diminishing returns in the calculable future. Research in intensive cultivation, having passed the experimental stage, has travelled to the field. The prize winners under the crop competitions have set up new world records in agricultural production. The yields obtained by them on the basis of local experience and judicious use of those resources show what the farmers can do, if they are given a proper incentive.

FOOD POTENTIAL

Lest all this should appear too theoretical, it is necessary to examine the existing ills of India's agriculture, how they may be removed and what the effect of their removal will be on food supply. *Zamindari*, as is well-known, are being abolished. In Saurashtra agricultural production has increased considerably after zamindari was

done away; this example deserves study. A recent issue of the *Egyptian Bulletin*, published by the Egyptian Embassy at New Delhi, describes the effect of land redistribution on food production. It points out, on the basis of figures obtained from reliable sources, that wheat production increased from 20 to 30 per cent. as compared with the average production before the agricultural reform law actually came into force. Again, we have already under execution some 135 projects which, when completed, will provide irrigation facilities for an additional 12.9 million acres of land and release some 2 million kw. of additional power. The total additional area that will be brought under irrigation when the remaining 122 projects (on which work has not yet begun) are also completed is of the order of 42 million acres.

JAPANESE METHOD

Those who do not give much credence to the achievements of *Krishi Pandits* would be well advised to see the success of the Japanese method of paddy cultivation which is being adopted on a mass scale. The total area placed under the new method in 1953-54 was 2.8 lakh acres. The method was also used partially in another 3 million acres. The table below summarises the results obtained in a few of the States:

Paddy cultivation 1953-54

State	Area under Japanese method in acres	Normal yield in the area	Maximum yield obtained	Percentage increase
U.P.	31,007	5 mds. 35 srs.	60 mds.	1,300
West Bengal	61,839	11 mds. 95 srs.	95 srs.	860
Madhya Pradesh	1,000	8 mds. 6 srs.	117 srs.	1,400
Bombay	5,400	8 mds. 10 srs.	120 srs.	1,500
Mysore	28,070	7 mds. 15 srs.	144 srs.	1,900
Hyderabad	1,44,000	1,500 lbs.	5,000 lbs.	333



On the frontiers of human knowledge

NOW the engineer, advancing with the scientist, finds himself on the very frontiers of human knowledge.

From there he sees with awe the vast potentialities, for good or evil, of atomic energy. Already he is striving with the scientist to harness it for the benefit of mankind.

At the first atomic electric generating station, now under construction at Calder Hall in Cumberland, England, the turbo-alternators will be driven

by steam, generated—by means of a nuclear reactor—in plant jointly designed by Babcock & Wilcox and the Department of Atomic Energy; and manufactured by Babcock & Wilcox Ltd.

Calder Hall, marking the first significant contribution of atomic energy to Britain's electrical power supply is the forerunner of much larger developments which, by conserving conventional fuel resources, will be of vital economic importance to the world.

BABCOCK STEAM-RAISING PLANT

BABCOCK & WILCOX OF INDIA LTD.

4, BANKSHALL STREET, CALCUTTA

16, QUEEN'S ROAD ESTATE, BOMBAY

Even if it is assumed that 3 million acres under the partial method is equivalent to 2 million acres under the full Japanese system, a total of 2.3 million acres under this method, along with 2.4 million acres of additional area under rice, has resulted in raising our rice production in 1953-54 to 27.1 million tons as against 22.5 million tons in the previous year. Thus, the additional production is 4.6 million tons. Out of this, 0.6 million tons is attributed to favourable seasonal conditions and another one million ton (calculated at the standard yield of 902 lbs. per acre) may be taken as the production from 2.4 million acres of additional area. The inescapable conclusion is that 2.3 million acres, i.e., 3 per cent. of the total area under rice—76.6 million acres—has resulted in a net increase of 3 million tons or more than 11 per cent. over the total yield. If only 20.5 million acres out of the existing 23 to 24 million acres of irrigated area under rice were brought under the new method, the total rice production would increase by 100 per cent. This should not in any way appear to be a very high target, for, it could be achieved within a reasonable period of 10 to 15 years, considering that the target for the current year is 3 million acres under the full Japanese method.

This gives in a nutshell the potentiality in respect of rice which is the staple food for some 50 per cent. of the people in the country. The position with regard to other cereals is in no way very different. Experiments already conducted under the auspices of the Indian Council of Agricultural Research provide solid proof of the fact that, on a very conservative estimate, the total production of wheat and millets can also be increased at least by 50 per cent. This view is held by the F.A.O. also. According to the special F.A.O. Committee, which was responsible for the report on World Food Survey, wheat production in India can be increased by 30 per cent. in only 10 years. Additional measures after this period can swell the increase to 50 per cent.

Again, there are vast areas—52 million acres of culturable waste and 69 million acres of fallow land—waiting their turn for reclamation with the help of the Central Tractor Organisation or of even private initiative. According to the ex-Food Minister, Mr. Munshi, even if it were assumed that the total net sown area increased to only 400 million acres—just half of the total geographical area of India—food potential released by this additional area would be of the order of 33 per cent. of the present cereal production. Here it is assumed that out of the total additional area, only 68 per cent. will be devoted to foodgrains, that the crop pattern will remain unchanged as in the past, and that the yield per acre will be at least at the present level. Nothing need, therefore, stand in our way to obtain a minimum increase of 100 per cent. in our food production.

POPULATION GROWTH

Now, a word about the other side of the picture—the population. This is not the first time when "Malthusian scarecrows" have been raised. Fairfield Osborne, Dr. Chandrasekhar, Dr. Gyan Chand, Mr. Wattal, Prof. Kingsley Davis as well as Mr. J. Russell Smith have painted equally dismal pictures. Furnas went so far as to say that the population of India has reached its "saturation point." A close study of the Census Report will, however, reveal that there is no need for excessive alarm. First, we do not possess adequate data. Secondly, the Report's method of calculation is not scientific. And thirdly, it has assumed static conditions of society and social order, which may not continue to exist.

Let us see the extent to which a reconsideration of the whole problem is called for on the basis of the three points raised above. As regards our statistics, the less said the better. As and when any question of national importance crops up, we simply fumble due to the lack of necessary data. In the words of Mr. Gopalaswami himself, "Of all the countries in the world, Great Britain has perhaps the largest assemblage of the most reliable population data extending in a systematic time series over the longest period in the past. Yet the Royal Commission on population found the data insufficient in material particulars." He adds that, "we do not possess population data which can be compared even remotely with that available to the Royal Commission." With such misgivings about our basic tools, there is every possibility that we may be far away from the reality. If our population could remain stationary at 2384 lakhs during the period 1891 to 1901, could decrease from 2,522 lakhs to 2,514 lakhs during 1911 to 1921 and show a little increase of only 277 lakhs during the next decade, one wonders if we would be justified in calculating our future growth on the basis of the last 10-year period—1941 to 1951, when the increase was 445 lakhs.

The combined annual rate of growth for India and Pakistan even during this last decade works out to 1.2 per cent. as against 1.4 per cent. during 1931 and 1941. Because of unprecedented large movement of refugees on both sides of the border, it is very difficult to arrive at a correct estimate of the population in 1941 for the territory which now constitutes India; hence the likelihood of greater error. If we pay due consideration to the Hindu and Muslim social customs, the greater possibility is a lesser growth in India as compared with Pakistan. This would mean that the real annual rate of growth in India may be even 1 per cent. i.e., the same as for 1921 to 1931. Clearly it would be wrong to form pessimistic opinions about the trends in population on the basis of such faulty data.

KUCZYNSKI'S THEORY

Even if we want to have some rough estimates of population, we should work on the basis, not of obsolete theories or rough and ready methods, but of internationally accepted theories, adopted by others already much ahead of us in the sphere of statistical knowledge. For fixing the lower and upper limits of projected population, the Census Chief has worked on (a) the average of three decades 1921-50 and (b) the rate of growth during the latest of the three decades (when the growth was the highest). In this way, the lower and upper limits of 52 and 53 million respectively have been fixed. This, on the very face of it, would seem to be a very crude method. The correct procedure would be the one based on the net reproductive rate. The conceptions of fertility and reproductive capacity was made familiar by the work of Dublin and Lotka and particularly, of Kuczynski whose findings were accepted by experts like Gini and Carr-Saunders. Dr. Enid Charlis, in this connection, rightly pointed out, "Of late years the treatment of population growth has been revolutionised by the introduction of a very simple and direct index of population growth in a series of important memoirs by R. Kuczynski." The excess of births over deaths is of little significance. What matters is whether a generation in its lifetime, until it dies out, produces more, less or an equal number of children than their own number. The relation between the original and the excess represents the net reproductive rate. The gross reproduction rate is measured by the formula

Total fertility rate $\times$ female births
Total number of births

and net reproduction rate is obtained by adjusting the mortality figures reached. If the mortality and natality relations are such that 1,000 newly born girls give birth to only 1,000 girls during their lifetime, the population will be just static.

For the calculation of this rate, we need know the child-bearing span of life in the case of females. This, as is generally accepted, is 15 to 45 for India. The next problem is to find out the number of girls who survive during this period of their life and the number of female births given by them. Working on the basis of previous Census Reports, Dr. Radhakamal Mukerjee found that out of every 1,000 females born at the age of 15 and only 236 reach the age of 45. The corresponding figures quoted by him for the various countries are: England 798 and 683; Japan 745 and 550; and Sweden 867 and 708 respectively. For India, allowance has also to be made for widows who number as much as 12.8 per cent. according to the present Report. The net reproductive rate seems to be quite favourable for India as compared with other countries, as the following table shows:

Name of country	Year	Net reproductive rate
Russia	1928	1.70
Japan	1925	1.495
India	1931	1.454
England	1921	1.047
Italy	1921-22	1.40
Ukraine	1929	1.40

Again, to quote Colin Clark, even today, "the important point is that India now has a rate of population growth less than the world average and considerably less than that of many of the industrialised Western countries."

A study of India's population increase during the period 1870 and 1910 would also reveal that the real increase in India—18.9 per cent.—was the lowest when compared with 58.2 per cent. in England and Wales, 73.9 per cent. in Russia, 62 per cent. in the Netherlands, 59 per cent. in Germany and 45.5 per cent. for the whole of Europe. As will be seen from the table below, the actual increase was, however, much more. This was, in fact, due to the wider coverage and improvements in census methods—a factor which is unfortunately neglected by many of the demographers.

India's Population
(In millions)

Year	Source	Population	Increase due to inclusion of new areas	Improvements in methods	Real increase	Percent. increase
1872	First partial census	206.2	..	..	..	..
1891	Regular and rather complete census	253.9	33	12	3	1.5
1891	Third and complete decennial census	287.3	6	3	24	9.6
1901	Census	294.3	3	..	4	1.4
1911	Census	315.2	2	..	19	6.4

SOCIAL CONDITIONS

Finally, even if it is accepted that we have got complete data at our command and our method of calculation is correct, there is hardly any justification to assume that social conditions will remain static. The greatest defect of neo-Malthusians, according to De-Castro, is to take population growth as an independent variable, isolated from other social phenomena. The real position however, is that such increases are to a very large extent dependent on political and economic factors. The natural law of this growth was challenged by Marx who pointed out that the rate of increase/decrease changes from period to period in accordance with changing social organisations. Imre Ferenczi, the well-known demographer, thus prov-

ed, after an exhaustive study, that the central doctrine of Malthus stood completely contradicted by historical evolution.

Eva M. Hubback, in his *Population Facts and Policies*, gives a detailed account of the various social and economic factors responsible for the startling reduction in the birth rate since 1875 not only in the United Kingdom but also the whole of Europe. These factors include changes in individual and social attitude, desire for the limitation of children, economic factors, changes in social life and the position of women changes in family habits and diminution in religious belief. For the purpose of the present study, it is necessary to state here that all these factors are already visible in the present-day India and can very well be expected to exercise an influence on this country's future population similar to the one they have exercised on the population of other countries. With improvements in the standards of living, and a shift from agricultural to industrial economy, there is no reason to believe that the present high birth rate will continue.

Most of our economic theories are true only in a stationary state. These assumed economic constants may, however, never remain so in this dynamic world. All our calculations may thus go wrong. Mr. Gopalaswami traces our food shortage from the year 1920—and concludes that the pressure on food is increasing every day. But while making future predictions he forgets the wise sayings of his predecessors. "It may be safely accepted," wrote the Census Commissioner for 1891, "that when food is scarce there are fewer births." Prof. Brij Narain attributed it to prudence, deliberate or instinctive, or physiological causes." But Mr. Gopalaswami, after establishing half the part of the story, himself makes contradictory assumptions.

CONCLUSION

To sum up, the pessimistic picture painted by some of our demographers will turn into an optimistic one, if the latent powers of the multitude of our unprofitable children could be harnessed. There are serious objections to the calculations made by the Census Chief, but even if his findings are accepted, India's population by 1981 will not exceed 53 million. This would mean a little less than one and a half times the

BANCO DI ROMA

Head Office: ROME

PAID-UP CAPITAL AND RESERVE - L.2,400,000,000



ESTABLISHED 1890

OVER 200 BRANCHES IN ITALY

BRANCHES ABROAD:

TURKEY: ISTANBUL, IZMIR - - LEBANON: BEIRUT, TRIPOLI
SYRIA: DAMASCUS - - - ERITREA: ASMARA, MASSAUA
LIBYA: TRIPOLI - - - SOMALILAND: MOGADISCIO, MERCA

REPRESENTATIVE OFFICES:

LONDON, FRANKFURT-ON-THAINE, NEW YORK, BUENOS AIRES

FOREIGN AFFILIATED BANKS:

BANCO DI ROMA (FRANCE): Paris, Lyons, Monte Carlo
BANCO DI ROMA PER LA SVIZZERA: Lugano, Chiasso
BANCO DI ROMA (BELGIQUE): Bruxelles
BANCO ITALO-EGIZIANO: Alexandria, Cairo

CORRESPONDENTS ALL OVER THE WORLD

A. C. E. C. INDIA LTD.

ELECTRICAL ENGINEERS

BOMBAY:

96, Apollo Street, P.B. 893.

Telephone: 25626

Telegram: "EDEMPAIN"

MADRAS:

19-21, Mukernallamuthu Street, P.B. 1636.

Telephone: 3846

Telegram: "EDEMPAIN"

BANGALORE:

Silver Jubilee Park Road, P.B. 603.

Telephone: 3340

Telegram: "EDEMPAIN"

ERNAKULAM:

Broadway (South India).

Telephone: 257

Telegram: "EDEMPAIN"

DELHI:

21, Daryaganj, P.B. 1486.

Telephone: 25856

Telegram: "EDEMPAIN"

MOTORS.
GENERATORS.
SWITCHGEAR.
TRANSFORMERS.
CONDENSERS.
PUMPSETS.
METERS.
EXHAUST FANS.
DIESEL ENGINES.
COPPER WIRES AND CABLES.
RUBBER INSULATED WIRES AND CABLES.
PAPER INSULATED POWER CABLES, ARMoured OR UNARMoured.

TELEPHONE CABLES, ARMoured OR UNARMoured.
WINDING WIRES AND STRIP.
IRONCLAD SWITCH AND FUSE GEAR.
RECTIFIERS AND IMPULSE GENERATORS.
ELECTRONIC DICTATING MACHINE.
FLOODLIGHT EQUIPMENT.
AERODROME LIGHTING EQUIPMENT.
INSULATING MATERIALS, TAPES, CLOTH AND SLEEVES.
ARMS AND AMMUNITION.
WATER AND GAS METERS.

RAM KUMAR AGARWALA & BROS.

4, LYONS RANGE, CALCUTTA I.

Phone: BANK 6494-6

Tele: "MITHAL"

MICA:

CHRESTIEN MICA INDUSTRIES LTD.

World's Premier Mica Company.
Largest Producers and Exporters of Indian Ruby Mica.

COAL:

NEW CHURULIA COAL CO., LTD.

SONEPUR COAL FIELDS LTD.

MANGANESE:

PODDAR-MARTIN MINING AND MINERALS LTD.

ORISSA MANGANESE AND MINERALS LTD.

FINANCE AND INVESTMENTS:

BENGAL HOLDINGS LTD.

CALCUTTA HOLDINGS LTD.

GANGES HOLDINGS LTD.

INDIAN HOLDINGS LTD.

PROPERTIES:

SHREE BHARAT PROPERTIES LTD.

ENGINEERING AND FOUNDRY:

INDIAN MALLEABLE CASTINGS LTD.

Pioneer Manufacturers of Malleable Iron Castings to suit all requirements of Railways, Jute and Cotton Mills and other Industries.

CONTINENTAL TOOLS AND DIE MANUFACTURING CO., LTD.

Manufacturers of all types of Tools, Dies and Gauges, Power Presses and other Sheet Metal Machineries.

REFRACTORIES:

RELINCE FIREBRICK AND POTTERY CO., LTD.

Manufacturers of quality Refractories, Acid Resisting Ware, Fire Bricks of all sizes, Fire Clays and Fire Cements, Acid Proof Bricks and Cement, Alkaline Bricks, Cement, Semi-Vitrified Bricks and Cement, Insulating Bricks and Mortar.

MINERALS:

MERCHANTS' SYNDICATE LIMITED

Mine Owners, Miners, Pulverisers of all Minerals.

ICE AND REFRIGERATION:

HIMALAYA ICE LTD.

FIGURES of 1953 speak of A GLORIOUS ACHIEVEMENT

★

Business in Force	- Over	Rs. 27,22,87,000
Total Assets	- - Over	„ 4,92,32,000
Life Fund	- - Over	„ 4,69,07,000
New Business	- - Over	„ 8,76,69,000

**TOTAL CLAIMS PAID
UPTO 1953:
Over Rs. 1,10,31,000**

★

**SERVICE TO THE PUBLIC
IS OUR ASSET**

★

**THE METROPOLITAN
INSURANCE CO., LTD.
CALCUTTA-13**

THE BANK OF MAHARASHTRA LIMITED

ESTD. 1935

Called and Paid-up Capital	- - Rs. 16,00,000
Reserves	- - - - Rs. 7,00,000
Working Funds exceed	- - Rs. 4,25,00,000

Dividend declared for the last ten years:
5 per cent. per annum tax-free.

BOARD OF DIRECTORS:

Shri V. P. VARDE (Chairman)

Shri S. G. MARATHE

Shri D. K. SATHE

Shri N. G. PAWAR

Shri M. R. JOSHI

Shri F. D. PUDUMJEE

Shri M. V. SHAH

Shri S. L. KIRLOSKAR

Shri B. M. GUPTA

Head Office: POONA 2.

BRANCHES:

AHMEDNAGAR, AMRAOTI, BOMBAY (Fort, Girgaon, Zaveri Bazar and Dadar), BHIWANDI, CHALISGAON, DHULIA, HARIHAR (Mysore State), HUBLI, HYDERABAD (Dn.), JALGAON, KALYAN, KOLHAPUR, KOPARGAON, NAGPUR, NASIK, PANVEL, POONA (Bhavani Peth, Deccan Gymkhana and Kirkee), RATNAGIRI, SANGLI, SHOLAPUR (Phaltan Galli and Murarji Peth), SHRIRAMPUR, THANA.

All sorts of Banking business transacted.

Safe Deposit Vaults equipment at Head Office, Deccan Gymkhana, Poona; Sholapur (Phaltan Galli Branch), Nasik, Ahmednagar and Shrirampur.

Bank's Subsidiary:

THE MAHARASHTRA EXECUTOR & TRUSTEE CO. LTD.

C. V. Joag

Manager.

INDUSTRIAL RESEARCH UNDER C.S.I.R. SOME OF THE ACHIEVEMENTS SO FAR LISTED

By A Special Correspondent

THE objective of industrial research is the material object of civilisation itself—to improve health and comfort and thus extend expectation of life, to enhance happiness, and to enlarge productive ability and usefulness. Industrial research is the outcome of methodical work and is dependent more on the application of existing knowledge than on creation of new knowledge. The amount of scientific knowledge already available which ought to be applied to an industry, and has not yet been applied, is almost always far greater than new contributions to human knowledge.

Though India has produced some of the world's top-ranking scientists and thinkers, her contribution to advancement of industrial research which requires the co-ordinated effort of research teams has so far been negligible. The importance of scientific research as a vital factor in industrial advancement has been recognised in India only in recent years. It was only during World War I that the shortcomings in India's industrial organisation became apparent and the Industrial Commission (1918) suggested some measures for remedying the position.

But no worthwhile progress was made till 1935 when the Government of India established the Industrial Intelligence and Research Bureau, with the object of "making a beginning and to lay the foundation on which the research organisation suitable for the needs of the country could later be constructed." A research branch of the Bureau was located in the Government Test House, Alipore.

BOARD SET UP

The outbreak of World War II created a piquant situation and India had to be developed as an efficient base for war supplies. The Government of India, therefore, established the Board of Scientific and Industrial Research in 1940 "to advise Government on the lines on which industrial research should be conducted and the channels into which it should be guided, in order best to serve the object of ensuring the co-ordinated development of Indian industries, particularly of those the importance and possibilities of which have been prominently brought to the forefront as a result of the conditions created by the war." Dr. Shanti Swarup Bhatnagar, one of India's foremost scientists in the field of applied research, was appointed Director, Scientific and Industrial Research, and Scientific Adviser to the Government of India in 1940. The Board functioned directly under the Government.

C.S.I.R.

The Board constituted six Research Committees and distributed research grants for financing research schemes, according to a planned programme in the laboratories of universities and research institutes.

The encouraging experience gained by the working of the Board brought out clearly the need for a central permanent organisation to place research on a comprehensive scale. The laboratories of the Director, Scientific and Industrial Research, were shifted from Alipore to Delhi in 1942 and the Government decided, in 1942, to create the Industrial Research Fund for the purpose of fostering industrial development in the country. The present Council of Scientific and Industrial Research was established in April, 1942, as an

autonomous body and the Board of Scientific and Industrial Research was made an advisory body.

The period following the establishment of the Council was one of intense constructive activity. In order to fulfil the functions of collection and dissemination of scientific information in regard to research, raw materials, and industrial products, two small units were established, in July, 1942, the office of the Dictionary of Economic Products of India and the Journal of Scientific and Industrial Research. The work of the laboratories of the Director of Scientific and Industrial Research was organised in 1944 under two sections—physical and chemical—and each section was placed under the charge of an acting Director. A planned programme of research directly related to the war effort was drawn up and investigations were conducted in collaboration with the Department of Supply, the Royal Air Force, the American Air Force, the War Department and other defence organisations of the Government.

NATIONAL LABORATORIES

The Government appreciated the progress of work carried out by the Council during its short period of existence and leaders of industry evinced keen interest in its useful activities and gave support by way of munificent donations. Proposals for the establishment of a National Physical Laboratory and a National Chemical Laboratory were made as early as 1942 and accepted by the Government and provision of a grant of Rs. 1 crore for the construction and equipment of "a chain of research institutions" was made in 1944. Additional laboratories were proposed and plans were prepared for setting up the National Metallurgical Laboratory, the Fuel Research Institute and the Central Glass and Ceramic Research Institute.

The attainment of independence in 1947 is a milestone in the history of scientific research in India. The Prime Minister, Mr. Jawaharlal Nehru, announced in August, 1947, the creation of a portfolio of scientific research under him and the Department of Scientific Research began to function from June, 1948, with Dr. S. S. Bhatnagar as the Chief Executive Officer. Ultimately, scientific research came into its own by the creation of the Ministry of Natural Resources in 1951.

The pace of establishment of the national laboratories received a great impetus on account of the extraordinary interest evinced by the Prime Minister and the ceaseless efforts of Dr. S. S. Bhatnagar, with the result that, between the year 1946 and 1954, as many as 12 laboratories and research institutions, with magnificent buildings and excellent equipment, have sprung up, distributed in all the corners of India, from Karaikudi in the south to Delhi in the north and from Poona in the west to Calcutta in the east. Besides, the foundation-stone of the Central Electronics Engineering Research Institute has been laid, taking advantage of the donation of Rs. 21 lakhs offered by Mr. G. D. Birla and the National Botanical Gardens have started functioning at Lucknow. There is also a proposal to establish a Central Mechanical Engineering Research Institute at Calcutta with the promised donation of Rs. 21 lakhs by the late Mr. Jalan.

The main functions assigned to the Council were:

(1) Enlargement of facilities for research, particularly in the applied field, through the national laboratories and co-operative research organisations;

(2) the financing of research schemes in universities and research institutions with the dual object of encouraging scientific research and training of talented young men in methods and techniques of research, and assistance to special institutions or departments for specific studies of problems affecting particular industries or trades;

(3) utilisation of results of research by working out the economics of process developed and establishing their commercial feasibility by pilot plant investigations; and

(4) the collection and dissemination of information not only in regard to research but also to matters of industrial importance.

The first objective has been fulfilled by the establishment of the national laboratories. Some of the significant results of research conducted in the national laboratories are summarised in the following paragraphs:

Fundamental work on thermionic constituents of metals and semi-conductors carried out by Dr. Krishnan in the National Physical Laboratory has excited considerable interest in industrial laboratories in the world and his work concerning quadrature is likely to have many applications in theoretical analysis. Work on thermosonics conducted by Dr. Parthasarathy has led to the important fundamental concept of equivalence of sonic, thermal and mechanical energies. The development of the solar cooker and silver mica condensers and high dielectric constant ceramics are the other projects worth mentioning.

Utilisation of vegetable oils not commonly used such as tobacco seed oil and kamala seed oil in the manufacture of paints and varnishes, substitute vegetable oils to replace coconut oil in soap manufacture, processes for the manufacture of gelatine, citric acid, calcium gluconate, vitamin C, nicotine sulphate from tobacco waste, synthesis of ion exchange resins, use of gelatine as plasma substitute in blood transfusions are some of the many investigations successfully carried out by the National Chemical Laboratory.

MINERALS

Researches in beneficiation of minerals pursued by the National Metallurgical Laboratory have opened out new avenues for the use of indigenous raw materials. Particularly is it true of the work of beneficiation of the reject dumps of manganese ores which have accumulated near manganese mines. The salvaging of the ores worth Rs. 45 lakhs is expected to bring the M.P. State Government nearly Rs. 2.5 crores as royalty. As a result of the work of the Laboratory, the first heavy medium separation plant has been installed by Messrs. C. P. Manganese Ore Company and put into operation some months back. This one example is more than enough to justify all the financial expenditure on industrial research.

The work on coal survey and coal washing carried out by the Fuel Research Institute has revealed a source of pyrites, a valuable source of sulphur in which India is deficient. The important investigations carried out on coal washing have led to the Tata Iron and Steel Company going in for a coal washery plant. The Institute has given valuable advice to industry on spontaneous

combustion of coal in mines and on the surface, coal dust explosions, soft coke manufacture and pulverised fuels.

The Food Technological Research Institute has carried out many useful investigations on preservation of fruits and storage of grains and also on synthetic rice. The Institute's work on shortening has helped the Indian biscuit industry to improve the shelf life of its products. Studies in the nutritive properties of *vanaspati* carried out in the Institute, in collaboration with the Indian Council of Medical Research, have in no small measure been responsible for stabilising the *vanaspati* industry in India.

The Central Glass and Ceramics Research Institute has carried out a survey of glass sands which has proved useful to the glass industry. The investigations on improving the quality of glass containers have greatly helped the Indian ink industry. The work on improvement of the quality of saggers has greatly extended the life of saggers used by the pottery industry.

The other laboratories have also made important contributions to the industry, but their achievements have not been so tangible, because many of them have felt the difficulty in finding suitable staff, trained and interested in research.

RESEARCH SCHEMES

The second objective has been more than amply realised by the working of the grant-in-aid schemes of the Council. The Board of Scientific and Industrial Research is assisted by 25 Research Committees, dealing with all scientific subjects and, on the recommendation of the respective committees, research projects at universities and research laboratories are financed by the Council.

The total number of schemes sponsored by the Board from 1940-54 are 360 and the grant distributed during the period amounts to nearly Rs. 90 lakhs. The grant-in-aid schemes have been responsible for 539 research papers and 122 patents. The value of some of the investigations may be gauged by the following instances:

During World War II, gas cloth valued at Rs. 1 crore and vegetable oil lubricants worth Rs. 5 crores were made by the processes worked out at the Council. The use of birlawan enamels, developed in the Council, in coating millions of textile bobbins resulted in large savings to the textile industry by extending the life of bobbins made from Indian woods several-fold.

Besides, the Council has sanctioned block grants to the extent of about Rs. 25 lakhs to (1) the Bombay University (for the establishment of a chair in dyestuffs technology), (2) the Tata Institute of Fundamental Research, (3) the Institute of Leather Research, Madras University, (4) the Institute of Nuclear Physics, Calcutta, (5) Raman Research Institute, (6) the Indian Statistical Institute and many others of similar nature.

RESEARCH UTILISATION

The third objective, namely, research utilisation, can be said to have been realised by giving the following examples: During the period 1940-53, the Council has taken 270 patents and leased out in all 55 processes for exploitation, besides processes which have been given to all parties free of cost.

(Continued on page 131)

ATUL

India's
LARGEST
manufacturers of
DYES
CHEMICALS
PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED - ATUL, via BULSAR, Western Railway

THE PRAGA TOOLS CORPORATION LIMITED

SECUNDERABAD, INDIA

MANUFACTURERS OF

MACHINE TOOLS

MILLING MACHINES, DRILLING MACHINES,
LATHES

MACHINE TOOL ACCESSORIES

LATHE CHUCKS, DRILL CHUCKS,
MACHINE VICES

CUTTING TOOLS

ENGINEERS AND WORKSHOP SMALL TOOLS
OF ALL TYPES

MEASURING INSTRUMENTS

AUTOMOBILE AND DIESEL ENGINE
COMPONENTS

RAILWAY DUPLICATES

COUPLINGS, VACUUM BRAKE FITTINGS, ETC.

MEDIUM AND LIGHT FORGINGS

QUANTITATIVE JOB WORK AND FOUNDRY
WORK, ETC., UNDERTAKEN

WALCHANDNAGAR INDUSTRIES LIMITED

ARE THE SOLE LICENSEES IN INDIA FOR
THE MANUFACTURE OF

WEBRE CIRCULATORS

These Circulators manufactured by us in India are
now operating on all massecuites.

OUTSTANDING ADVANTAGES:

- (1) SIMPLE AND ACCURATE CONTROL
- (2) FASTER OPERATION
- (3) LESS HEAT INJURY
- (4) BETTER SUGAR
- (5) LOWER MOLASSES

We also manufacture other special and improved type of Sugar Machinery as Webre Pans, Webre Evaporators, Magma Pumps, Jet Condensers, Sulphur Burners, High Velocity Juice Heaters, Car Spotters.



For particulars write to:

WALCHANDNAGAR INDUSTRIES
LIMITED

POST WALCHANDNAGAR, DIST. POONA

TREND OF BASE METALS CHANCES OF STABLE PRICES IN 1955 BETTER

By G. D. Binani

WORLD metal trade occupations in 1954 were quite different from those of the previous two or three years. During the year, there was a mingling of strong, firm and weak factors of demand and metal prices abundantly reflected these trends. The most significant feature was the strong spurt in the prices of copper and lead due to various influences—some fundamental and some transitory.

With resumption of free trading in all the four major metals—copper, lead, tin and zinc—on the London Metal Exchange, which is the hub of world metal activity, daily metal prices are arrived at objectively and impartially by the unhampered interplay of world-wide forces of demand and supply. The value and operations of a forward market are not easy things to describe to the uninitiated, but such a market is of immense importance to producers, consumers and traders. By canalising the activities of the various sections of the industry in different parts of the world, the forward quotations represent a full assessment of all the various factors, both present and prospective, affecting the market situation. Copper, three months forward, in London touched £283½ and lead £106½ in October, 1954, while quotations for spot metal touched record heights at £310 per ton for copper and lead £111½, reflecting local influences accentuated by the dock strike. Although the L.M.E. is now the centre of activity for world metal trade, business activity in the U.S.A. continues to cast its shadow both on the world demand and the supply position. It may be observed that relative to world production and consumption the U.S. figures are as follows:

	U.S.A.	
	Production	Consumption
	Per cent.	Per cent.
Lead	20	30
Zinc	30	50
Copper	30	50
Tin	20	42

Consumption in the U.S.A. of these four major metals is far greater than pre-war, whilst the supply position is relatively less to the extent that from an exporter it has become a net importer of these metals. During the year just ended, American policy had had its perceptible influence on the trend of world metal markets.

Before making an analysis of the situation which prevailed during 1954, it would be worthwhile to refer to the broad features which are typical of all the four metals.

Prices of metals were reasonably steady in the early years of the century, before World War I, with the general overall trend being slightly upward. War demand sent up prices to abnormal heights, followed by a brief collapse in the early 1920's. Improved demand maintained prices at a reasonable level up to 1929, but, subsequently, the general Economic Depression caused the prices of metals slowly to come down to the bottom. This downward trend continued up to the end of 1931 when England decided to go off the Gold Standard. The effect of this step on the prices of metals in the sterling area was to move upward, while the prices in America continued to remain depressed. Except for a brief period in the beginning of the Italo-Abyssinian war, prices continued to remain at low levels until the eve of the declaration of World War II. At the earlier phase of World War II, prices began to move up and ultimately were fixed in many of the producing countries at reasonably high levels in order to encourage production. There was also a pool of such production in the allied countries and their end-uses were restricted for defence purposes only through governmental control measures.

In India, internal prices were not controlled and were allowed to move up in order to help trade to procure metals, virgin and scrap, to feed the various workshops which were occupied with defence programmes. Prices during this period at one time in copper and zinc touched Rs. 200, and lead Rs. 100 and tin Rs. 1,600 per cwt. It must be observed here that, in India, there were two prices during the period: one Government release price and the other the market price. This policy of dual prices helped the Government to meet the situation prevalent at that time and to obtain the uses of which were shut off in other directions due to the higher prices. How the unofficial stockpiles of metals and metal articles in the hands of the masses throughout the country can help the nation in times of emergency, was highlighted by the course of events during this period.

On the termination of the war, various forms of control were gradually lifted in many countries and prices generally tended to move up.

Control in the U.K. continued but prices, however, reflected the trend prevalent in the United States. As a contrast, prices in India which had moved very high during the war began to decline slowly and adjust with world level as imports to India were permitted by the Government. With the restoration of free dealings, world prices tended to return to lower levels. The tables below, which give the indices of commodity prices in London and the U.S.A., highlight the trend of metal prices. Taking the average prices ruling between 1925-34 as the yardstick, it would be surprising to find that, in the U.S.A., copper and lead had gone up by August, 1954, over two and a half times, tin and zinc more than double, while, in the U.K., due to devaluation of currency they had gone up by four and three and a half times, respectively. In copper and lead, the price swing during the last quarter of 1954 was still further upward.

The fundamental broad basis of price movement is generally the cost of production of those mines which provide the backbone of supply. But a study of price movement shows that sometimes short-term considerations such as seasonal changes in consumption, availability of stocks at a given moment, strikes at mines or smelters, national and political developments, etc., have a profound effect on the course of metal prices. In free trading as is now the case, producers' cost influence is indirect or impulsive. During the period of low demand, producers may be anxious to sell and be competing but it is the consumers who take advantage of it and determine the price. When demand increases bidding amongst consumers for available supplies determines the level to which prices may be lifted and high prices determine the rationing for uses and also their priorities. Thus, it is the consumers who finally determine the price.

COPPER

The London Metal Exchange opened on 5th August, 1953. The Government controlled price in the U.K. was £252, whereas the price in America was 28.50 cents per lb., equivalent to £228 per ton. It was, therefore, naturally expected that London copper prices would fall to around £200 under free trading conditions. However, prices for a long period were held steady at around £210 to £230 a ton but, in September, 1954, it started rising the climb up to £310 per ton for cash and £284½ for three months on 5th October, 1954. The extent to which prices of copper soared was an unprecedented record in the last 125 years.

The London Metal Exchange was the subject of a good deal of criticism, owing to the rapidity and extent of the advance in copper prices. But it may be observed here that it is practically the only really effective futures market for copper where the three months' price reflects the world market position, as a high percentage of total production is marketed on the L.M.E. by direct producer-consumer contracts. Naturally, therefore, the London Metal Exchange is highly sensitive to changes in sentiment.

The basic reason for the sudden strength in copper is the expanded demand for that metal throughout the world by 50 per cent. as compared with pre-war levels. Continued absorption of stocks from the market by the U.S.A. for stockpiles; and production during the last two years not coming up to anticipated levels were also other

factors for this development. In the beginning of 1954, Chilean accumulated stocks of over 180,000 tons overshadowed the world market. The U.S.A. then came out to absorb about 110,000 tons to its stockpiles. The balance of 70,000 tons offered through trade channels was also soon absorbed and, just by the middle of 1954, the problem was not of reducing the output but increasing it. Suddenly labour trouble started in various producing countries, causing substantial loss in output resulting in flare-up of prices throughout the world. Conditions, however, were further accentuated in the U.K. due to the dock strike which resulted in shortage of ready stocks and thereby a widening of cash and three months' quotations. If nothing untoward happens in the meantime, this tightening in regard to supply is unlikely to continue beyond the first quarter of 1955. At the moment, copper prices are divorced from the price trend of other metals. But metal prices cannot continue to reflect a lopsided trend. The bulk of basic materials move in line generally, except when there are exceptional factors. Producers too would be anxious to avoid placing this metal out of line with other metals as such conditions would encourage substitution of copper by other metals.

LEAD AND ZINC

Trading in lead on the London Metal Exchange was resumed on 1st October, 1952, with an opening price of £108 a ton. Though it dipped quickly to £80 a ton, by the end of 1952, it was back at £104 a ton. In the first few months of 1953, as with zinc, it declined and touched the low of £77 7s. 6d. on 23rd April, but three months later climbed to £93. With moderate relapse in September and October, prices moved quietly in the range of £88 to £92 a ton.

In zinc, the London Metal Exchange opened on 1st January, 1953, at about £94 a ton for forward delivery. By 23rd April, it declined to a low level of £64 2s. 6d., but three months later climbed to £75 7s. 6d. The market showed considerable stability thereafter. But the low price levels had their reaction on American output and American producers began to seek tariff protection to maintain the domestic mining industry. Prices for the rest of the world's production are governed by factors outside the U.S.A. but a hidden influence is the price structure in the U.S.A. as some 10 per cent. of the world's lead and zinc finds a market there.

During the first half of 1954, lead and zinc moved in the range of £82-£97 and £72-£78 respectively. But prices improved markedly by September and lead spot touched £111½ on 6th October and forward three months £106½ and zinc, both spot and forward, £84 on 11th October.

Following the moves by the U.S. domestic producers for protection from the competitive effect of overseas price, referred to in the preceding paragraph, the U.S. Tariff Commission, after investigating the American domestic mining industry, recommended an increase of 50 per cent. on peace-time duties to protect the mining industry. But President Eisenhower rejected the recommendations and, instead of tariff relief, he said he would take certain affirmative steps designed to "strengthen our mobilisation base for lead and zinc." The steps he outlined included (1) Government purchases at market prices of newly-

mined domestic lead and zinc under the long-term stockpile programme which was expected to be around 200,000 tons of lead and 300,000 tons of zinc in the current fiscal year (1st July, 1954, to 30th June, 1955).

A development of considerable significance to the world non-ferrous metal market was the announcement by the U.K. President of the Board of Trade on 26th July, 1954, reducing the number of items in the embargo list for trading with the Soviet bloc. The entry of Russia as buyer of substantial tonnages of lead on the London market, especially when there was short supplies of lead in Europe, was another bolstering influence to maintain prices at a high level during the second half of 1954. Added to it was the London dock strike which not only delayed supplies of refined lead to the market but necessitated diversion of steamers carrying ore for treatment at the U.K. refinery to Europe. These were the bolstering influences to that pushed up spot prices to higher levels during October and November 1954, while the trend in regard to the forward position was more or less the same as in copper.

TIN

The position in regard to tin is totally different. Ever since 1920, the statistical position of tin has been characterised by structural overproduction. Consumption on a world scale has only twice exceeded production; first between 1932 and 1935, when supplies were drastically curtailed by producers forming the International Tin Committee, and again in the 1942-47 period, during the greater part of which the two important producing areas, Malaya and Indonesia, were kept out of the market. Since 1948, world production has steadily increased, while consumption has not expanded on a similar basis. The following figures released by the International Tin Study Group are significant:

	(In tons)	
	Production	Consumption
1948	157,500	132,000
1949	168,000	117,000
1950	174,000	158,000
1951	167,500	140,000
1952	168,500	130,500
1953	180,000	131,500
1954 (Jan.-July)	103,900	80,400

Though there was an excess of supply over normal consumption needs, for a long period prices were maintained artificially by American purchases to stockpiles. When this gradually came to be restricted, supplies began to press heavily on the market and prices fell steeply and it was feared that uneconomic prices would lead to closure of mining operations, especially in Malaya.

TIN CONFERENCE

An outstanding event in the tin industry was the acceptance, in December, 1953, of the proposed International Tin Agreement, worked out at the 30-Nation Tin Conference. With a view to maintaining a fair degree of stability over prices and a balance between demand and supply, this agreement was arrived at by a sufficient number of tin producing and tin consuming countries. The Draft Agreement provides for an initial floor price of £640 per ton and a ceiling of £880. Following French request, it is now likely that the upper limit may be brought down to £840 a ton. The Agreement, which provides for a revision of these prices, if necessary, also sets out that tin metal buffer stocks of about 25,000 tons is to be contributed by the producer countries. The Interim Committee of the International Tin Council met in London on 20th-21st September and it is understood that draft rules of procedure for the International Tin Council have been finally drawn up and that the first meeting of the Council would be held about the end of 1954.

The Tin Agreement is likely to have its major influence both on the tin industry and the tin market for some years to come. Obviously, uncertainties over developments in the Far Eastern political situation are additional strong market factors which will influence the operators and thereby also the level of prices. Since June, 1954, the London market has ranged mostly between £725-£735 a ton and the Far East between \$360-\$382 a picul and on 5th November, 1954, they were around £726 and \$358½, respectively. The above quotations are midway between the proposed limits set by the International Tin Conference. In the absence of any fresh developments, one cannot foresee any wide fluctuation in tin quotations.

THE GENERAL OUTLOOK

While the above account depicts a picture of the course of prices during the year, metal interests all over the world would naturally be anxious to guess what the outlook is for the

(Continued on page 145)

SOUND AS EVER

BONUS:

RUPEES NINE PER THOUSAND
SUM ASSURED PER YEAR ON
ALL WITH-PROFITS POLICIES

PAID-UP CAPITAL	Exceeds Rs.	6,53,000
LIFE ASSURANCE FUND	" "	1,25,56,000
TOTAL ASSETS	" "	1,64,68,000
TOTAL INCOME	" "	31,00,000

A Progressive Composite Insurance Company
transacting Business in

LIFE, FIRE, MARINE and
MISCELLANEOUS ACCOUNTS

BOARD OF DIRECTORS:

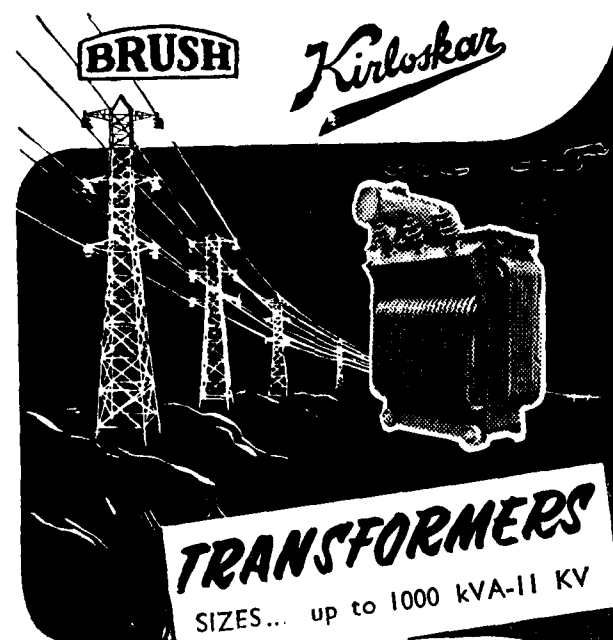
- MR. B. N. CHATURVEDI, B.A., LL.B. (Chairman)
" J. M. DUTT, M.Sc.
" B. C. GHOSH, B.Sc. (Econ.), B.Com. (Lond.), M.P.
" S. K. SEN, M.A., B.L.
" S. N. BANERJEA, M.A., F.C.A.
" N. C. BHATTACHARYA, M.A., B.L., M.L.C.
" B. K. SENGUPTA, M.A., LL.B., F.C.A.
" K. C. DAS, B.A.

CALCUTTA INSURANCE LIMITED

Head Office: 135, Canning Street, Calcutta—1.

Bran hes at:

DELHI, BOMBAY, MADRAS, KANPUR, NAGPUR,
JAMSHEDPUR AND GAUHATI.



3-PHASE AND SINGLE PHASE

Transformers are now manufactured in India

by Kilroskar Electric Co., Ltd., to the designs

of Brush Electrical Engineering Company,

Loughborough, England.

AVAILABLE FOR EARLY DELIVERY
Manufactured by:
KILROSKAR ELECTRIC CO., LTD., BANGALORE-3
Write for more particulars to:
SOLE AGENTS
PARRY & CO. LIMITED
MADRAS P. O. Box No. 12
BOMBAY P. O. Box No. 506
CALCUTTA P. O. Box No. 108
NEW DELHI P. O. Box No. 172

Indices of Commodity Prices

1925-1934 = 100*

	London				U.S.A.			
	Copper	Lead	Tin	Zinc	Copper	Lead	Tin	Zinc
Average price 1925-1934	£56-2.8 per ton	£20-3.7 per ton	£209-7.7 per ton	£22-3.1 per ton	11.80 c. per lb.	5.64 c. per lb.	45.27 c. per lb.	5.31 c. per lb.
1949	237.6	507.4	282.9	309.1	165.3	268.9	219.0	229.0
1950	318.6	527.5	356.2	538.2	183.4	232.1	211.1	261.6
1951	392.5	580.4	515.5	722.2	207.6	306.5	239.1	339.1
1952	462.0	668.6	480.6	674.7	207.6	288.3	288.4	308.5
1953	453.0	453.1	349.5	339.5	246.2	235.4	211.6	204.6
1954	401.1	428.4	312.7	329.5	252.1	231.3	187.4	183.7
January ..	411.3	410.1	315.8	326.1	252.1	223.6	187.9	176.7
February ..	420.6	427.9	344.0	355.2	253.9	225.7	203.0	182.0
March	431.8	463.4	359.7	359.3	253.9	242.0	212.3	193.1
April	431.8	468.8	344.7	359.9	254.2	244.6	206.6	193.9
May	426.6	433.2	348.6	360.7	254.2	244.6	208.1	206.6
June	424.5	474.3	361.4	350.3	254.2	244.6	213.3	207.8
July	421.3	480.2	349.7	341.3	254.2	245.6	206.3	207.3
August								

* Source: International Tin Study Group.

HUKUMCHAND JUTE MILLS, LTD.

(Estd. 1919)
P. O. HAZINAGAR,
NAIHATI, (Eastern Rly.)
West Bengal.



Manufacturers of:

HIGH CLASS HESSIAN,
SACKING, CANVAS,
TENTS, TWINE, WEBBING,
WOOLLEN BLANKETS,
ETC., ETC.



Managing Agents:

M/S. RAMDUTT RAMKISSENDASS,
9, BRABOURNE ROAD,
CALCUTTA-1.

Telephone:
BANK 3195 (3 Lines)

Telegrams:
'JUTIFICIO' Cal.

ANDERSON WRIGHT, LTD.

ANDERSON WRIGHT & CO.

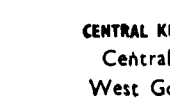
(Established 1872)

ANDERSON WRIGHT
(RAMGARH) LTD.

7, WELLESLEY PLACE, CALCUTTA • POST BOX 140

TELEGRAMS "AMASIS" • TELEPHONE: CITY 2572

MERCHANTS & AGENTS:

	JUTE MILLS: KHARDAH CO., LTD.		INSURANCE: COMMERCIAL UNION ASSURANCE CO., LTD.
	COLLIERY COMPANIES: WEST BOKARO LTD. West Bokaro Colliery		STEAMER AGENCIES: INDIA-NATAL LINE BULLARD KING & CO., LTD.
	CENTRAL KURKEND COAL CO. LTD. Central Kurkend Colliery West Gopalchuck Colliery		PIECEGOODS: HARRIS & CO., LTD.
	KATHARA COAL CO., LTD. Kathara Colliery		PAINTS: STARLINE VARNISH & ENAMEL CO., LTD.
	SUGAR FACTORY: RAMNUGGER CAME & SUGAR CO., LTD.		EXPORTS: JUTE GOODS, PRODUCE, VEGETABLE OILS.

THE RAYALASEEMA MILLS LIMITED

CAPITAL

AUTHORISED - - - - Rs. 30,00,000

ISSUED - - - - Rs. 25,00,000

SUBSCRIBED & PAID-UP - - Rs. 22,33,800

Registered Office and Factory:

RAYANAGAR
ADONI-THUNGABHADRA ROAD
ADONI P.O.

Telephone:
ADONI 60

Telegrams:
"RAYAMILLS"

MANAGING AGENTS:

THE RAYALASEEMA DEVELOPMENT CO.
RAYANAGAR, ADONI P.O.

H. SITARAMA REDDY, B.A., B.L.,
Chairman, Board of Directors.

CONSIDERABLE stability and signs of a return of normalcy were the main characteristic features of India's foreign trade in 1954. These factors were largely the result of improved economic conditions prevailing in many parts of the world, as also in the Indian Union, throughout this year. With the gradual disappearance of the fear of a world economic recession, business conditions in the important industrial countries of the West were fairly brisk which, in turn, exercised great beneficial influence on the export trade of India. The intake of many of India's major commodities, such as jute goods, tea, cotton cloth, etc., by trading nations was better and, in consequence, the value and the volume of export trade in a number of items recorded a moderate improvement.

From the commencement of the year, the Government of India took up a number of constructive measures, with a view to stepping up the country's export trade. The most important among them was the allowance of a drawback of duty on several imported items used in the manufacture of articles exported from the country. This concession, which was first given in respect of cloth in the last quarter of 1953, began to be gradually extended to a number of other articles—steel strips, kraft paper, mineral oils used in the manufacture of insecticides, tanning extracts, some kinds of wood, sisal, shoe uppers, scarves, vanity bags, plastic goods, fountain pens, etc. Another measure taken to stimulate the export trade was the adjustment or abolition, as the case may be, of export duties. The idea here was to increase the competitive capacity of Indian goods in overseas markets and also to enable India to increase the quantum of its exports. Mention may be made, for instance, of the abolition of export duties on mustard oil, rapeseed oil, linseed oil, nigerseed oil and cottonseed oil. In order to encourage exports of vegetable oils—as against seeds—the Government imposed an export duty of Rs. 150 per ton on kardi and niger seeds. The export duty on groundnut oil was first brought down from Rs. 350 to Rs. 225 per ton on 1st September and was further reduced to Rs. 100 on 4th November. The *ad valorem* duty on black pepper was also slashed from over Rs. 100 to Rs. 65 per cwt. When the flow of manganese ore began to slow down, the export duty of 15 per cent. *ad valorem* was abolished. With a view to augmenting the sendings of cut and polished precious stones, the im-

FOREIGN TRADE OF INDIA ADVERSE BALANCE WIDENS

port duty on these was reduced from 20 per cent. to 5 per cent. Again, the Government liberalised export quotas in respect of raw cotton, groundnut oil, H.P.S. groundnut kernel, castor oil, etc., in the last quarter of the year when it found that there was noticeable improvement in their supply. Export duties on raw cotton were also adjusted towards the close of the year.

Another method by which the Government began to encourage exports related to the setting up of Export Promotion Councils. The first organisation created for this purpose was in respect of textiles. An inspectorate for supervising cloth exported was also established. A similar council for silk and rayon is expected to take practical shape shortly. The Government's policy in this respect has been to encourage the formation of such organisations by the respective trades themselves. Besides these, the Government tried to encourage the export trade through participation in international exhibitions and through conclusion of bilateral trade agreements with a number of countries. Trade delegations were also sent for creating personal contacts with business men in some foreign countries. Thus, a tobacco delegation was sent to China, while Mr. Kasturbhai Lalbhai led another delegation to the U.S.S.R. and Poland. Another delegation was sent to the Middle East towards the far-end of the year.

In regard to imports, the Government followed a rational policy which was fair to consumers and producers alike. The policy was also motivated not only to maintain but also to increase the industrial tempo of the country. In view of the improved exchange position, the Government adopted a policy of liberal imports of essential industrial raw materials, allowing, at the same time, increased varieties of token imports, so as to enable Indian industrialists to concentrate on production of quality goods to satisfy the discriminating taste of consumers. A policy of limited liberalisation was also followed in respect of essential consumer goods. Even in the first quarter of the year, import quotas were enhanced for 22 items, such as razor blades, unset pearls, moulding powders, etc. At the same time, the Government stepped down import quotas in respect of some articles,

the production of which showed a moderate increase within the country. The number of articles under this head was about 34 in the first quarter of 1954, prominent among them being table fans, steel screws, and a few drugs and medicines. In view of the fact that some industries such as coal-tar dyes, safety-razor blades, fountain pens, and glass beads have begun to take root in the country, the Government was able to free some of these articles from the operation of the G.A.T.T., so that it could give some protection to indigenous industries against unfair competition.

Yet another way in which the Government approached the whole problem was from the angle of raising more revenues to the Treasury by raising import duties on a number of consumer goods, imports of which began to be liberalised. Besides increasing the quantum of goods available to the consumer, it desired to curb the unfair and un-social activities of some established shippers who began to corner essential consumer goods—safety-razor blades for example—and to raise their prices to high levels. With this purpose, the Government enhanced quotas for many consumer goods and enhanced the duties also to a high level. In other words the Government began to place more and more reliance on tariffs in its policy of relaxing import control regulations. At the same time, it tried to diversify the import trade so as to provide greater opportunities for employment in the mercantile trade. This policy was largely given effect to during the second half of the year. The increased quotas covered nearly 78 items. The scope of the basic period policy was extended. The Government was also

taking precautions to see that there was no overtrading and that licences were not obtained merely with the idea of using them if and when scarcity developed. This aim was sought to be achieved by limiting the validity of licences issued under the limited liberalisation scheme to a period of six months, and by exercising vigilance over the issue of high value licences to applicants with relatively small means.

On the sea- and air-borne trade account, imports during 1954 are expected to aggregate about Rs. 560 crores, as against Rs. 544.1 crores in the preceding year, while exports are likely to improve slightly from Rs. 524.3 crores in 1953 to Rs. 530 crores. If these estimates based on latest available figures materialise, the adverse trade balance will move up from Rs. 19.8 crores in 1953 to about Rs. 30 crores during the year under review. Although there has been a moderate decline in the value of imports of foodgrains, machinery and millwork, such appears to have been more than offset by larger intake of mineral oils, raw cotton, chemicals, drugs and medicines, vehicles, dyes and colours and non-ferrous metals. In other words, there has been a substantial rise in the volume of imports of industrial raw materials, reflecting, in their turn, the expanding economic activity of the country during 1954. Even in regard to food imports, there is not likely to be any notable decline.

Another significant development in respect of import trade during 1954 was the change in the order of importance. For instance, during 1951 and 1952, the first three places were occupied by foodgrains, raw cotton and machinery, while mineral oils came fourth in the list. In 1953, mineral oils took the second place, while, in 1954, they occupied the place of pride in the import trade.

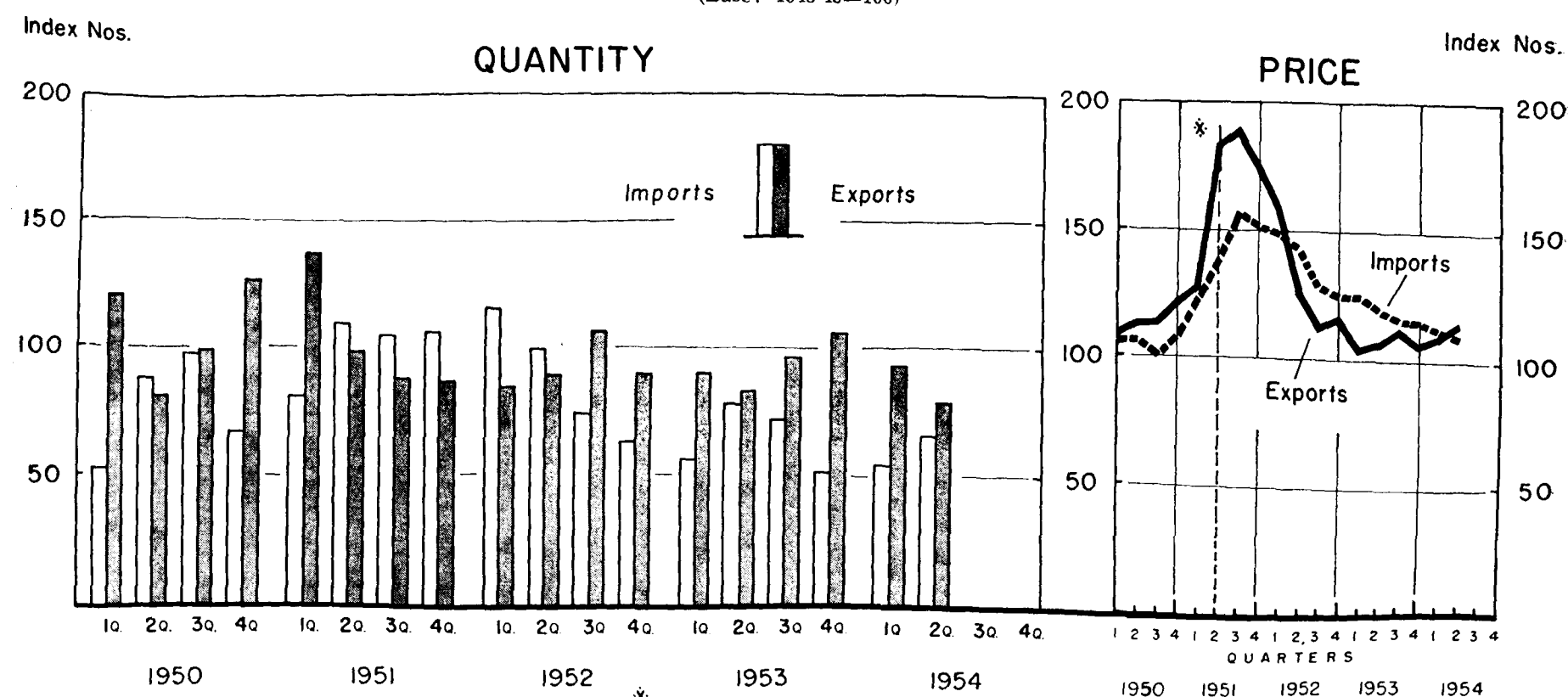
The following table gives the trend of trade (sea- and air-borne), monthly-wise, during the last four years:

(In crores of rupees)									
	Imports				Exports				
	1951	1952	1953	1954*	1951	1952	1953	1954*	
January	53.1	88.3	40.9	37.6	60.6	64.5	43.8	44.1	
February	51.3	78.2	38.7	38.2	58.7	45.8	38.7	40.2	
March	57.8	88.1	45.5	48.1	58.0	48.5	40.8	40.8	
April	57.0	79.4	55.8	46.0	55.3	42.4	38.5	30.0	
May	70.8	78.4	55.4	60.1	67.0	48.1	40.6	38.8	
June	69.6	61.8	49.7	44.1	63.2	49.5	30.6	42.7	
July	67.4	58.0	49.0	52.2	58.6	51.7	40.6	46.2	
August	69.4	57.6	47.2	44.3	62.2	63.2	39.1	44.9	
September	66.9	47.7	49.4	46.7	60.5	46.6	49.6	40.4	
October	64.9	43.7	43.5	51.9	48.5	52.9	47.3	40.8	
November	68.2	40.1	37.3	..	62.3	40.4	47.9	..	
December	73.6	43.7	37.7	..	66.7	44.3	51.1	..	
Total	769.0	785.1	544.1	450.8*	763.1	592.5	524.3	429.3*	

* Figures for ten months only.

GENERAL INDEX NUMBERS OF IMPORTS AND EXPORTS

(Base: 1948-49=100)



The following table gives the trend of imports (commodity-wise) during the last four years:

(Value in crores of rupees)	1951	1952	1953	1954*
Foodgrains ..	153.6	208.1	84.5	19.1
Mineral oils ..	71.6	84.4	86.0	68.6
Raw cotton ..	113.7	115.4	50.0	45.3
Machinery and mill work ..	109.9	94.6	87.0	52.8
Chemicals, drugs, medicines, etc. ..	31.4	30.5	24.4	19.2
Iron and steel ..	21.8	25.5	23.0	10.2
Vehicles excluding locomotives ..	30.2	35.0	23.2	19.6
Dyes and colours ..	21.7	12.5	15.8	13.1
Electrical goods ..	9.6	12.9	15.0	7.2
Cutlery, etc. ..	19.5	15.9	14.8	10.5
Non-ferrous metals ..	20.0	20.3	16.7	14.4
Paper, etc. ..	15.9	12.6	12.6	8.6
Cotton manufactures ..	6.0	5.4	3.3	1.9
Other yarns and textile fabrics ..	25.9	9.4	12.6	8.5

* Figures for first eight months only.

MAJOR COMMODITIES DO WELL

In the export section, all the major items fared extremely well during the year under review. The quantum of jute goods exported in 1954 may be estimated at about 840,000 tons, as compared with 748,000 tons in the preceding year. The total value of these will go up to Rs. 120 crores. The value of tea exports will also come very close to this level. Although the quantum of tea exports during 1954 will be somewhat lower than in 1953, their value is expected to show a substantial rise, on account of the phenomenal rise in prices. The quantum of tea exports during the first nine months of 1954, for instance, was lower at 271 million lbs., as against 313 million lbs. in the same period last year, but their value recorded a substantial rise from Rs. 63.06 crores to Rs. 72.26 crores. Exports of cotton manufactures in the same period amounted to Rs. 53.3 crores, as against Rs. 46 crores in the corresponding period last year. Among other articles, a moderate increase occurred in the value of despatches of lac, raw and tanned hides and skins, cotton waste, raw wool, woollen carpets, and rugs and coir manufactures. Substantial declines were recorded in the exports of vegetable oils, in view of the restrictive policy adopted by the Government in the early part of the year. Now that exports of these items have been considerably liberalised, it is likely that their value will show an impressive increase in the coming months. The quantum of pepper exports during the first three quarters of 1954 was higher by about 40 per cent, as compared with the corresponding period, but their value was marked down from Rs. 11.15 crores to Rs. 9.01 crores. The position in respect of mica was similar; the value dropped from Rs. 6.05 crores to Rs. 4.94 crores, despite a smart increase in the quantum. As regards lac, the position was reversed on account of higher prices fetched by this commodity in the export markets. The value of exports rose from Rs. 4.85

crores to Rs. 6.39 crores during the nine months ended September, 1954, while the quantum receded from 4.5 lakh cwt. to 3.89 lakh cwt. The quantum of manganese ore exports fell appreciably from 1,195,000 tons to 803,000 tons.

The following table gives the trend of exports (commodity-wise) during the last four years:

(Value in crores of rupees)	1951	1952	1953	1954*
Jute manufactures ..	241.1	162.4	110.5	78.5
Tea ..	95.0	80.2	102.6	57.4
Cotton manufactures ..	94.1	73.2	63.4	47.4
Manganese ..	15.3	32.9	30.5	18.8
Hides and skins (tanned) ..	33.4	17.6	25.4	14.0
Raw cotton ..	25.7	24.6	20.0	10.9
Spices (mainly pepper) ..	29.9	22.8	16.6	11.7
Fruits, vegetable (mainly cashew nuts) ..	13.5	16.7	14.3	7.7
Tobacco ..	10.4	14.8	11.9	7.6
Vegetable oils ..	23.2	25.3	10.5	3.8
Metallic ores (mainly mica) ..	14.6	10.5	9.3	5.6
Lac ..	18.3	9.2	7.5	6.0
Wool ..	9.9	9.6	6.5	5.3
Hides and skins (raw) ..	10.1	14.6	15.3	8.6
I. Food group ..	159	143	118	63
II. Raw materials and semi-manufactures group ..	417	294	242	167
III. Manufactures group ..				

* Figures for first eight months only.

Quantum of Exports

	1952	1953	1954*
Tea .. (mln. lbs.)	413	502	271
Cashew kernels .. (000 cwt.)	26	25	22
Pepper .. (000 cwt.)	284	229	254
Tobacco .. (mln. lbs.)	96	73	62
Raw cotton .. (000 tons)	46	46	18
Lac .. (000 cwt.)	658	550	389
Mica .. (000 cwt.)	307	253	242
Manganese ore .. (000 tons)	1,412	1,655	803
Hides and skins, raw .. (000 tons)	15	13	9
Raw wool .. (mln. lbs.)	39	24	20
Cotton piece goods .. (mln. yds.)	598	658	636
Jute manufactures .. (000 tons)	737	748	631
Coir yarn and manufactures .. (000 cwt.)	1,220	1,470	1,036

* Figures for nine months only.

SHRINKING TRADE WITH PAKISTAN

The one notable development in the post-partition period has been the gradual shrinkage in trade between India and Pakistan. The sea- and air-borne trade with West Pakistan has become practically negligible, the figure of imports into, and exports from, India during the first five months of the fiscal year (April to August) amounting to barely Rs. 5 lakhs and Rs. 102 lakhs, respectively. Even in regard to land-borne trade account also, the volume and the value of trade with East Pakistan have declined appreciably in recent months. Imports into India from East Pakistan mainly consist of raw jute, fish, raw hides and skins, fresh fruits and vegetables, eggs, kapok, etc., while exports from India are largely confined to coal and coke, cotton manufactures, drugs and medicines, etc. In regard to imports of raw jute, the quantum has been below the 1.5 million-bale level in the last two seasons. For instance, imports of raw jute from East Pakistan, which stood at 2.51 million bales and 1.78 million bales in 1950-51 and 1951-52 (July-June) seasons, respectively, were marked down to 1.29 million

bales in 1952-53. During 1953-54, however, there was a small increase to 1.44 million bales. It is likely that imports of raw jute will remain at about this level during the next few years also. India will continue to experience an adverse trade balance with that country, unless the latter modifies its import policy, allowing more imports from this country.

The trend of land frontier trade between India and Pakistan, Afghanistan, Iran and Burma since 1952 is indicated below:

(In crores of rupees)	1952	1953	1954*
Imports ..	13.2	5.5	5.7
Exports ..	9.5	1.6	1.9
1st ..	4.5	3.1	4.4
2nd ..	4.4	8.7	4.5
3rd ..	10.8	5.6	2.6
4th ..			
Total ..	32.9	24.8	14.6

* Figures for first nine months only.

The following tables give the course of geographical distribution of trade during the last four years:

Main Importers To India

(In crores of rupees)	1951	1952	1953	1954*
U.K. ..	154.2	149.3	140.6	97.9
U.S.A. ..	207.0	273.9	90.6	51.4
W. Germany ..	26.0	24.5	28.8	21.0
Australia ..	17.9	15.1	29.8	7.5
Canada ..	22.6	11.0	21.0	18.4
France ..	25.3	20.7	18.9	2.3
Italy ..	23.0	31.1	18.2	18.3
Japan ..	9.3	17.3	17.6	13.8
Netherlands ..	19.9	19.7	16.1	12.7
Sweden ..	18.9	13.8	14.0	11.1
Switzerland ..	8.5	15.8	13.4	13.2
Belgium ..	12.4	13.7	10.5	8.1
Denmark ..	10.3	12.6	10.9	8.8
Spain ..	10.1	8.0	8.1	6.3
Portugal ..	14.6	3.5	8.3	1.0
Belgium ..	8.9	7.6	7.2	6.2

* Figures for eight months only.

Best Customers For Indian Goods

(In crores of rupees)	1951	1952	1953	1954*
U.K. ..	194.8	125.7	147.5	92.9
U.S.A. ..	136.4	119.5	94.2	53.7
Japan ..	17.5	25.3	25.9	9.6
Argentina ..	20.4	4.5	20.9	8.4
Burma ..	18.5	23.6	20.3	11.5
Ceylon ..	19.2	19.9	17.6	10.6
Australia ..	45.1	23.4	10.0	14.7
Canada ..	17.2	12.7	13.9	9.1
W. Germany ..	9.2	12.5	10.3	10.3
Singapore ..	23.7	15.1	9.3	4.8
Aden ..	6.7	6.0	8.0	5.7
Nigeria ..	9.5	10.3	6.3	5.5
Netherlands ..	13.7	10.4	5.4	3.4
France ..	12.7	6.0	5.3	3.1
Belgium ..	9.8	6.5	5.3	2.7

* Figures for first eight months only.

CEMENT EXPORTS TO BURMA

India is gradually losing the Burmese cement market, which is now being captured by Japan. Japan's annual cement exports to Burma jumped up from 2,000 tons to about 20,000 tons last year, while India's exports declined from 22,000 tons to 6,000 tons. The set-back to Indian exports is attributed to the high price of Indian cement, as compared with the Japanese product—Indian cement is sold at Rs. 9 per cwt., which is Rs. 2-8 higher than the price of Japanese cement.

CEILING TO AGRICULTURAL HOLDINGS

(Concluded from page 87)

The foregoing analysis shows that positive gains to be obtained from the policy of fixing up ceilings are of a very doubtful nature, while the disadvantages are very real and apparent. Essentially, the idea of ceiling is related to the consideration of technology. By setting up low ceilings, say at 30 or 50 acres, we set an equally low limit to the possibilities of the application of better and higher technological methods even on a limited scale. In place of trying to eliminate the tiniest un-economic units and thereby enlarging the average unit of production, we are trying to eliminate bigger units and thereby reducing the size of the average unit of production. It is a retrograde step; further, it shows lack of faith in the development plans for absorbing surplus manpower from the sector of agricultural economy. Perhaps, it is not fully appreciated that, in a developing economy, the role of land in relation to other factors gradually declines.

Achievement of a higher type of diversified economy depends upon a progressive withdrawal of surplus manpower from agriculture for employment in other sectors of economy in secondary and tertiary occupations, so that the primary requirements of food and raw materials of the entire nation are supplied by a progressively diminishing percentage of the people, till a desirable equilibrium between primary and higher occupations is established. For a country like India, an objective of fifty-fifty ratio to be achieved in the near future is considered desirable.

MOVE UNDESIRABLE

By setting up ceilings, we are not only introducing an element of rigidity, but, by fixing up low ceiling and clipping large units, we are further establishing a lower level of occupational diversity from which we might be forced to go down lower still. In so far as no clear picture of the effects of the recent land reform measures has been allowed to emerge and no basic data with regard to the operational efficiency of units of different sizes in different regions and areas for taking policy decisions has been obtained through careful analysis of reliable data, the imposition of ceiling to holdings seems to be very much premature and inopportune. In our opinion, a high-powered Land Commission should go through the entire land reform legislation and programmes adopted in different States and, after obtaining and considering more substantial basic data, should advise the Government to take well-considered decisions on land policy and plans. —All Rights Reserved.

THE UNION BANK OF INDIA LIMITED

(Established 1919)

Head Office:

APOLLO STREET, FORT - - - BOMBAY

Capital Paid-up - - - Rs. 40,00,000

Reserve and Other Funds - Rs. 31,50,000

Chairman: M. S. CAPTAIN, Esq.

OVERSEAS BUSINESS

Special Department at the Bank's Head Office is fully equipped to handle every description of Overseas Banking Business.

INQUIRIES ARE INVITED

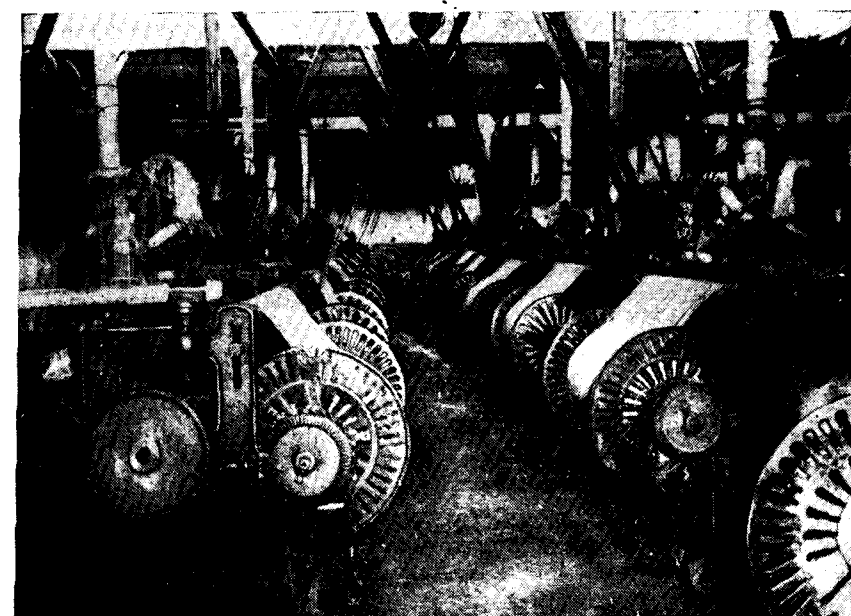
London Agents:

WESTMINSTER BANK, LIMITED
NATIONAL CITY BANK OF NEW YORK

Australian Agents:

AUSTRALIA & NEW ZEALAND BANK LIMITED

F. K. F. NARIMAN,
General Manager.



Indian Jute and Cotton Mills are now using our Malleable Products.

BEAM FLANGES LOOM SWORDS
BOX FRONTS ROVING STEADIERS
DOG CASTINGS
etc.

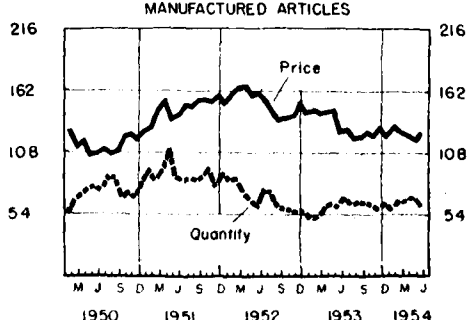
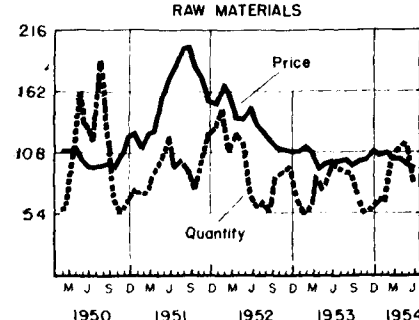
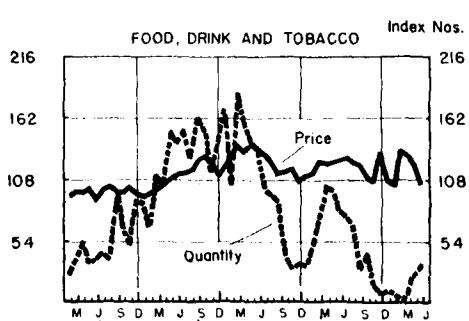
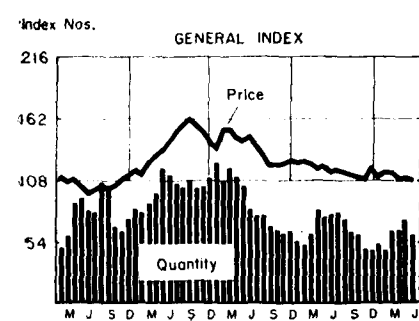
PIONEER MANUFACTURERS OF MALLEABLE IRON PRODUCTS IN INDIA

INDIAN MALLEABLE CASTINGS LTD.

4, LYONS RANGE, CALCUTTA.

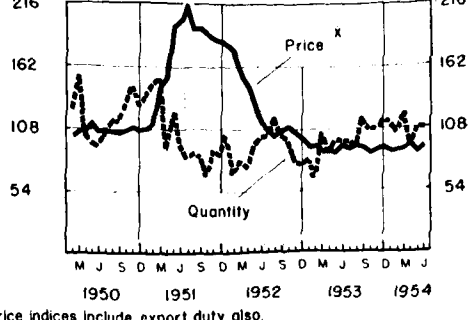
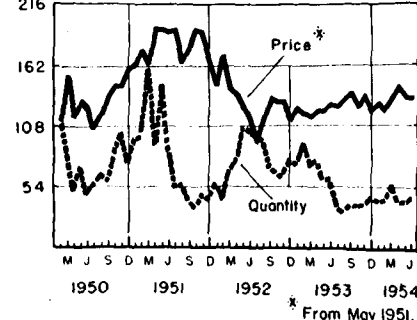
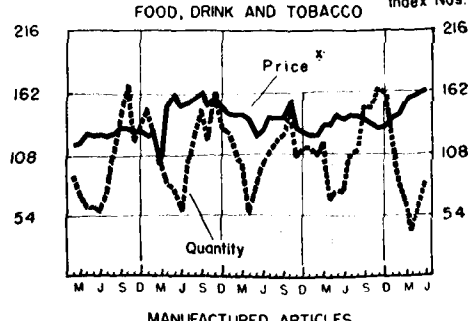
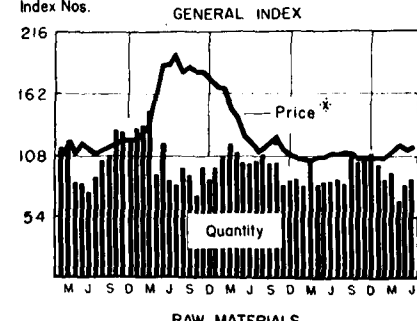
INDEX NUMBERS OF IMPORTS (GROUP-WISE)

(Base: 1948-49=100)



INDEX NUMBERS OF EXPORTS (GROUP-WISE)

(Base: 1948-49=100)



* From May 1951, price indices include export duty also.

DOWNWARD CURVE IN INDIAN COMMODITY PRICES

ALL-ROUND FALL IN COST OF LIVING

ONE of the most satisfactory features of India's economy during 1954 was the downward trend of commodity prices, in refreshing contrast to the upward trend witnessed in the previous year. The all-India average general index of wholesale prices (base: year ended August, 1939=100) for the week ended 27th November, 1954, stood at 371.7, as against as high as 398.5 in January, 1954, and 410.4 in August, 1953. In fact, this was a much lower level than that prevailing even before the Korean war. The decline in prices over the year (on the basis of figures for 11 months) was of the order of 6.7 per cent., the average index being 388.3. In 1953, it will be recalled, there was a sharp rise of 9.4 per cent. in prices, the average index being 394.4. What is more, the fluctuations in prices during 1954 were not as wide and erratic as in the previous years, the difference between the highest and the lowest monthly averages being only 28, as against 33 in 1953 and 63 in 1952.

Several important influences having a bearish effect on prices were in operation during 1954. Undoubtedly, the most outstanding was the substantial improvement in agricultural and industrial production. The agricultural year 1953-54 was marked, for instance, by a record level of production of cereals and pulses aggregating 66 million tons, which compares favourably with 53.42 million tons in 1952-53, representing a rise of more than 23.5 per cent. Industrial production also registered a handsome improvement. The average interim general index of production (1946=100) for the first eight months of 1954 was 142.5—it stood at a high of 147.8 in July—as against 133.5 for the corresponding period of 1953 and 135.2 for the whole of 1953.

OTHER BEARISH FACTORS

Reduction in the selling prices of imported rice, wheat and milo and restrictions on exports of groundnut and castor oils were the other notable factors responsible for the fall in commodity prices. An additional bearish factor on prices was provided by the free flow of coarse grains from surplus States to deficit areas. Controls on foodgrains were lifted further, bringing almost complete freedom to the trade engaged in foodgrains. This, too, gave a further momentum to the downward trend of prices, especially in cities like Bombay and Calcutta. Liberalisation of imports of a number of consumer goods—sugar, in particular—too had a salutary effect on the level of prices. As regards the influence of monetary factors, the increase in money supply which occurred during the year was so small that it could not offset the effects of the aforesaid factors.

An analysis of the general trends in the various constituents of the

index reveals that, during the first 11 months of 1954, all the group indices, with the exception of manufactured articles, showed net declines. The decline was particularly marked in the case of miscellaneous goods, the index of which fell from 709.8 in January, 1954, to 605.7 in October, a fall of 14.6 per cent. Over the year 1953, it will be recalled, this group had registered a steep rise of as much as 16.4 per cent., the index moving up from 620.0 in January, 1953, to 721.9 in October, 1953. The fall of 14.6 per cent. in the index of miscellaneous group during 1954 was accounted for by practically all the items entering into this group, especially *vanaspathi*, black pepper, chillies, turmeric, cummin seed (*jeera*), betelnuts, cashewnuts, tobacco-leaf, bricks and tiles.

FOOD ARTICLES

As regards food articles, the wholesale price index stood higher at 381.5 in January, 1954, as against 367.0 in December, 1953, following the rise in the prices of wheat at Amritsar and Hapur, *jauwar* at Amravati and *bajra* at Hyderabad. The increase in the prices of tea, sugar and *gur* was also responsible for the rise. Since February, there has been a fall in the index, the latest figure available being 323.4 as at 27th November. Since January, the index of food articles has thus receded by 58 points, representing a drop of more than 15.2 per cent. This fall must be attributed chiefly to pulses, the index of which drifted lower, from as high as 424 in the beginning of the year to 257 on 27th November, 1954. It was also due, to some extent, to the decrease in the index of cereals from 429 to 375.

The downward trend in prices of pulses and cereals followed an impressive advance in output, which was rendered possible by favourable weather conditions, increased irrigation facilities and improved farming methods. In respect of rice, the record production in 1953-54 could partly be attributed to the application of the Japanese method of paddy cultivation. An idea of the price movements in respect of this group can be had from the following figures:

	October, 1953	December, 1953	October, 1954
Rice	523	482	493
Wheat	567	579	478
<i>Jauwar</i>	195	189	166
<i>Bajra</i>	274	262	213
Gram	307	357	254
Tea	423	474	606
Coffee	592	575	641
Sugar	273	290	301
<i>Gur</i>	312	225	250

It will be seen from the above table that, barring tea, sugar and *gur*, the prices of all the other items have staged a retreat. The increase in the price of tea was occasioned chiefly, as in the previous year, by excellent export demand. Despite the comfortable supply position, sugar price also registered a rise, thanks to defects in the administration of controls over releases of sugar and unsocial activity in the form of cornering of stocks by a section of the sugar trade. The price of *gur*, too, moved up, on account of enlarged demand both for direct consumption and for the manufacture of illicit liquor.

INDUSTRIAL RAW MATERIALS

In line with other agricultural commodities and following satisfactory supply position, prices of industrial raw materials were generally downward throughout the year under review. The index of this group as on 27th November, 1954, was 442.9—the average for the month of August was even lower at 420.8—as compared with 481.1 in January, 1954. Among these materials, oilseeds suffered a precipitous fall from 548 to 403, a decline of over 26.4 per cent. Although this was in sympathy with the world-wide break in oilseeds and oil prices, brought about by large-scale sales by the U.S. Commodity Credit Corporation, there were several other important bearish factors. Mention, for instance, may be made of the appreciable increase in groundnut crop, restricted policy of export quotas for oils and high level of export duties. Lower export price of manganese, iron ore and mica were responsible for a decline of 7.5 per cent. to 415 in the index for minerals. Despite the fall of 21 points to 400 (October) in the index for raw jute and of 19 points to 442 (September) in the index for raw cotton, the "fibre" index advanced from 463 in January to 478 on 27th November, as a result of higher prices for raw wool and silk. The rise of 27 points to 436 in the index for other raw materials was brought about by an increase in the prices of raw hides, raw skins and lac.

SEMI-MANUFACTURES

Notwithstanding the firm tendency revealed by the prices of minerals, cotton yarns and metals, the index for semi-manufactures slid down by stages from 361.5 in the beginning of the year to 347.6 on 27th November. The main sub-group contributing to this fall was that representing

vegetable oils. The index for this group has gone down by 109 points to 439, a fall of nearly 29 per cent. All the oils—coconut, groundnut, castor, linseed and gingelly—have shared in the fall, the chief factor responsible being the low prices quoted for oilseeds for reasons already referred to. Prices of oilcakes and leather also were lower, the indices receding from 420 and 397 to 401 and 370, respectively. The index for mineral oil sub-group was unchanged at 221 throughout the year. Cotton yarn prices, however, proved an exception and recorded a rise, the index moving up by 13 points to 452, although production was maintained at a high level. This was, perhaps, due to increased offtake in yarn by handlooms and powerlooms, engendered by the various measures taken by the Government for bolstering up the economy of the handloom industry. Higher prices of zinc, copper and brass raised the sub-group index for metals by four points to 240.

MANUFACTURED GOODS

As regards manufactured goods, the wholesale price index, after steadily rising from 364.3 in January to 381.1 in May, has since tended to look down, the figure for the week ended 27th November, being 377.2. Nevertheless, the net variation over the 11-month period was an increase of 3.4 per cent. The main sub-group contributing to the increase was textiles, the index for which went up by 20 points to 421. This was so because the index for jute manufactures, one of the important constituents, shot up from 423 to 457, consequent on better demand from overseas countries. The rise would have been greater still but for the marked expansion in output and lower prices for raw jute. The index for cotton manufactures, another important constituent, also recorded an improvement, from 397 to 415, an unusual phenomenon in that it occurred despite the record level of cloth output and the relatively lower prices for cotton. The index of rayon and silk textiles, too, increased by 25 points to 445. Woollen goods, on the other hand, accounted for a fall in prices, the index retreating from 313 to 310. There was an advance, albeit slight, in the prices of metal products, the index for the week ended 27th November being 340, as against 337 in January. This was the result of the upward revision in the prices of most of the items of iron and steel manufactures by the Government in March, 1954. Among other manufactured goods, prices of cement, glass and footwear registered a rise, while those of soaps, chemicals, tyres and tubes, paints and dyestuffs suffered a fall.

COST OF LIVING

Thanks to the decline in the market prices of foodgrains, the

BOTTLENECKS IN TRANSPORT PERSIST

NATIONALISATION OF ROAD TRAFFIC LEADS TO STAGNATION

IT requires no prophet to say that a country's economic progress depends upon the development and maintenance of an efficient, adequate and economic system of transport. For this is quite obvious. Indeed, transport is to the nation what arteries are to the body. But, unfortunately, even during 1954, there was no significant development in the field of transport which could usher in a new era of industrial and agricultural progress. The development of road transport suffered this year also due to the continuance of restrictive licensing policies by the State Governments.

(iv) Where Government participation is contemplated, the setting up of a tripartite organisation in which State Governments, railways and private operators will participate, should be favoured.

(v) In areas to be left entirely to private operators, special encouragement should be given to the formation of viable units.

The development of roads also suffered for want of adequate attention from the Central and State Governments. India has hardly 201 miles of roads per 100 sq. miles, as against 2,017 in the U.K. and 3,988 in Japan. The number of automobiles, the quickest means of transport, is about 250 per 1,000 sq. miles in India, as against 1,300 in Ceylon, 7,000 in France, 12,000 in the U.S. and 30,000 in the U.K. The number of automobiles work out to 93 per population of 100,000 in India, 500 in Ceylon, over 3,600 in France and the U.K. and 26,000 in the U.S. It is, indeed, regrettable that, despite this backward state of road and road transport development, the powers-that-be have not thought it fit to give the attention and encouragement due to it.

(iii) Within the areas which are included in the approved nationalisation schemes, permits should be granted for the longest period permissible under the expansion schedule, but within the maximum limit set by the Motor Vehicles Act, 1939.

(iv) Where Government participation is contemplated, the setting up of a tripartite organisation in which State Governments, railways and private operators will participate, should be favoured.

(v) In areas to be left entirely to private operators, special encouragement should be given to the formation of viable units.

The development of roads also suffered for want of adequate attention from the Central and State Governments. India has hardly 201 miles of roads per 100 sq. miles, as against 2,017 in the U.K. and 3,988 in Japan. The number of automobiles, the quickest means of transport, is about 250 per 1,000 sq. miles in India, as against 1,300 in Ceylon, 7,000 in France, 12,000 in the U.S. and 30,000 in the U.K. The number of automobiles work out to 93 per population of 100,000 in India, 500 in Ceylon, over 3,600 in France and the U.K. and 26,000 in the U.S. It is, indeed, regrettable that, despite this backward state of road and road transport development, the powers-that-be have not thought it fit to give the attention and encouragement due to it.

It would appear that, if there is to be a rapid development of roads and road transport service, the State Governments must drop their idea of nationalisation and instead encourage formation of viable private units. The money saved from nationalisation could be utilised for the expansion, repair and maintenance of an efficient network of roads. It is a pity that the Central Government is not bold enough to come out with a directive to the State Governments at least to drop further nationalisation, if not to denationalise the existing State-owned and managed units. Unless the threat of nationalisation is removed beyond doubt, few operators will dare to take the risk and invest their capital on road transport.

RAILWAYS

Next to roads, the railways are the biggest means of transport in India. The ever-growing national demand for rail transport continued, following increased production of agricultural commodities and industrial goods. The liberalisation of import controls were another contributory factor. Little wonder that the small increase in the number of wagons failed to cope with the situation.

The latest available statistics reveal that the total number of wagons (in terms of four-wheelers) loaded during the period from 1st April to 31st August, 1954, on the broad-gauge line was 1,831,401, as compared with 1,732,683 in the corresponding period of the previous year, thereby disclosing an increase of 5.70 per cent. The number of wagons loaded on the metre-gauge, however, was lower at 1,001,341, as against 1,006,091, a decrease of 0.47 per cent. The broad-gauge section of the railways lifted 30,409,000 tons, as against 30,360,000 tons, the percentage of increase being 0.16. The metre-gauge section, on the other hand, lifted only 7,744,000 tons, as against 8,190,000 tons, a decline of

(Continued on page 172)

principal constituent in the family budget of a worker, the trend of living costs in all the industrial centres, barring Bombay, was distinctly downwards. The all-India working class cost of living index (base: 1944=100) in August, 1954, for instance, was lower at 101, which compares favourably with 108 in October, 1953, 104 in January, 1954 and 106 (average) for the whole of 1953. Over the first eight months of 1954, the fall was to the extent of nearly 3 per cent., which is in welcome contrast to the rise of as much as 9.3 per cent. in the corresponding period of 1953.

The fall in cost of living was particularly marked in Sholapur, Ahmedabad and Calcutta, as the table below shows:

Cost of Living					
	Base	Average for 1953	January 1954	October 1954	October 1953
All-India .. 1949=100	106	108	104	101	108
Bombay .. 1954=100	303	303	303	303	308
Ahmedabad .. 1927=100	275	289	285	282	282
Sholapur .. 1928=100	323	312	312	281	320
Madras .. 1949=100	109	109	104	102	102
Nagpur .. 1949=100	103	100	99	103	103
Calcutta .. 1939=100	349	325	330	349	349
Kanpur .. 1949=100	95	92	89	96	96
Delhi .. 1949=100	106	105	102	103	103
Jamshedpur .. 1949=100	111	103	102	117	117
Jabalpur .. 1949=100	106	95	94	101	101

* For August.

It will be seen from the table that, as compared with the average for the calendar year 1953, the cost of living index in Sholapur over the 10 months ended October, 1954, was lower by 42 points, in Ahmedabad by 30 points and in Calcutta by 19 points. Madras, Nagpur, Kanpur, Delhi, Jamshedpur and Jabalpur also experienced a fall in the living costs of workers.

IN BOMBAY

Cost of living index in Bombay depicted a rather peculiar trend. The index which stood at 363 in January moved down to 348 in the following month but, thereafter, steadily rose to 367 in June. The increase of 19 points over the period February-June, 1954, was due entirely to an advance in rent and food prices. The index for house rent went up by six points to 106 in April, probably because of an upward revision in rents following the amendment to the Bombay Rent Control Act which came into force from 1st April. The increase in food index, which was inconsistent with the trend of foodgrains prices in the market, was the result solely of certain peculiarities in computation. Explaining this aspect, the *Tata Quarterly* (July, 1954) observes: "In April, the 'food' component of the cost of living index went up, because of larger consumption of rice as compared with other cereals by working class families, although the price of rice had actually fallen. With the abolition of rationing in Bombay City, a new method of computing the food index was adopted

in June. As this involved assigning a larger weight to higher-priced cereals, the index for food rose sharply, in spite of the fact that the market rates for cereals were not higher and were, in some cases, lower than the ration rates which were in force up to May. The sharp increase in the cost of living index for Bombay does not, therefore, at all reflect the trend of retail consumer prices in that city."

The rising trend in the cost of living in Bombay was, however, arrested in the month of July, since when it has, in fact, been on the decline. This may be attributed to the fall in the indices of food articles and miscellaneous goods.

INDUSTRIAL RESEARCH UNDER C.S.I.R.

(Concluded from page 123)

For ensuring effective utilisation and exploitation of the results of research, the National Research Development Corporation has been set up by the Government and this step is bound to accelerate the tempo of industrial research.

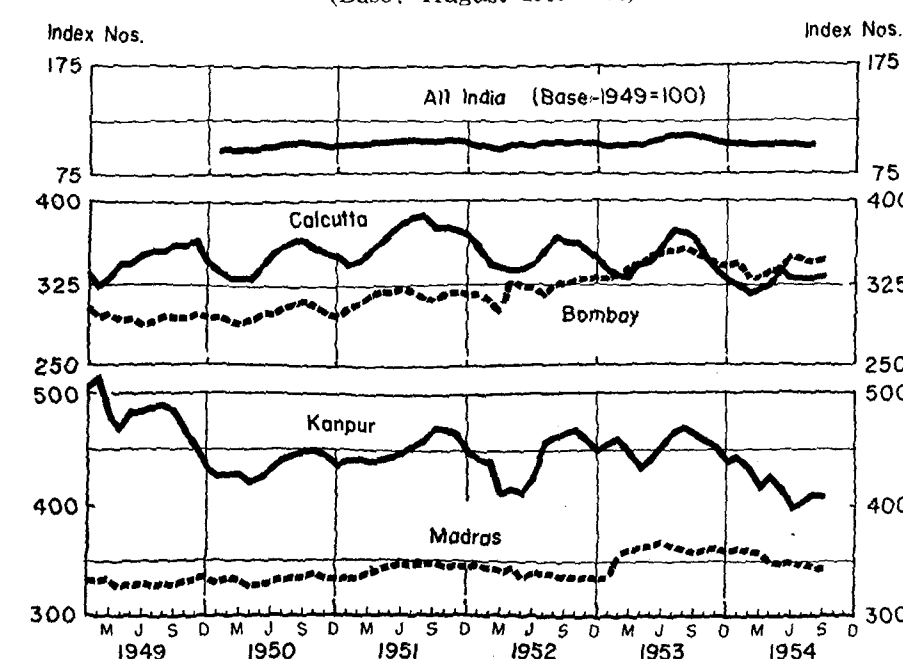
PUBLICATIONS

Ample justice has been done to meet the fourth function of the Council by the numerous publications of the Council, among which the most noteworthy is the publication, in volumes, of an Encyclopædia of Raw Materials and Industrial Products of India which has earned world-wide appreciation. Besides, the *Journal of Scientific and Industrial Research* and a large number of miscellaneous publications such as surveys, bulletins, monographs, symposia, the National Register of Scientific and Technical Personnel, have served "to place before the scientists and the lay public the results of various researches carried out from time to time and so to stimulate both scientists and industrialists to further efforts in research, on the one hand, and the utilisation of such research, on the other."

The Government of India and the Prime Minister, in particular, have watched with great satisfaction the solid foundation laid for the pursuit of scientific and industrial research in India. With the springing up of many new industries in India such as the Sindri Fertiliser and Chemicals, the oil refineries, the antibiotic insecticides factories, the contemplated expansion of production of iron and steel, and the electronics factory, and the liberal provision for industrial expansion in the second Five-year Plan, it is not too much to hope that the Council will play a very important role in the effective industrialisation of India. —All Rights Reserved.

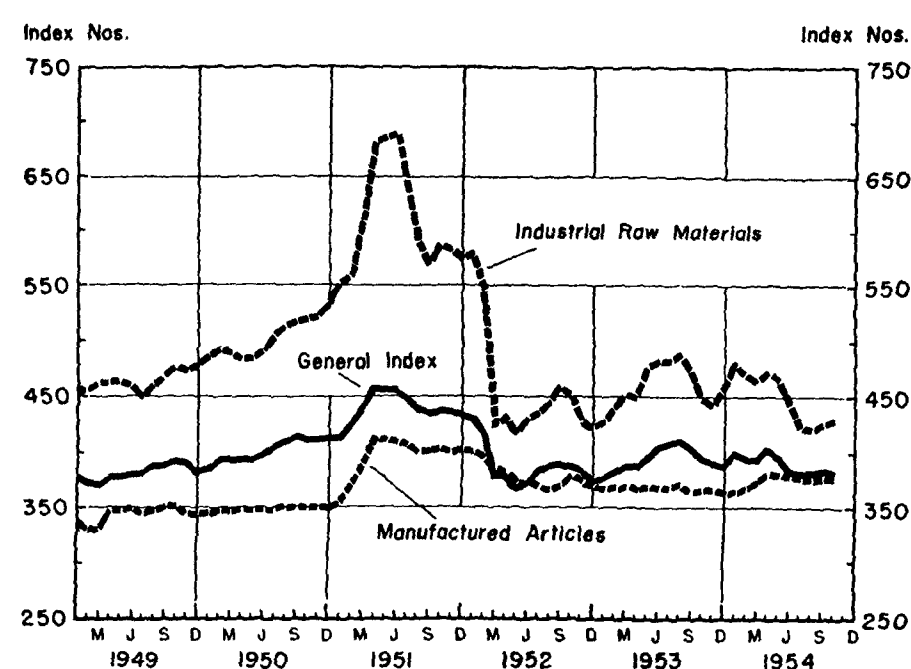
INDEX NUMBERS OF COST OF LIVING (WORKING CLASS)

(Base: August 1939=100)



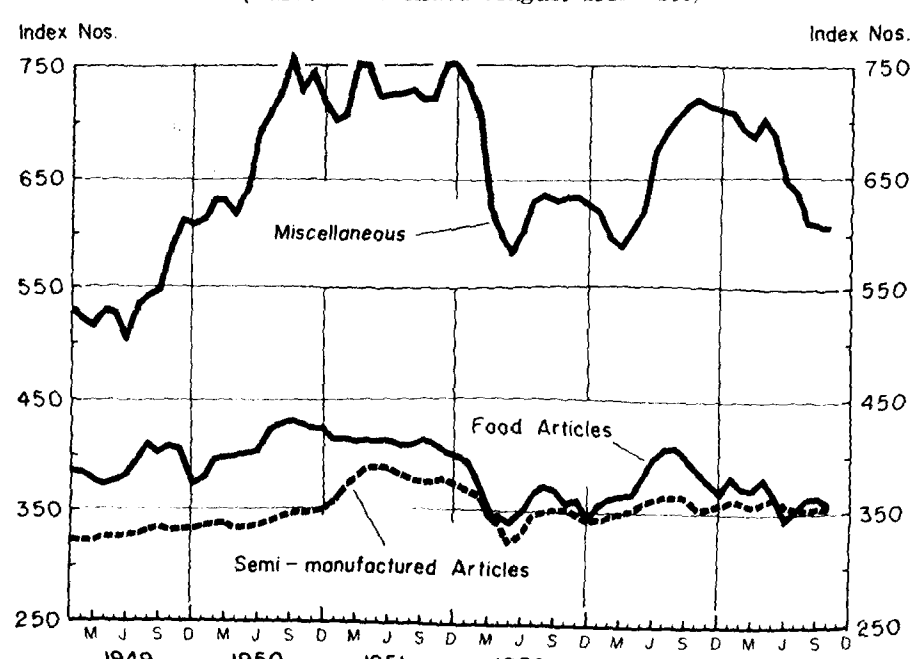
INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939=100)



INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939=100)



NIIGATA

Goes First With Long Experience & Excellent Technique

Model L6F25S, 450 HP Diesel Engine, with Super Charger and Anti-Vibration Equipment, Coupled with Generator

Main Products
 Diesel Engine for Generator, Pump, Compressor, Marine and Rollin, Stock use
 Rolling Stock
 Shipbuilding and Repairing
 Machine Tools
 Secondary Metal Working Machinery
 Mining Machinery
 Oil Refining and Chemical Apparatus
 Other Industrial Machinery & Equipment
 Iron and Steel Casting
 Steel Forgings
 Machine Metal

Type 45SD Heavy Duty & High Speed Lathe

Diesel Car, Type KIHA 44,600, equipped with Torque Converter

NIIGATA ENGINEERING CO., LTD.

No. 6, 1-chome, Kudan, Chiyoda-ku, Tokyo, Japan
 Cable Address: NITE TOKIO

Financial Center of Central Japan

Authorized Foreign Exchange Bank

The TOKAI Bank, Ltd.

Nagoya, Japan

184 Offices:
 Nagoya, Tokyo, Yokohama, Osaka, Kobe and other major cities throughout Japan

New York Representative Office:
 Singer Bldg., 149 Broadway, New York 6

CORRESPONDENTS ALL OVER THE WORLD

To Service you with

THE BEST OF QUALITY AND WORKMANSHIP

—That is our motto!

—MAIN PRODUCTS—

Cargo & passenger ships
 Oil tankers
 Dredgers
 Steam turbines (marine)
 Land & marine boilers
 Cranes & conveyers
 Compressors & blowers
 Hydraulic presses & pumps
 Steel plant equipments
 Water-gates & penstocks
 Steel bridges & towers, etc.

Ishikawajima

Heavy Industries Co., Ltd.

SALES OFFICE
 2, Tori-3-chome, Nihonbashi, Chuo-ku, Tokyo
 Cable Address: "SOIHI" TOKYO

Please contact: **KHANDELWAL BROTHERS LTD.**
 166 Hornby Road, Bombay 1, India

TREND OF WORLD COMMODITY PRICES

METALS FIRMER—OILS AND FATS WEAKEN

WORLD commodity price movements during 1954 were largely restricted, in view of the fact that a number of sectors in world economy displayed considerable steadiness. Fluctuations, if any, were more orderly; there was no uniform rise or decline, as had been largely the case in the previous two years. The abnormal conditions following the post-Korean war had petered out and, with the abatement of the cold war among the great political powers of the world, thanks to the successful implementation of truce in Indo-China, normal conditions began to manifest themselves in the world economic scene. National economies doubtless continued to be insulated partly for strategic reasons and partly because the Governments were inclined to maintain greater control over national industries. When the latter factor gained strength, on account of the U.S. Government intervention, particularly in the second half of the year, the trend of prices of dollar commodities began to improve, while that of major sterling area raw materials showed a contrary trend. In view of the continuance of the farm support policy and other statutory regulations such as acreage control, etc., as also through the determined effort of the Commodity Credit Corporation to dispose of the surplus agricultural commodities through various devices, the U.S., as one of the leading producers, consumers and exporters of important commodities, maintained its dominant role in determining the trend of world economy throughout this year.

THE GENERAL TREND

Contrary to expectations a year ago, the general trend of prices, as seen from the various indices, closed higher as compared with last year, although prices were markedly lower than the highest levels attained some time during the mid-year. Early in the year, the *Financial Times* index of sensitive world commodity prices showed a hesitant trend, but the undertone was quite healthy since the world commodity markets felt that the decline in the U.S. industrial production would not go far. The *Financial Times* index fell to 87.64 on 1st February, as compared with 88.13 a month earlier. On 13th January, it was as high as 89.86, being the direct result of peak prices attained by coffee, tea and cocoa. Thereafter, price fluctuations were somewhat narrow and the markets exhibited a steady tone, due to a change in the attitude of buyers towards inventories. Their policy was to spread their purchases as much as possible, which sustained the market undertone considerably. The developments in Indo-China during March and April engendered a bullish sentiment, the *Financial Times* index exceeding 96.0 by the end of June. The lessening of tension among world powers in the Far East imparted a slightly easier trend to the prices of many sterling area commodities, resulting in a substantial decline during the third quarter. In the last quarter, commodity price indices recovered moderately, following the firmness of non-ferrous metals and grain markets due to expectations of a poor crop in Europe, Canada, Australia, etc.

From a casual glance at the table published below, it will be seen that prices of metals, particularly non-ferrous metals, closed the year higher. These included aluminium, copper, lead, zinc, tin and nickel. Prices of grains, particularly coarse grains, also recorded a notable improvement in the second half of the year. Among the sterling area commodities, black pepper, oils and fats

weakened appreciably, prominent among them being copra and groundnut oil. In the fibre section, raw cotton maintained considerable steadiness, while sisal and raw wool disclosed a receding trend. Rubber was exceptionally firm, making handsome gains. The case of tea was not dissimilar either. Among other beverages, cocoa and coffee were marked up appreciably, although they shed their gains sizably towards the year-end.

FOODGRAINS

In the foodgrains section, wheat, not a bellwether but a leading commodity providing an index of the course of prices, showed signs of an easier trend in the second quarter. Both Canada and the U.S. effected a small cut in their export prices of wheat, following the failure of importing countries to take anything like their quotas under the International Wheat Agreement. Stocks of wheat held by the four main exporting countries—the U.S., Canada, Australia and Argentina—increased by about 12 million tons (33 per cent) during 1953-54. From the third quarter of 1954, however, prices began to take a slightly upward trend because of the possibilities of smaller harvests in the main producing countries such as the U.S., Canada and Australia. At the same time, the position in Europe was not considered good with consequent prospects of increased imports into that area. Again, coarse grains showed a smart rise, partly because of the delayed harvests in the U.K. and Europe and partly owing to a lower U.S. maize estimate. In the closing weeks of the year, there were reports that the wheat crop in Argentina was likely to be a record high, the outturn being estimated at 7.5 million tons.

In the fibre section, raw cotton maintained a steady undertone throughout the year, due to the U.S. policy of encouraging exports out of the surplus stocks held by the Commodity Credit Corporation and of extending credit to a number of countries. The textile industry in all the leading cloth producing nations was fully active, although, in the last quarter of the year, Japan is reported to have effected some cut in cloth production necessitated by exchange difficulties. Raw cotton consumption in the world, excluding the U.S.S.R., China and kindred countries, during the 1953-54 season was at a record level. In regard to raw wool, prices towards the year-end recorded a slightly receding trend, due to subdued demand from important consuming countries. In the early months of the year, supply and demand appeared to be more balanced, and even the withdrawal of Russia from the Australian and New Zealand markets could not exercise any bearish trend. For, without a free flow of wool from the South American countries, the available world supply was a little below demand and, by the end of the second quarter, prices improved to 157d. per lb. When the new auctions began in September in Australia and New Zealand, buyers were inclined to adopt a policy of watch and wait and, hence, prices in December were lower by about 12 per cent. than those quoted this time in the preceding year. Prices of raw jute were quietly steady, while those of sisal came down by about 25 per cent., due largely to the decline in the demand from West European countries.

Metals remained slightly subdued in the first two months of the year, mainly as a result of the uncertainty regarding the economic activity in the U.S. in the coming months. In

the first week of February, tin, lead and zinc were selling at £650, £84 and £72, as compared with £657, £89 and £74, respectively, at the beginning of January. A certain section of stockists in the U.S. began to unload zinc at lower rates, owing to prospects of reduced consumption in that country. The mounting tension in Indo-China, however, pushed up the price of tin to £815 in April and, with the renewal of the American contact with Indonesia for another year and the growing likelihood of the proposed International Tin Pact becoming a fact, it became increasingly clear that there might not be any substantial market surplus in this metal.

In the U.S., when it was found that there were increased supplies of lead and zinc with producers and stockists, the U.S. President issued orders for increased purchases of these metals and this sort of Government intervention had a bullish effect in eventually raising their prices during the second half of the year. At the same time, the economic activity in the U.S. and the West European countries was fairly high, imparting considerable strength to non-ferrous metals. In regard to copper, the purchases for the U.S. stockpile and the reduced Chilean output not only stabilised its prices but also engendered a certain amount of firmness in the last quarter of the year.

PLANTATION INDUSTRIES

Among the plantation industries, there occurred a complete transformation in the price and statistical position of tea. In the summer of 1952, prices receded to 1s. 6d., being below the cost of production. A significant development in this section is the remarkable rise in consumption not only in the traditionally tea-drinking countries but also in the U.S., where imports of tea rose by something like 18 per cent. during the first nine months of 1954 to 95 million lbs., as compared with 81 million lbs. in the same period last year. The rise in the intake of tea in that country is largely attributable to the prohibitively inflated cost of coffee drinking. The increased demand for tea in the U.K. is reported to have received a fillip from the derationing of sugar. The quality

of tea has also improved in the last few months, leading to a rise in consumption. Rubber also assumed a firm trend, although not so much as tea. There was a better balance between production and consumption, the estimated figures being 1.70 million tons and 1.68 million tons, respectively. U.S. rubber consumption was at a higher level. The rise of one cent per lb. in the U.S. Reconstruction Finance Corporation selling price of butyl synthetic rubber was another bull point in pushing up the price of rubber during the second half of the year. It may be noted that, in May last, all restrictions on exports of rubber to Russia were withdrawn by the U.K. Board of Trade.

The rise in the prices of raw cocoa and coffee was somewhat steep during mid-year. Higher prices of cocoa were a sequel to two disappointing seasons. The new Brazilian currency policy in August, however, brought about a sharp fall in the prices of both the commodities. In other words, the two commodities which contributed most to the rise in the index earlier in 1954 also brought about a moderate setback in the *Financial Times* index number in the third quarter of the year. Among the other commodities, sugar was somewhat easy during the mid-year, the rate falling as low as 3.05 cents per lb., but, towards the year-end, there was a small recovery, due to greater uptake by certain importers, notably India, as well as the segregation of supplies by Cuba.

PROSPECTS FOR 1955

Prospects for 1955 are that commodity prices will remain steady. The economic activity in the U.S., which has now come to dominate the world economy, will remain stable, due to high industrial production and increased consumer spending. In view of the steady flow of dollars by various devices to West European and other countries and also on account of the operation of economic planning adopted by many of the countries, the business and economic conditions in the world are expected to be brisk and, in consequence, the commodity prices are likely to remain at a reasonably stable level in the coming months.

Commodity Indices

	1952 year-end	1953 year-end	First quarter end 1954	Second quarter end 1954	Third quarter end 1954	Mid- December 1954
<i>Financial Times</i> (July 1, 1952)	94.0	87.74	93.07	96.01	89.74	91.03
Reuters's (September 18, 1951)	514.9	485.0	488.7	485.3	485.1	495.5
Dow Jones (Average 1924-25-26)	171.9	175.28	180.17	191.58	178.41	178.82
Spot	169.9	166.49	180.50	180.03	170.53	170.80
Futures	410.8	413.3	435.4	431.2	406.2	407.3
Moody's (December 31, 1931)						

Commodity Prices Trend

	1952 year-end	1953 year-end	First quarter end 1954	Second quarter end 1954	Third quarter end 1954	1st week December, 1954
Aluminium	£ 150	£ 150	£ 150	£ 150	£ 150	£ 150
Antimony 90% ¹	225	210	210	210	210	210
Copper	285	235	235	235	235	235
Iron No. 8	131/10	131/10	131/10	131/10	131/10	131/10
Lead	106 1/2	89 1/2	91 1/2	14-10-6	14-10-6	14-10-6
Nickel	454	483	483	483	483	483
Tin	947	657	730	749	734 1/2	715
Zinc	110	75	75	75	75	75
Barley, fragrant	27 1/2	18 1/2	17 1/2	18 1/2	21 1/2	26 1/2
Copra, Straits	85	92	120	114	114	114
Cottonseed oil	125	136	70	72	72	74
Groundnut oil	130	147	156	151	122	115
Jute, mill firsts	85	110	100	91	100	93
Linseed oil, U.K.	180	87	77	77	77	77
Sago, pearl	58 1/2	45	45 1/2	45	44	43 1/2
Sisal No. 1	99	80	80	80	72 1/2	72
Tapioca	60	61	60	60	60	60
Cloves	11s. 3d.	5s.	4s. 7 1/2d.	4s. 6d.	5s. 2d.	4s. 9d.
American Mid. cotton	32.3d.	31.5d.	32.3d.	32.3d.	32.3d.	32.3d.
Egyptian Ashmouni	35.3d.	36.0d.	40.3d.	40.3d.	41.1d.	40.3d.
Pepper, black	8s. 4 1/2d.	6s. 6 1/2d.	4s. 3d.	2s. 4 1/2d.	3s. 1 1/2d.	4s.
Pepper, white	27d.	17 1/2d.	10 1/2d.	20d.	21 1/2d.	25 1/2d.
Wool tops, 64's	15 1/2d.	15 1/2d.	15 1/2d.	15 1/2d.	15 1/2d.	15 1/2d.
Cotton, spot	83.75	33.75	35.20	34.90	35.00	34.90
Cocoa, spot, Bahia	50.1	58.75	60.62	60.62	60.62	60.62
Coffee, spot, Santos No. 2	66.5	93.25	90.5	90.5	90.5	90.5
Hides	15.56	14.30	14.30	14.30	12.50	11.02
Wheat	20 1/2	21 1/2	19 1/2	19 1/2	19 1/2	22 1/2
Maize	16 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2
Rye	10 1/2	9 1/2	9 1/2	9 1/2	13 1/2	11 1/2

INDUSTRIAL PRODUCTION IN INDIA

MANY ITEMS SET UP NEW RECORDS

INDUSTRIAL production in India during 1954 may be expected to reveal, when the data for the complete year are available, a substantial improvement in almost all sectors of industry. An indication of this is provided by the heartening performance of industries in the first eight months of the year for which official figures are available. In fact, the curve of industrial production which had shown a continuous rise since 1950, rose further during the eight-month period of the current year. The trend is reflected in the average general index of industrial production (base: 1946=100). The average index figure which stood at 105.0 in 1950 crept up steadily to 117.2 in 1951, 128.9 in 1952 and 135.2 in 1953. During 1954, the general index for January at 133.2 was, however, slightly lower than the average for 1953. But it advanced to 141.6 in February, and, after receding to 138 in March, recovered and shot up to 144.9 in April. Again, in the following month, there was a setback to 140.1. Thereafter the curve resumed again its upward trend and edged forward to 146.5 in June and reached the peak of 149.8 in July—this being the highest figure on record—representing a rise of 10.7 per cent. over the average for 1953. The average monthly index for the eight-month period of 1954 was as high as 142.8 which represented an increase of 7 per cent. over the average monthly index for the corresponding period of 1953.

The overall increase in industrial production upto August this year, however, concealed declines in some major industries such as coal, matches and sugar. But, in a number of others, such as cotton textiles, among major industries, diesel engines, power transformers, dry cells, electric fans, and storage batteries in the electric group, caustic soda, sulphuric acid and superphosphate in the chemical group, and sewing machines, hurricane lanterns and bicycles in the engineering group, new records were set up.

The progressive increase in industrial production in the eight months of the current year may be attributed to a series of favourable factors. The foremost among these was the easy position in the supply of raw materials of industry occasioned not only by a rise in domestic production but also by larger imports from abroad. Among agricultural commodities, cotton was in abundant supply. Raw jute output was, however, lower than what it was last year, but the industry did not experience any shortage of this raw material, as imports could be had from Pakistan. Rubber supplies too were easy and the consumption of this commodity rose by a sixth during the 10 months ended October, 1954. In tobacco, the supply was so heavy that frantic efforts had to be made to find an outlet for unsold stocks, while supplies of quality leaf from abroad were not difficult. There was also a perceptible increase in the production of oil-

seeds. Sugarcane crop was, however, lower and the sugar factories experienced a shortage of this material.

Among industrial raw materials of non-agricultural nature, although steel supplies were better, some industries appeared to have experienced shortage of special steels. The position in regard to metals was better, and cement could be had in desirable quantities. Among minerals, coal was not readily available to industries in some parts of the country owing to transport bottlenecks. No difficulty was, however, experienced in regard to supplies of iron ore.

Not only was the supply of raw material quite satisfactory on the whole, but the prices of these materials were quite favourable to manufacturers. While they thus paid less for their raw material, they were able to realise higher prices on their goods. This factor is fully reflected in the index number of wholesale prices of commodities, with base 1939=100. The index of raw materials which stood at 481.1 in January declined to 445.1 in the week ended 20th November. At the same time, the index number of finished goods rose from 364.3 to 376.7.

There were also other factors which were favourable for expanding industrial production. Industries experienced no difficulty in obtaining funds for their day-to-day operations. The very fact that bank credit rose from Rs. 475.54 crores to Rs. 520.4 crores during the 11 months of 1954, as against a fall from Rs. 492.26 crores to Rs. 464.23 crores in the same period last year reflects relatively easier credit position this year. Besides, industries continued to get loans from the Industrial Finance Corporation of India. In order to finance their expansion programmes, a number of industrial concerns was able to raise additional capital in the market either through issue of debentures or through equity capital.

Stimulus to expand industrial production was also provided by the growing confidence among industrialists, thanks to a notable change in the Government's attitude towards private enterprise. Liberal financial aid was given by the Government to certain units in the form of interest-free advances or low-interest bearing loans. Export duties on a number of commodities were suitably adjusted. Import controls were relaxed to augment supply of raw materials for manufacturing export goods. Drawback of import duties was permitted on specified imported raw materials used in the goods exported from India. Import duties were enhanced on similar goods which were being manufactured in the country and protective duties were kept at higher levels, despite the reductions recommended by the Tariff Commission. The development expenditure under the Five-year Plan, also helped promotion of sales of indigenous goods. Thus conditions were conducive to increase

not only the rate of production but also the pace of industrial progress by means of (a) expanding the existing plants, (b) utilising idle capacity, and (c) installing new ones.

While thus the climate for industrial production was quite congenial, there were also certain factors which continued to prove a headache to industries. In the sphere of labour, there was a slight deterioration in employer-employee relations. Man-days lost, for some reason or other, were considerable in that they aggregated 1,862,000 during the first eight months of the year under review as compared with 1,466,000 in the same period in 1953. There were no indications of any improvement in the productivity of workers.

Nevertheless, production in a large number of industries registered notable increases. Statistics of the volume of production, available for the first eight months of the year, reveal that in the major industries group, the performance of every industry, with the exception of coal, sugar and matches, was very good. Cotton textiles, particularly, set up a record with a total of 3,362 million yards, as compared with 3,296 million yards in the January-August period last year.

Production of steel, too, fared well. The output of steel ingots and metals for castings amounted to 1,107,000 tons, as against 976,000 tons last year. The increase may be attributed to resumption of work in the Indian Iron and Steel Company's workshop by workers who had gone on a long strike last year owing to dissensions in their ranks. The output of the Tata Iron and Steel Company, however, showed a slight fall, its steel ingot production dropping from 965,200 tons to 952,300 tons. Cement output also revealed a moderate increase from 2.44 million tons in the eight-month period last year to 2.90 million tons this year. Manufacture of jute goods also improved, but only slightly, from 582,000 tons to 591,000 tons. The improvement was induced by better off-take of jute goods by overseas countries. The paper industry fared better this year also, with its output advancing from 80,166 tons to 83,659 tons in the first eight months.

Among the items the production of which showed a recession in the major industries group, sugar figured prominently. The industry suffered from a shortage of cane and, consequently, the output declined from 1,058,000 tons to 759,000 tons. A similar sizable loss was witnessed in the output of matches which dropped from 365,800 cases to 295,000 cases. This drop was chiefly due to expansion in production of matches by cottage units.

The progress of the engineering and electric group was phenomenal, a number of them revealing record production. The value of machine tools manufactured rose from Rs. 26.11 lakhs to Rs. 29.64 lakhs. Electric lamps industry reported an increase in its out-

put from 13.24 million lamps to 15.03 million lamps. From 82.88 million, the production of dry cells rose to 102.58 million. There was a remarkable rise in the manufacture of power transformers from 173,200 k.v.a. to 216,500 k.v.a. The output of electric motors also was better at 104,300 h.p. as compared with 101,500 h.p. Electric fans increased from 123,900 to 133,600. Radio receivers, which had declined last year, retrieved their position and improved to 36,481 from 33,975. Storage batteries, too, staged a splendid performance in that their output shot up from 100,700 to 114,900. Rubber insulated cables and flexibles improved from 28.76 million yards to 30.51 million yards. Insulators, h.t. and l.t., improved from 2.86 lakhs to 3.2 lakhs and 1.31 lakhs to 1.49 lakhs respectively. The achievement of the diesel engines industry was outstanding, inasmuch as its output rose sharply from 1,154 to 4,748.

In the chemical industries group, salt and soda ash revealed a downward trend, while almost all the rest reported increases in output. The manufacture of soda ash declined from 32,699 tons to 28,081 tons and of salt from 78.3 million maunds to 67.19 million maunds. Caustic soda, on the contrary, rose from 11,024 tons to 16,179 tons. Chlorine liquid improved from 4,097 tons to 5,152 tons. Bleaching powder amounted to 1,746 tons, as against 955 tons, and bichromates to 1,807 tons, as against 1,228 tons. Sulphuric acid was outstanding at 81,482 tons, as compared with 56,684 tons.

In the metal industries group, all the four important non-ferrous metals, namely, aluminium, antimony, copper, and lead reported increased production during January-September, 1954. Aluminium rose from 2,528 tons to 3,430 tons, copper from 2,995 tons to 5,234 tons, lead from 1,169 tons to 1,269 tons and antimony from 83 tons to 275 tons. The output of gold also rose from 170,404 ozs. to 183,834 ozs.

A large number of industries belonging to the miscellaneous group also revealed marked expansion in their output during January-August, 1954. The manufacture of sewing machines rose further from 38,967 to 54,907. The output of hurricane lanterns was better at 3.42 million, as against 2.88 million. In bicycles the production at 193,635 was a record one, as compared with 130,736. Cycle tyres and tubes turned out aggregated 7.36 million, as compared with 6.14 million. Commercial plywood, however, receded from 8.11 million sq. ft. to 6.67 million sq. ft. But the number of cigarettes produced rose from 11,614 million to 12,829 million. There was also an improvement in the output of abrasives from 33,500 tons to 39,700 tons. Sheet glass manufacture, on the contrary, receded from 11.8 million sq. ft. to 9.93 million sq. feet.

The foregoing account concerns only the progress in the organised sector of industry. It excludes the developments that are taking place in the sphere of small and cottage industries for which comprehensive and reliable statistics are not available. But available indications show that production in this sector, too, increased substantially, thanks to the aid provided by the Government in various forms.

Cables:
"GILLCO"

Phone:
25047

GILL & COMPANY LTD.

Established 1888

P. O. Box 86, BOMBAY

COTTON MERCHANTS, BROKERS and
COMMISSION AGENTS, IMPORTERS OF
FOREIGN COTTON

specialising in EGYPTIAN & SUDAN
AMERICAN and EAST AFRICAN

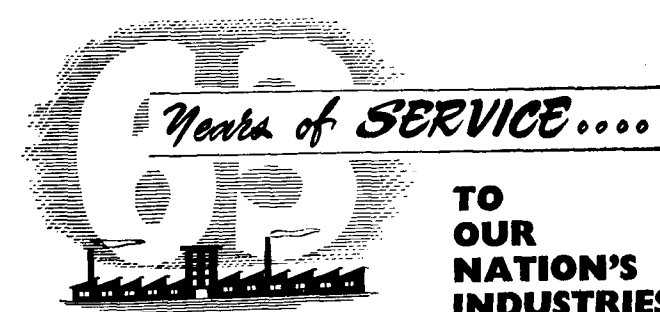
SOLE DISTRIBUTORS IN INDIA

COURTAULDS "FIBRO"
C. T. A. RAYON YARNS

MEMBERS:

East India Cotton Association
Liverpool Cotton Association
New York Cotton Exchange

We wish our Patrons a
HAPPY AND PROSPEROUS
NEW YEAR



• EFFICIENTLY • ECONOMICALLY
REPAIRS & CONSTRUCTION

Do You Know!

GOOD QUALITY PRECISION SPARE PARTS ARE
ESSENTIAL FOR TEXTILE MACHINERY, SUGAR FACTORIES
& COTTONGIN FACTORIES
REDUCE YOUR MANUFACTURING COST BY
USING OUR MANUFACTURED QUALITY PRECISION
SPARE PARTS.
DO NOT WORRY ANY MORE FOR CASTINGS
OF FERROUS, NON-FERROUS & SPECIAL ALLOY CASTINGS.
OUR EXPERT TRAINED PERSONNEL WILL DO IT FOR YOU.
WE ARE SPECIALIST IN "V" ROPE & COTTON
ROPE PULLEYS MILL GEARING & MACHINE CUT GEARS.

Distributors For: **Robson**

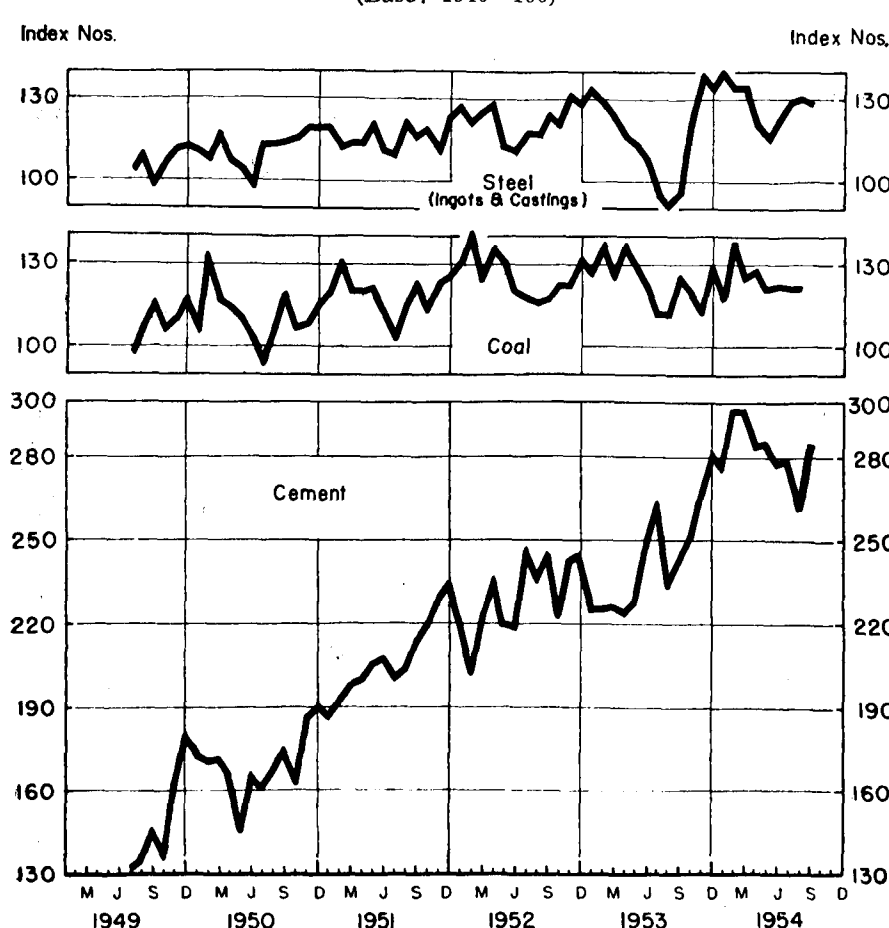
Horizontal Crude oil Engines & Spare
parts, from 10 H. P. To 210 H. P.

VITHALPURSHOTUM & Sons Ltd.
IMPORTERS, ENGINEERS, & FOUNDERS.

2ND, KHETWADI LANE, OFF SANDHURST RD. BOMBAY 4.
Phone: 15746

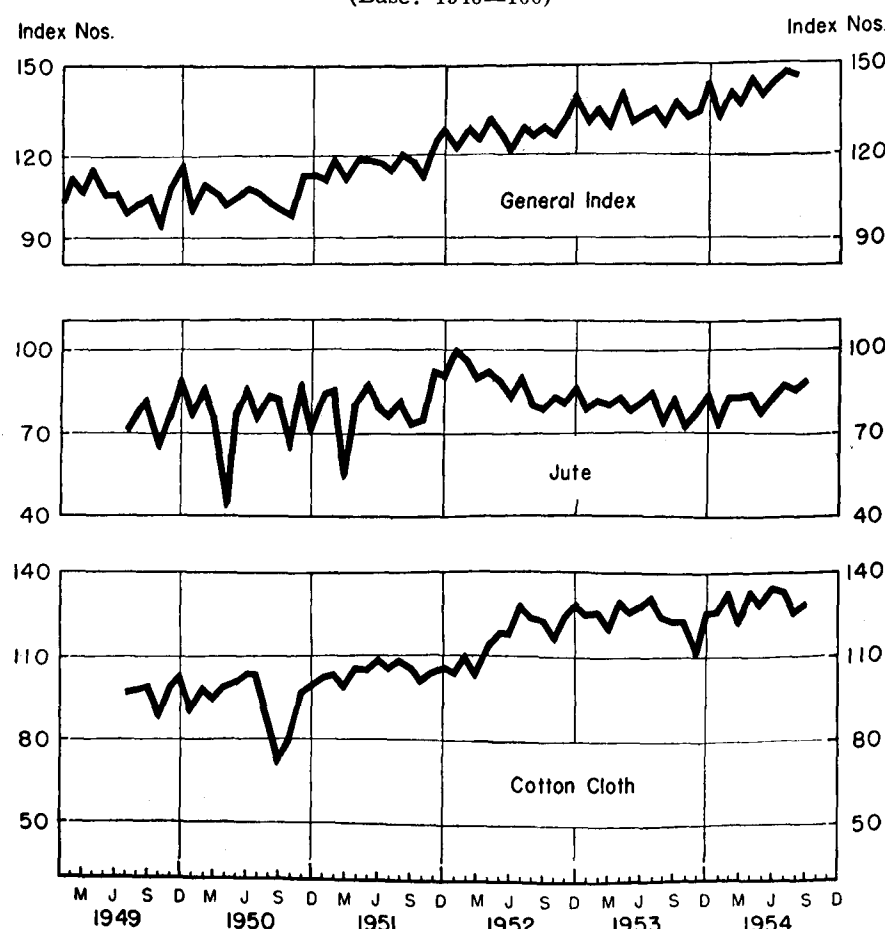
INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base: 1946=100)



INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base: 1946=100)



EXPANSION OF IRON AND STEEL INDUSTRY SOME SIGNIFICANT DEVELOPMENTS

SO far as the iron and steel industry is concerned, the year 1954 continued to be one of developments. First, the Government of India announced, on 15th February, 1954, its decision to locate the Hindustan Steel Works at Rourkela in Orissa. Secondly, a Soviet technical mission arrived in India in November to explore the possibilities of setting up another State-owned steel plant in the country with Russian financial and technical aid. Thirdly, the well-known business house of Birlas proposed to set up two iron and steel plants with the aid of U.K. manufacturers. Fourthly, the Commerce and Industry Minister, Mr. T. T. Krishnamachari, roused the authorities to think in terms of big targets for the major industries of India. He caught the imagination of the public by announcing, for the first time, that India should plan for producing six million tons of steel before the end of the second Five-year Plan. At first many thought that the Minister was dreaming, but subsequent developments showed that he was not. For shortly thereafter the Government was actually considering proposals for establishing plants capable of producing nearly two million tons of steel. Finally, the Government revised the retention prices of steel for the Indian Iron and Steel Company, Ltd., on the basis of the recommendations of the Tariff Commission.

The foregoing developments are of considerable significance inasmuch as they show that, at long last, the authorities are very keen on making India self-sufficient in steel. The extent of dependence on foreign imports will be evident from the fact that, while the indigenous production of the three major iron and steel producers in India, namely, the Tata Iron and Steel Company, the Indian Iron and Steel Corporation and the Mysore Iron and Steel Works is 1.07 million tons, the demand exceeds 2.4 million tons. This demand is expected to increase as the industrial development of the country progresses. This will be so particularly in the second Five-year Plan, in which the emphasis is on industrial development on a large scale.

THREE MAIN PRODUCERS

The three main producers have expansion plans which are expected to increase their aggregate steel output to 1.6 million tons by 1957-58. But the demand by then is expected to be more than 2.8 million tons. Thus, there will be a deficit of more than one million tons. This gap is sought to be covered, to some extent, by the Rourkela steel plant, which is expected to produce 370,000 tons of finished steel by 1957-58. The slow pace at which this project is being implemented shows that this expectation is unlikely to materialise.

The modernisation and expansion scheme of the Tata Iron and Steel Company is designed to increase the capacity for finished steel from 750,000 tons to 931,000 tons. An investment of about Rs. 4.50 crores, out of a total investment of about Rs. 22.40 crores for the entire project, was made during the period 1951-54. The Government of India has agreed to grant the Company a special loan of Rs. 10 crores, free of interest, to assist the completion of the programme.

The production of finished steel of the Tata Iron and Steel Company during January to November, 1954, was a shade lower at 704,900 tons, as against 706,200 tons in the same period of the previous year. Similarly, the production of steel in-

gots was also a little lower at 952,300 tons, as compared with 965,000 tons. The output of pig iron, too, was less at 1,027,900 tons, as against 1,054,700 tons.

The capacity of the Indian Iron and Steel Company for finished steel has been increased by the installation of sheet bar and billet mill and now stands at 300,000 tons, as against 225,000 tons at the commencement of the plan. As regards the plan designed to raise the capacity to 620,000 tons of steel and 500,000 tons of foundry pig iron per annum or, alternatively, 700,000 tons of finished steel and 400,000 tons of foundry pig iron per annum, the Company has overcome all obstacles and is well set for implementing it. The Company has completed arrangements for securing the necessary finance. The cost of expansion is placed at Rs. 31.74 crores and the finance required for this purpose has been secured as under:

(In crores of rupees)

World Bank	
Loan carrying interest at the rate of 4½ per cent. per annum	13.0
Government of India	
Loan carrying interest at the rate of 4½ per cent. per annum	2.9
Special advance from the equalisation fund	10.0
Total	25.9

The balance of about Rs. 6 crores will be found by the Company from its own resources. The expansion programme is scheduled to be completed by the end of 1957.

STEEL OUTPUT OF I.I.S.CO.

The production of finished steel of the Indian Iron and Steel Company during January-September, 1954, was 337,281 tons, as against 143,280 tons in the corresponding period of the previous year. The production of steel ingots was 376,121 tons, as compared with 226,180 tons and pig iron 550,538 tons, as against 381,750 tons. The low level of production in the corresponding period of 1953 was due to the prolonged strike at the Burnpur Works of the Company.

According to the original programme of the Mysore Iron and Steel Company, Ltd., the capacity for steel production is expected to be stepped up from 36,000 tons to 100,000 tons per annum by the end of 1957. The experimental production of pig iron from the second electrical smelter plant was completed by March, 1954. As a result, the output of pig iron, which was 52,600 tons in 1953-54, is expected to increase by another 30,000 tons in 1954-55. A new spun plant, which is being erected now, aims at stepping up the production of spun-cast-iron pipes, which are in great demand from local bodies for implementing their water-supply schemes. A loan of Rs. 45 lakhs has been sanctioned by the Central Government for this purpose and, when the plant is installed, the production of pipes will be stepped up from 9,000 tons to 22,000 tons per annum of different sizes of pipes ranging from 3" to 30".

The Government of Mysore has submitted a comprehensive scheme for an all-round expansion of the Mysore Iron and Steel Works. This scheme is estimated to cost Rs. 8.40 crores. It envisages the erection of a Bessemer Electric Duplex plant and a structural mill. Under the scheme, the Company will ultimately produce 100,000 tons of finished steel per annum, as against the present output of 36,000 tons of all categories of steel. There is also provision for the manufacture of tool and alloy steel.

A new pig casting machine for casting 40 to 60 tons per hour has been recently installed in the Mysore Works. By this process, manual labour will be minimised. The Company is the only producer of ferro-silicon in India and negotiations are under way for exporting this product. Two smaller furnaces are now under erection for the production of ferro-manganese. It may be noted here that, at present, the annual output of ferro-silicon is about 5,000 tons.

STATE STEEL PLANT

The State-owned steel plant at Rourkela, expected to commence production in 1958, will not only be equipped with the latest machinery and processes but also have, for the first time in India, a continuous strip mill which, in the course of the last two decades, has brought about a revolutionary change in the production methods of steel sheets. The Krupps-Demag combine has submitted a report outlining the features of the plant and the processes to be adopted. This report has been broadly accepted by the Government. The latest estimates place the total expenditure on this project during the present Plan period at about Rs. 33.0 crores, out of a total estimated expenditure of Rs. 72.5 crores for the entire project.

As these lines are being written, a 14-member Soviet technical mission, headed by Mr. A. A. Trusov, has arrived in India. The mission will explore the possibilities of setting up a State-owned steel plant in India. The Soviet Government has agreed to supply machinery and equipment on credit at a low rate of interest as well as technical assistance for this purpose. It has also offered to bear the expenses of the team of experts to make a study of the conditions for producing steel in India and to examine all relevant aspects in the matter of establishing a steel plant.

In refreshing contrast to the practice followed by the Government when it negotiated with the German firm Krupps-Demag for the establishment of a steel plant at Rourkela, an expert committee consisting of officials and non-officials has been constituted to discuss the question with the Russian team. It will be recalled that, in the case of the Rourkela project, only one man, and that too a non-technical person, negotiated with the German firm. There are already reports of serious defects in this project, defects which would not have occurred had the Government cared to take the advice of experts in this country which fortunately has some. It is gratifying to find that, in this case at least the Government had the good sense to profit from its experience.

The most disturbing development of the year is the reported refusal of the Government of India to accept Birlas' offer to establish two iron and steel plants with the assistance of British industries. Thanks to the strong stand taken by the Minister for Commerce and Industry, the Government is, however, reported to be reconsidering the proposal at the time of writing. A final decision on the question whether these two projects are to be implemented by the Government or by private enterprise or by both in co-operation is expected to be taken before the year runs out.

The Government of India decided, in March 1954, to increase the retention price of steel of the Indian Iron and Steel Company by Rs. 59 per ton over the average price for 1952 (Rs. 319) per ton, instead of Rs. 66 per ton as recommended by the Tariff Commission. This revised re-

tention price came into effect retrospectively from 1st January, 1953, and is to be in force up to 31st March, 1955, and not for a long period until the end of 1956. The Government reduced the increase in retention prices recommended by the Tariff Commission by Rs. 7 per ton on two grounds. First, in estimating the average production for four years 1953 to 1956, the Commission had made allowance for the very low production in 1953, which the Government felt the Commission should not have done. Secondly, the Government chose not to allow any return on gross colliery block, whereas the Tariff Commission had recommended the same rate of return on that asset (that is, 8 per cent.) as on other block items. The Government did not recommend the increase in retention prices for a period extending beyond 31st March, 1955, as suggested by the Tariff Commission, on the ground that the principles of price fixation that was being followed, in particular, the method relating to depreciation and return on investment to gross block, themselves required revision and the revised principles should be applied to the whole industry from 1st April, 1955, the date upto which these principles had been applied in fixing the retention prices of the Tata Iron and Steel Company. The Government further felt that the treatment to be accorded to the gross colliery block could most appropriately be dealt with at that stage.

PROSPECTS

The outlook for the industry depends on two important factors. The chief among them is the attitude of the Government towards the private sector in this key industry. Secondly, the future of the plans for the erection of new steel factories rest on the nature and quantum of foreign financial and technical aid. There is also one more aspect and that relates to the rate of return on capital invested. The Government has allowed only 8 per cent., which the private sector rightly considers inadequate.

The iron ore resources of India are quite satisfactory for the establishment of a large iron and steel industry. The country is well endowed with iron ores and ancillary materials, such as coking coal, flux and refractories, required for the manufacture of steel, particularly in Bihar, Orissa, Madhya Pradesh, Mysore, Madras, Bombay and Rajasthan. According to Dr. M. S. Krishnan, Director, Geological Survey of India, the iron ore resources are sufficient to step up the production of steel up to 15 to 20 million tons per annum in the course of the next 20 to 25 years. The reserves of high grade iron ore containing 60 per cent. and over are estimated as follows:

(In million tons)

Hematite ores	
Bihar and Orissa	8,000
Madhya Pradesh	3,000
Mysore	1,000
Sandur	250
Magnetic ores	
Madras	1,000
Mysore	200
Limonitic and Spatheic ores	
West Bengal	500

The per capita consumption of steel is an index of a country's economic progress. For India, it is no more than 12 lbs., a negligible fraction of what it is in some of the advanced countries. The per capita consumption in the U.S. and the U.K., for instance, is 1,300 lbs. and 630 lbs., respectively. This comparison will show the extent of leeway India has to make up on the economic front before it can regard itself as a developed country, with a decent standard of living for its citizens.

THE CENTRAL BANK OF INDIA, LIMITED

(ESTABLISHED DECEMBER, 1911)

Head Office:

MAHATMA GANDHI ROAD, FORT, BOMBAY, I

Authorised Capital	- - - - -	Rs.	6,30,00,000
Issued Capital	- - - - -	"	5,77,50,000
Subscribed Capital	- - - - -	"	5,76,66,125
Paid-up Capital	- - - - -	"	3,14,54,250
Reserve Fund and Other Reserves	- - - - -	"	4,00,22,194
Deposits as at 30-6-1954	- - - - -	"	1,26,84,78,112

DIRECTORS:

SIR HOMI MODY, K.B.E. (Chairman)
DINSHAW D. ROMER, Esq.
DHARAMSEY MULRAJ KHATAU, Esq.
COOVERJI HORMUSJI BHABHA, Esq.
MANMOHANDAS MADHAVDAS AMERSEY, Esq.
C. P. WADIA, Esq.
CHIMANLAL BAPALAL PARIKH, Esq.
FRAMROSE J. GAZDAR, Esq.
H. C. CAPTAIN, Esq. (Managing Director).

Branches and Pay Offices in all important cities and towns of India, Pakistan, Burma and in London.

LONDON BRANCH:

159, Fenchurch Street, London, E. C. 3.

NEW YORK AGENTS:

The Guaranty Trust Co., of New York.
The Chase National Bank of the City of New York.

Banking business of every description transacted on terms which may be ascertained on application.

H. C. CAPTAIN,
Managing Director.

BOROSIL LABORATORY GLASSWARE

such as

FLASKS, BEAKERS, CONDENSERS,
MEASURING FLASKS, MEASURING
CYLINDERS, PIPETTES AND ANY
SPECIAL APPARATUS MADE TO
DESIGN

and

PENICILLIN VIALS, VACCINE
BULBS—WHITE AND AMBER



ALL OTHER APPARATUS AND
EQUIPMENTS MANUFACTURED TO
CLIENTS' DESIGN

INDUSTRIAL and ENGINEERING APPARATUS CO., LTD.

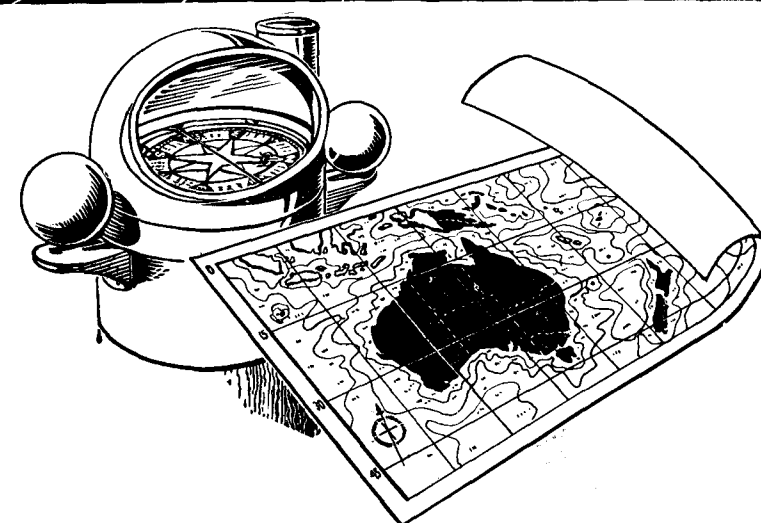
CHOTANI ESTATES, PROCTOR ROAD, GRANT ROAD,
BOMBAY 7

Phone: 71166

Grams: 'APPARATUS'

Branch: 23/24, Second Line Beach, MADRAS 1

CHART and COMPASS



TO AUSTRALASIA

To a large extent, the navigator's success is dependent on the accuracy of his instruments and information.

No less does this apply to the businessman planning ventures overseas. In Australasia, you can rely on the services of the Bank of New South Wales—the most experienced and most widely-represented commercial bank in the region. The Bank of New South Wales offers a complete banking service at over 850 points in Australia, New Zealand, Fiji, Papua and New Guinea.



Consult and use

BANK OF NEW SOUTH WALES

FIRST AND LARGEST COMMERCIAL BANK IN AUSTRALASIA
HEAD OFFICE: SYDNEY, AUSTRALIA

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

1P5302

Look
your
best
in
Krishna
Fabrics

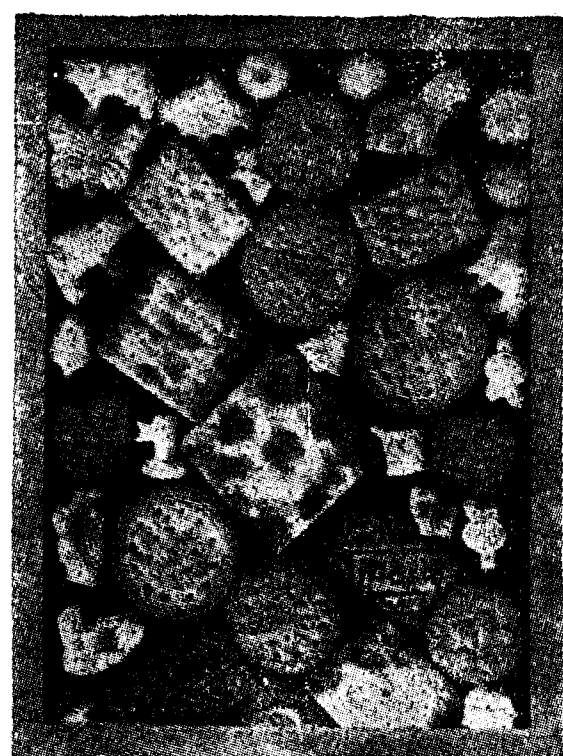


Who doesn't love to be well dressed?

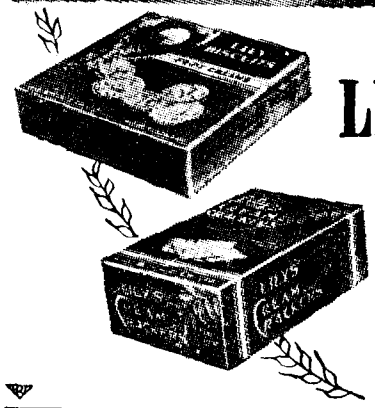
Krishna Fabrics, available in distinctive shades and attractive patterns, make you distinguished in any company.

The very fabrics of Fashion—KRISHNA SUITINGS AND SHIRTINGS.

SRI KRISHNA
SPINNING & WEAVING
MILLS LTD.
BANGALORE - 2.



Biscuit
Wealth
of
India-



LILY BISCUITS

Stand for
Quality & taste

LILY BISCUIT CO., LTD. CALCUTTA-4

46 YEARS'
SOUND &
REPUTED
BANKING
SERVICE

THE
BANK OF BARODA
LIMITED

ESTD. 1908

Head Office: BARODA

Banking Business of every description transacted.
Sterling and Dollar Credits arranged and
Foreign Bills negotiated for approved customers.

OVERSEAS BRANCHES:

Nairobi, Kampala
and Mombasa
(B. E. Africa)

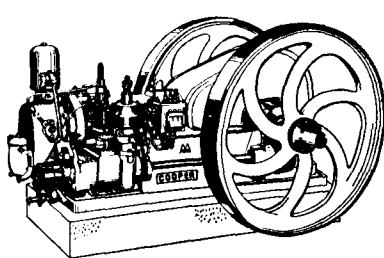
Mathew S. D'Souza,
General Manager.

COOPER

HIGH GRADE INDUSTRIAL MACHINERY

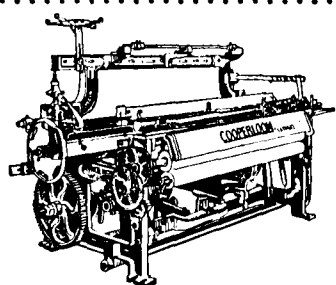
DIESEL ENGINES

of robust design, long life, utmost reliability and ease of operation. Horizontal and vertical types, cold starting from 5 BHP to 256 BHP.



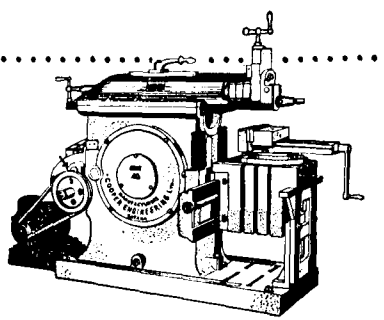
POWER LOOMS

from 36" to 120" reed space. Dobby motion in several shafts available. Machine cut gears throughout.



SHAPING MACHINES

withstand heavy duty with efficiency and speed, without impairing accuracy or alignment. Five models available.



Write for literature:

COOPER ENGINEERING LTD.

SATARA ROAD, DIST. SATARA, BOMBAY STATE

THE NEW ASIATIC INSURANCE COMPANY, LIMITED

Head Office: NEW DELHI

Chairman: SHRI L. N. BIRLA

★

BONUS

Whole Life Rs. 15/-
Per thousand per annum

Endowment Rs. 12/-
Per thousand per annum

★

Transacts

LIFE, FIRE, MARINE, ACCIDENT,
AVIATION, ETC.

★

CALCUTTA OFFICE

8, ROYAL EXCHANGE PLACE

CALCUTTA-1

SUGAR REPEATS ITS SAD STORY

OUTPUT TOUCHES THE LOWEST FOR PAST FOUR YEARS

FORECASTING the trend of sugar industry and trade for the season 1953-54 in our last *Annual*, we observed that the production of sugar would suffer a setback. This forecast has proved correct. Not only did the season witness a precipitous fall in sugar production as compared with the previous season, but the actual quantum of production touched the lowest level for the past four years. Indeed, 1953-54 will go down in the history of the sugar industry as one more season which greatly disappointed the consumer, who has nursed the industry under the shelter of tariff protection for a period of 18 years in the eager expectation of appeasing his appetite for sugar at a reasonable price. What was worse, the country was driven to the necessity of importing sugar absorbing as much as Rs. 52.66 crores of India's precious foreign exchange.

Sugar production during 1953-54 aggregated just a little over 1 million tons, which compares very unfavourably with 1.32 million tons in 1952-53 and 1.48 million tons in 1951-52, representing a decline of as much as 23.4 per cent. and 31.8 per cent., respectively. The chief factor responsible for such a steep fall in production during the season under review was the reduction in cane supplies to factories, despite the upward revision in the minimum cane price from Re. 1-5 to Re. 1-7 per maund, and the extra price of As. 4 per maund which sugar mills in West U.P. were asked to pay to the cane growers, though towards the lag end of the season.

WHY CANE SUPPLIES LOWER?

This marked fall in cane supplies to factories was the result of two factors, namely, (1) a decline of more than 8 per cent. in sugarcane crop, due partly to lower acreage and partly to damage caused by floods in parts of North India, especially Bihar, and (2) diversion of cane in factory zones to *gur* production, owing to the relatively high prices commanded by *gur*. During 1953-54, only 3.60 million acres were sown to cane, as against 4.27 million acres in the previous season. The total yield of cane decreased from 50.2 million maunds to 46.1 million maunds. The reduction in cane production would have been steeper but for the improvement in the per-acre yield, the all-India average for 1953-54 being 12.8 tons, as against 11.5 tons in 1952-53.

Another factor, albeit a minor one, that led to the marked fall in sugar output was the retention of control on releases and the keeping of a reserve of 25 per cent. of the season's output as buffer stock, which took away the incentive for higher production. Yet another minor factor was the rise in the freight rates on sugarcane supplied to the mills effected from July, 1953.

TREND OF OUTPUT

The downward trend in sugar output during 1953-54 was in evidence in all the States, with the exception of Madhya Bharat and Rajasthan, as will be seen from the following comparative table relating to production in the past two seasons:

	(In tons)	1952-53	1953-54
Uttar Pradesh	...	700,049	560,090
Bihar	...	273,940	145,116
Bombay	...	139,251	126,712
Andhra	...	41,251	35,042
Madras	...	20,815	27,260
Punjab	...	19,148	15,309
W. Bengal and Orissa	...	10,344	7,542
Hyderabad	...	43,233	30,985
Mysore	...	37,495	11,158
P. E. S. U.	...	14,033	11,047
Madhya Bharat	...	7,467	11,490
Rajasthan	...	589	5,327
Bhopal and Ajmer	...	3,872	3,850
Travancore-Cochin	...	1,817,680	1,091,587
Total	...	1,817,680	1,091,587

The foregoing figures reveal that output of sugar suffered the steepest fall in the two major sugar-producing States of Uttar Pradesh and Bihar, the actual extent of the decline being 140,019 tons and 127,133 tons, respectively. Bombay and Madras (including Andhra) also accounted for a sizable fall in sugar output, the extent of the fall being 12,539 tons in the case of the former and 10,764 tons in the case of the latter.

SUPPLY POSITION

Despite the marked reduction in output and reduced carry-over, the total supply of sugar during the season was larger than in the previous season, thanks to considerable imports. The aggregate quantity of sugar available for consumption was as much as 1,867,000 tons, as against 1,858,000 tons. Of this, imported sugar alone accounted for 660,000 tons. The following table compares the supply position of sugar during 1953-54 with that in 1952-53:

	(In thousand tons)	1952-53	1953-54
Opening stocks	...	496	199
Production	...	1,318	1,011
Imports	...	22	676*
Total	...	1,836	1,889
Less—Exports	...	6	—
Net available supply	...	1,830	1,889
Despatches of indigenous sugar	...	1,610	1,152
Imported sugar presumed to have been consumed	...	54	676
Total estimated consumption of sugar	...	1,664	1,828
Closing stocks	...	196	41

* A total quantity of 44,110 tons of raw sugar was received for refining.

Despite this increased supply, consumers in many parts of the country experienced difficulty in getting adequate quantities of sugar during certain periods in the season and had to pay much higher prices than would have been necessary if the inflow had been regular. This state of affairs was the result of defects in the administration of controls over releases of sugar. On the basis of the aforesaid supply and with population estimated at 375 million, the *per capita* consumption of sugar during 1953-54 was 10.89 lbs., as against 10.02 lbs. in 1952-53 and 7.09 lbs. in 1951-52.

IMPORTS

The indigenous production of sugar during 1953-54 had originally been estimated at 1.2 to 1.3 million tons, while the consumption requirements were estimated at more than 1.8 million tons. Import of 400,000 to 500,000 tons of sugar was thus considered necessary to make up the deficit. Accordingly, in the budget estimates of foreign exchange, a provision of Rs. 25.84 crores was made for covering an import of 380,000 tons of sugar. Owing, however, to extensive damage by floods in East Uttar Pradesh and Bihar, the estimate of sugar output was lowered to 1.02 million tons. Taking into account the anticipated shortfall in output and rise in the rate of consumption, the Government of India later raised the target of imported sugar to 690,000 tons. The increase in foreign exchange expenditure on account was estimated at Rs. 26.82 crores, the total being Rs. 52.66 crores.

PRICES SOAR

As already stated, the comfortable supply position in respect of sugar as noted above, however, failed to bring about a fall in sugar prices. In fact, there was a distinct rise in prices, the average all-India price of sugar at the end of March, 1954, being Rs. 33-15 per maund, as against Rs. 30-7 a year before. Incidentally, it will be interesting to note that the fair ex-factory price, according to the Government, was Rs. 27 per maund and the world price about

Rs. 14 per maund. The fair ex-factory price was arrived at on the basis of a minimum price of Re. 1-7 per maund for sugarcane, but it turned out to be a fictitious one for many factories, especially in Bihar, owing to a poor crushing season and higher prices for sugarcane.

The table below gives the wholesale prices of sugar at certain important markets on 27th March, 1954, as compared with those a year before:

	(Per maund)	21st March, 1953	27th March, 1954
		Rs. a.	Rs. a.
Hapur	...	28 10	33 4
Kanpur	...	28 4	32 0
Calcutta	...	29 8	30 6
Nagpur	...	30 12	33 12
Bombay	...	34 8	34 15
Madras	...	31 15	32 6
Jullundur	...	29 8	31 0

It will thus be seen that the price of sugar in all the important centres registered a perceptible rise. With a view to maintaining continuity of supplies and ensuring stability in prices, the Central Government started, with effect from April, 1954, distribution of sugar out of the reserve stocks with factories and imported stocks on a tender basis at a uniform f.o.r. destination price. This was followed by a reduction in the selling price of sugar from Rs. 31 to Rs. 30 per maund from the middle of May, 1954, which was further reduced to Rs. 29-8 a month after. The new scheme of distribution against tenders at fixed prices was successful only to some extent. After a brief respite, sugar prices once again tended to move up, the all-India average price for the month of July being Rs. 32-7 per maund. This was due to the hoarding of stocks by a section of the sugar trade. In order to curb this tendency and to prevent a further sharp rise in prices, the late Mr. R. A. Kidwai announced, on 15th September, 1954, a three-pronged attack on the following lines:

- (1) Ban on movement of sugar from place to place;
- (2) requisition of stocks from those dealers who were known to be hoarding large stocks; and
- (3) arrangements for direct sales to consumers.

CONTROLS AGAIN?

Simultaneously with the above announcement, the Central Government delegated certain powers, under the Sugar and Gur Control Order, 1950, to the Regional Directors of Food at Bombay, Calcutta and Madras to give direction to dealers to dispose of any stocks of sugar in their possession to approved parties and at fair prices. The Government also addressed a letter to all the sugar factories in which it said that it was seriously contemplating re-imposition of blanket control on sugar industry over the production in the 1954-55 season. Drawing attention to certain malpractices, such as failure of some to comply with release orders and demand of premium from allottees in reserves stocks of sugar, the Government said: "... in that event, the entire production of the mills during the 1954-55 season may be taken over for controlled distribution, instead of 25 per cent. thereof as at present." Till the time of writing, no action was taken by the Government in this direction. But the prices of sugar were generally easier after the aforesaid actions of the Government and the complaints of high prices, hoarding by dealers, etc., also had ceased.

A notable development of the year was the agitation by sugarcane growers in U.P., inspired by the left-wing politicians, for a share in the higher prices realised by the factor-

ies. The agitation started early in January, 1954, and the Socialist Party started a *satyagraha* movement, with appeal to cane growers not to supply cane to factories unless a higher price was fixed. The agitation was so strong that the Government had to take notice of it. While it succeeded in persuading cane-growers not to heed the call of the Socialist Party, it was compelled to follow a policy of appeasement. After much deliberation, the Government of India announced that, while no increase in the minimum cane price was contemplated, the question of evolving a scheme whereby the growers could have a legitimate share in the excess price realised by the factories was being considered. Meanwhile, it directed the factories to pay As. 4 more per maund of cane as part payment of the growers' share in the extra profit realised by them.

NEW FORMULA

The question was discussed at a tripartite conference convened by the U.P. Government at Naini Tal in June, 1954. At this conference, the representatives of the Central Government were also present. The principle of linking cane price with the sale price of sugar was accepted by all the parties concerned. It was after taking into consideration all the aspects of the question and the views expressed by the different interests concerned, including the State Governments, the Union Food and Agriculture Ministry evolved a tentative formula for linking the prices payable for sugarcane with the net selling prices realised by sugar factories on the sugar produced by them. The formula found general acceptance at a meeting of the representatives of growers, sugar industry, trade and State Governments, held at New Delhi on 29th October, 1954. It would, however, appear that nothing was decided about the share of profit payable to cane growers of U.P. in respect of the 1953-54 season. It was not known up to the time of writing whether the proposed formula would be applied with retrospective effect to U.P. factories.

DEVELOPMENT COUNCIL

Another notable development of the season under review was the constitution, in March, 1954, of the Development Council for the Sugar Industry, as envisaged in the Industries (Development and Regulation) Act of 1951. Mr. P. A. Gopalakrishnan, I.C.S., Joint Secretary, Union Food and Agriculture Ministry, is the Chairman of the Council. The inaugural meeting of this new body was held in New Delhi on 9th August, 1954. At this meeting, the Council appointed four special committees to deal, respectively, with four important aspects, namely, (1) to examine the proposal for the introduction of the system of paying cane price on the basis of quality, (2) to prepare a plan for shifting the unsuitably located factories to suitable sites and to investigate the affairs of factories at present lying idle with a view to putting them to work, (3) to work out standard gradings for sugar, and (4) to advise on the revision of price differentials for different grades of sugar. The Council also recommended institution of Central control over molasses.

The current domestic output of sugar is very much inadequate, considering the appreciable increase in consumption, thanks to the growing population and the rise in the number of people preferring white sugar to *gur*. The Planning Commission's

original estimate of consumption of sugar in India at 1.5 million tons for 1956 has now proved to be a gross underestimate. It is now assessed that, by 1956, the annual demand for crystal sugar will be about 1.8 million tons, as against the effective installed capacity of 1.3 million tons. There is thus a gap of 500,000 tons, for which India has to depend on foreign sources. Certainly, this will prove a big drain on our foreign exchange resources. There is, therefore, the compelling need for expanding this industry. The Planning Commission has accordingly revised the production target for 1955-56 to 1.8 million tons per annum, with an installed capacity of 2.0 million tons worked over a season of 120 days.

With a view to achieving the above target, the Government of India invited applications for expanding the existing units, establishing new ones and, if necessary, setting up sugar refineries at ports. The Government received 54 applications for an aggregate capacity of 480,000 tons. Of these, 24 related to the establishment of new factories, 27 for the expansion of existing ones and 3 for the erection of refineries. The applications were examined by a special committee set up by the Licensing Committee established under the Registration and Licensing of Industrial Undertakings Rules.

NEW SUGAR MILLS

On the basis of the recommendations made by this Committee, the Central Government has decided to grant licences for setting up 23 new factories, including two refineries with a total production capacity of 300,000 tons of sugar per year. Of these, one is expected to start working in the 1954-55 season, three in 1955-56 and the rest in 1956-57. Eleven of these factories will be established in Bombay, two each in Hyderabad, Andhra, P.E.P.S.U. and the Punjab (I), and one each in Mysore and Madras. Of the two refineries, one will be in Bombay and the other in Saurashtra.

Even the additional capacity of 300,000 tons of sugar will not be sufficient to meet the domestic demand in full after a couple of years. It is felt that, with a growing population and as a result of improvement in the standard of living envisaged in the Five-year Plan, the demand for sugar will increase further from year to year. The consumption requirements for a population of 410 million in 1960-61 are estimated at 2.25 million tons, including 270,000 tons being the allowance for the change-over of consumption from gur to sugar. The Development Council, has, therefore, to decide on the need for further expansion in the installed capacity of the sugar industry during the second Five-year Plan, 1956-61, to as much as 2.5 million tons. Incidentally, it is stated that the Planning Commission looks to the Council for drawing up an outline of a programme for this purpose. The programme is expected to be drawn up by May, 1955.

CANE OUTPUT

The mere expansion in the capacity of the sugar industry will not solve the problem. It must be accompanied by measures for stepping up the production of sugarcane. The intensive campaign for augmenting the per-acre yield of high sucrose-content cane, launched by the Union Food and Agriculture Ministry on 1st June, 1954, is, though belated, a step in the right direction. The campaign envisages supply of fertilisers on credit to cultivators, education programme to acquaint the farmer with the technique of better cane production, and free distribution of publicity material containing information on the application of fertilisers to cane cultivation and improved cultural practices.

WHAT OF 1954-55?

Barely two months have elapsed since the 1954-55 sugar season began. It is rather difficult to forecast, with any degree of accuracy, as to what will be the trend of sugar output, as such will depend on several factors which cannot be easily sized up at present. A section of the sugar trade, however, estimates the season's production at about 1.3 million tons. This estimate seems to be somewhat reasonable. From the indications so far available, it looks as though the supplies of sugarcane to the factories will be larger than those in 1953-54, because of higher sugarcane crop and the downward trend in gur prices—the latest available quotation at Hapur being Rs. 12-4 per maund, as against Rs. 19-12 a year before. If this downward trend is maintained in the coming three months, more cane will be diverted to the factories. According to the latest official estimate of the sugarcane crop in 1954-55, the total area sown for sugarcane is placed at 3.91 million acres, as against the revised final estimate of 3.60 million acres for the 1953-54 season, a rise of 8.6 per cent. Assuming that the average yield of cane per acre will be maintained at 12.8 tons, the total production of cane

during the 1954-55 season will be of the order of 50.06 million tons, as against 46.14 million tons in the previous season.

NEW SUGAR POLICY

On 26th November, 1954, the Central Government announced the sugar policy. Under this policy, the Government has fixed a minimum price of Re. 1-7 per maund for gate deliveries and Re. 1-6 per maund for deliveries at rail centres for sugarcane which will be purchased by vacuum-pan factories during the season 1955-56. These prices are the same as for 1954-55 announced by the Government of India in September, 1953. Although the trend of agricultural prices has been downward, the Government has decided not to reduce the minimum cane price for 1955-56, in order to provide greater incentive for increased production of sugarcane and sugar.

As in the past two years, the Government has decided not to exercise any statutory control on the price or distribution of sugar, gur and khand-sari during the 1954-55 season. But 25 per cent. of the sugar produced will be kept in reserve with factories from which, if need arises, Government would requisition sugar at fair ex-factory prices to be fixed for controlled distribution. Releases of

sugar from factories will be regulated by Government as in the past. For bridging the gap between home production and consumption of sugar in 1954-55, Government has decided to import refined sugar in substantial quantities from abroad. In addition, factories will be permitted to import raw sugar on their own account for refining during their idle season. An import duty of approximately Rs. 4 per maund will be levied on such raw sugar. The procedure for grant of licence will be announced shortly.

The Government has also taken a decision for the first time to apply, on a voluntary basis, throughout India a formula for linking the price of sugarcane to the price of sugar. This formula has been worked out on the principle that the cane growers should receive the same proportion of the net price realised for sugar that the cost of cane bears to the cost of production of sugar in the different regions. The formula will be applied, in the first instance, to the 1953-54 season which has just ended and a large number of cane growers in all the regions will be entitled to get under the formula an extra price over and above the minimum price which was in force during 1953-54.

STATIC CONDITIONS IN COAL INDUSTRY EXPORTS FAIL TO RECOVER

THE present position of the coal industry is rather depressing and the future uncertain. It would appear that the industry is fighting a losing battle to keep its head above water. The raisings and despatches show hardly any encouraging signs, while exports have been positively discouraging. Thus, raisings from January to September, 1954, as compared with those for January-September, 1953, were slightly lower by 36,664 tons at 27,033,640 tons. The despatches, however, were slightly better at 23,681,991 tons, as against 22,861,201 tons, an improvement of 820,790 tons. On the basis of the average monthly production for the nine-month period, the total production for the whole of 1954 may be estimated at about 36,000,000 tons and despatches at about 31,000,000 tons. These figures compare with the raisings and despatches during 1953, as a whole, at 35,979,167 tons and 30,763,400 tons, respectively. The stocks at pitheads at the end of September, 1954, were 3,521,947 tons, as against 3,137,427 tons at the same time in the previous year.

The raisings and despatches of hard and soft coke were somewhat better. The raisings of hard coke during January-September, 1954, were 109,227 tons, as against 97,438 tons in the same period of the previous year. The despatches were 115,928 tons, as compared with 101,302 tons. The production of soft coke was 1,134,743 tons, as against 1,077,199 tons and despatches

1,137,016 tons, as compared with 1,076,173 tons in the corresponding period of the previous year.

The slight improvement in despatches has been due mainly to an increase in the supply of transport, which became perceptible in the latter half of the year. The wagon supplies for Bengal and Bihar coalfields, which were 2,874 daily in January, 1954, improved to 3,092 in May, to 3,368 in July and to 3,593 in September, 1954. But despite this improvement, the position is still unsatisfactory and heavy stocks at pitheads are even today a common phenomenon.

A disquieting feature of the year has been the failure of exports to recover. During the first eight months of the year, the aggregate shipments to foreign markets (excluding those to Pakistan) were 832,682 tons, as against 965,894 tons during the same period in 1953. The exports to Pakistan during the first eight months of the year were 476,048 tons, as against 533,671 tons in the same period of the previous year. It may be noted here that the aggregate exports to foreign countries, including Pakistan, in 1953 were 1,991,347 tons, as against 3,302,115 tons in 1952. On the basis of the first eight months of the year, the exports for the whole of 1954 may at best be no more than those in the past year, which constituted, as will be seen from the above figures, only 60 per cent. of the exports in 1952. The failure of Indian coal to regain its export markets, let

alone win new ones, is essentially due to the emergence of South Africa and Australia as strong competitors in the South-East Asian markets. Besides, the U.S. began to supply large quantities of metallurgical and high grade coal required by Japan which used to obtain its needs from India.

A notable development of the year was the constitution of a seven-member committee with Mr. R. K. Ramadhyani, I.C.S., Coal Commissioner, as Chairman, to enquire into the causes for the decline in India's coal export trade and to recommend measures needed to restore, at the outset, the original position and then to improve it. Equally important was the constitution of another committee, with Mr. A. B. Guha, Chief Mining Engineer, as Chairman, to report on a proposal for establishing a washery at Kargali State colliery in Karanpura area in Bihar, with a view to ensuring the supply of coal of the requisite grade for the Rourkela steel plant in particular.

It will be recalled that in January, 1953, the Government had appointed a washery committee to enquire into the general question of establishing washing plants. This Committee submitted its report to the Government this year. The report has not yet been made public, but unofficial sources at Calcutta claim that the Committee has suggested the establishment of multi-plant and multi-purpose central coal washeries near the existing railway marshalling

yards or base-loading stations. The washeries are expected to operate under a central marketing agency to be created. The producers, the public, as well as the large consumers of coal, such as the railways and steel industry, are expected to acquire a fair control of the central marketing agency by purchasing its shares. The agency, it is said, will have full monopoly over the sale of all types of coal produced in India. The Committee has advocated zonal selling prices for coal. It is said to be of the view that it is necessary to pool both the profits and losses of the various collieries and have a common budget for the washeries as a whole. Allaying fears of nationalisation, the Committee is reported to have observed: "Coal is a vital raw material to the nation. The production, preparation, distribution and utilisation of coal has to be rationalised, if the country's industrial efforts are to succeed. Such a rationalisation is not possible except under a monopoly control, be it entirely State-owned or nationalised or be it under State-cum-private capital control."

Still another outstanding development of the year under review was the setting up of a synthetic petrol committee with Mr. K. D. Malaviya, Deputy Minister for Natural Resources and Scientific Research, as Chairman, to explore the possibilities of establishing a synthetic petrol plant in India. This Committee is said to have already submitted its report recommending the erection of

THE FAN THAT SELLS ON MERITS

No Wonder, everybody now insists on installing FANS. They are sturdily made; They look elegant; They are moderately priced and THEY CONSUME 60% LESS ELECTRIC ENERGY.

THE INDIA ELECTRIC WORKS LTD.
6, SIR PHIROZSHAH MEHTA ROAD,
BOMBAY 1.

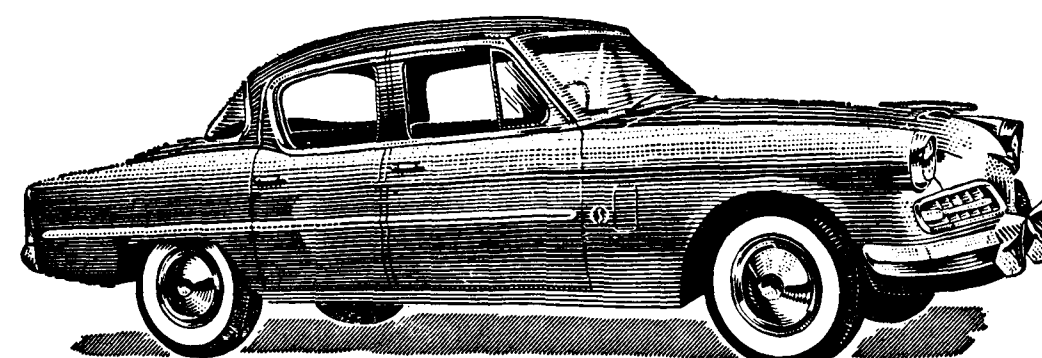
CEILING FANS
INDIA - ROHTAS
(FOR D. C.)
BEHALA - BHARAT
RANJIT (FOR A. C.)
TABLE & PEDESTAL FANS
TARA (A. C. - D. C.)

THE WORLD'S MOST Beautifully Styled CAR 1954 STUDEBAKER

The new 1954 Studebaker is a marvel in styling and motoring luxury. Among its many achievements are : 29 international awards for elegance and a record-smashing performance in this year's Mobilgas Economy Run in which it out-classed all 20 competitors.

There are many other plus features which make the new Studebaker the only car with "more for '54": A high-compression ratio of 7.5 to 1 generates more power out of every drop of fuel; strategically-placed cross members give extra sturdiness to the frame; self-centering and self-energising brakes make for safer driving; two-piece shaft eliminates vibration and full-pressure lubrication ensures smoother performance and prolongs engine life.

Above all is the dazzling Studebaker beauty and driving ease. See it and drive it yourself today.



Sensational
ECONOMY, LUXURY and COMFORT
HINDUSTAN MOTORS LTD. CALCUTTA

AUTHORISED DEALERS AT:

Agra, Ahmedabad, Allahabad, Ambala, Bangalore, Bhopal, Bombay, Bareilly, Banaras, Calcutta, Cottack, Coimbatore, Dibrugarh, Dehra Dun, Indore, Jaipur, Jodhpur, Jalgaon, Jammu, Jamshedpur, Jullunder, Kanpur, Kolhapur, Lucknow, Madras, Madurai, Mangalore, Nagpur, New Delhi, Patna, Poona, Rajkot, Sambalpur, Secunderabad, Tezpur, Trivandrum, Trichinopoly, Vijayawada and Vizianagaram



a synthetic plant capable of producing 3,000,000 gallons of liquid fuel from coal. The plant is estimated to cost Rs. 55 crores.

The control on prices for internal markets continued during the year under review. The Government reduced the statutory price of grade II coal produced in Bengal-Bihar coalfields in February by Rs. 9 per ton. There are two grades of coal. The first is run-of-mine, dust coal and slack and the second is steam coal, rubble and smithy nuts. The prices of these two categories prior to the reduction were Rs. 12-15 per ton and Rs. 14 per ton, respectively. This grade of coal is mostly used for brick-burning purposes. The reduction in price was effected on the ground that the prevalence of rebates on a large scale suggested the existence of room for charging a lower price to the consumer.

Prices realised during the year on sales of export were distinctly lower than those in 1953. On the basis of declared values in the sea- and land-borne statistics, the average price realised during January to August, 1954, was Rs. 31-13 per ton, as against Rs. 35-7 per ton in the corresponding period of the previous year. This means a decline of Rs. 3-13 per ton or a little above 9 per cent. over the year.

The market quotations per ton f.o.r. at colliery sidings in India for the various grades remained unchanged as follows:

	Rs. a.
Selected Jheria 'A'	18 4
'B'	15 4
Jheria (grade I)	14 6
Dishergarh	16 4
Raneegunj Kajora class (grade I)	14 6
Central Provinces (1st class)	17 8

LABOUR TROUBLES

The most disturbing development of the year was the deterioration in the employer-employee relations, leading to the threat of a general strike. This led to the constitution of an All-India Tribunal, with Mr. J. N. Majumdar a retired Chairman of the Labour Appellate Tribunal, as Chairman, to adjudicate the dispute relating to wages, calculation of bonus and provident fund contribution, paid holidays and the like.

The Indian National Mine Workers' Federation (I.N.T.U.C.) has, on the basis of a worker's family consisting of three consumption units, it is reported, demanded a minimum basic wage of Re. 1 per day and dearness allowance at 225 per cent. of the basic wage, in all Rs. 3-4 per day. Besides, it has also demanded a minimum attendance bonus at As. 4 per day plus one quarter seer of free rice, a quarterly bonus at the rate of one-third of the earnings, inclusive of dearness allowance. It has further demanded the continuance of cheap grain concession and other privileges enjoyed now. The Federation has classified workers into two categories, namely, manual and staff. It has further subdivided manual workers into (1) time-rated and (2) piece-rated and has evolved basic wages and grades for them. The employers have contended that the acceptance of these demands

would impose an unbearable burden on the industry, the finances of which are already strained. It is estimated that, if all the demands of labour were to be met, the price of coal at pithead would increase from about Rs. 15 to as much as Rs. 24 per ton.

PRODUCTIVITY

The employers contend that this situation would be further aggravated, unless there is an increase in the productivity of labour which is now almost static. Thus, the output per man-shift for miners and loaders is, on an average, 1.05 tons, for all persons employed underground and in open working 0.57 ton, and for all persons employed above and underground 0.35 ton. It is said that the productivity of the Indian workers is the lowest in the world. The output of the Belgian miner, for instance, is double, the French miner three times, the U.K. miner four times, the South African miner six times and the U.S. miner 18 times the Indian miner. This is, indeed, a depressing state of affairs, more so because the Indian workers are averse to link his wages and bonus to productivity, an untenable position.

The Tribunal is still busy hearing the case and it is not known when its report will be submitted to Government. Explaining the position in this respect, the Chairman of the Bengal Coal Company, Ltd., recently said as follows:

"In February this year, the Central Government set up an All-India Industrial Tribunal to adjudicate upon the wage structure of the coal industry and your Company is represented before the Tribunal by the Indian Mining Association. The issues before the Tribunal are of far-reaching importance and their ultimate findings will, undoubtedly, have a profound effect on the future of the coal industry, and indeed of Indian industry as a whole."

A team of British mining specialists conducted studies on lignite mining at Neiveli, South Arcot District in South India, at the instance of the Government of India and submitted their report not long ago. The project report, which is yet to be published, will be examined by the Government of India and the Madras Government shortly. The question whether lignite mining on a commercial scale should be carried out by private enterprise or by the Madras State Government or the Central Government will be considered in the light of the recommendations of the British team of experts in their project report.

According to the latest reports, the lignite pilot project at Neiveli, which is being conducted by the Madras Government with the aid of the Centre and the U.S. Technical Co-operation Mission, is making good progress. Already 85 per cent. of quarry work has been executed. The deposits of lignite are estimated at about 2,000 million tons.

The deposits of lignite extending over an area of 100 square miles has opened new vistas of opportunities for the development of industry in Madras, Andhra, Travancore-Cochin, Hyderabad and Mysore States. First, it will help ease the chronic fuel shortage in South India which has been the main obstacle to the industrial development of the region.

Second, the lignite-fed thermal stations will reduce the dependence on hydro-electric power, which is greatly affected by the vagaries of the monsoon. The cheap electricity that will be available from the thermal power stations will help the development of chemical and electro-metallurgical industries for which there is good scope in the South. The bauxite ores in Salem District, for instance, can be advantageously used in the manufacture of aluminium.

It will be seen from the above review that the coal industry is "riding on a rocking horse with much movement and no progress," to quote the words of the Chairman of the Coal Consumers' Association of India. Indeed, this is a very unsatisfactory state of affairs and can be allowed to persist only at the peril of the economic development of India. India is now on the threshold of industrial expansion, both private and State-owned, on a scale never thought of before. The second Five-year Plan will essentially be an industrial plan. As coal is a basic industry and, as it accounts, as fuel, for a significant portion of the cost of finished products of many industries, especially the metallurgical ones, its future is a matter for concern to the entire nation.

RATIONALISATION

The remedy to the situation lies in rationalising the entire structure of this basic industry. The Government is also aware of it. But it is afraid of meeting the situation with a bold policy. It is reluctant to permit rationalisation of mining techniques on scientific lines for fear that it might lead to large-scale displacement of labour. By taking this attitude, the Government has found itself in the hopeless situation of not being able to bring down the high cost of the Indian economic structure. It is still making out a case for a half-way house between the slow-moving bullock cart and the fast-moving steel horse economy. It has still not rescinded the threat of nationalisation, which has scared investment of capital by private entrepreneurs in this industry. It has been taking short-term decisions, which have no relation to long-term needs. Thus, it has left the industry to grope in the dark as to what is the ultimate objective in view—the maintenance of a large number of people in employment in the coal mining industry and thereby maintain, if not increase, the high cost of production or to promote such steps, the multiplier effects of which will encourage development of industries in general, by providing cheaper fuel, which would absorb the surplus manpower.

There is no gainsaying the fact that it is difficult to strike the balance between short-term expediency and long-term needs. But it is necessary for that balance to be struck even by trial-and-error methods, if need be. There is bound to be some hardship but that is inevitable for some time. It is the duty of the State to mitigate the hardship of the people by creating conditions under which alternative sources of employment will come into existence. The private sector could also help reduce the tears by being a little more enterprising than now. But to follow policies economically cataclysmic to the nation in the long-term, under the shelter of labour welfare, is surely not planning. It is suicidal not to learn from the history of economic development of other nations and try to propound a new theory, which, even on the face of it, appears to be illogical.

There can certainly be no sudden improvement, whatever the steps taken, but there is no doubt that the gains from major reorganisation will, in course of time, be substantial and sustained. The industry is

losing every day productive capacity. Not only has this to be replaced but extra capacity also has to be provided. The major schemes of reorganisation must, in the main, be regarded as long-term, because the period of gestation of a number of collieries will be long. Further, modernisation of productive methods cannot be brought about overnight even after plans for it are decided upon. It will take several years. But a beginning has to be made without further delay and this cannot be done unless the Government's policy is clear and firm. Uncertainty on basic issues of policy leads to vacillation and delay in getting things started.

CO-OPERATION

No plan for rationalisation of production will succeed, unless the co-operation of workers employed is assured. Rationalisation, therefore, presupposes perfect understanding between employers and employees. While it is true that labour must be paid higher remuneration and provided with better working conditions, there are certain obligations which labour too has towards the industry. It should realise that there is a limit to the capacity of the industry to pay. Anything over and above it should be earned by exerting much greater efforts in raising productivity. And above all there should be industrial peace, not truce.

The reorganisation of the coal industry requires heavy capital. It is difficult whether all this would be available from private sources. Unless the industry is assured of immunity from nationalisation for a considerable number of years to come and allowed to earn a fair return on capital, it cannot hope to attract sufficient capital from the market. It is high time that the Government declared its policy in this regard and withdrew its undeclared war on mechanisation, which is now being fought relentlessly. The Government should also help the industry reorganise itself by providing adequate tax relief and sufficient transport.

Notice

INDIAN PLASTICS LIMITED

NOTICE

NOTICE IS HEREBY GIVEN that the 10th Ordinary Annual General Meeting of the shareholders of the Company will be held at the Office of the Managing Agents at Industry House, 159, Churchgate Reclamation, Bombay, at 4 p.m. on Thursday the 30th December, 1954, to transact the following business:

1. To receive and adopt the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1954.
2. To declare Dividend.
3. To elect Director in place of one of the Directors who retires by rotation.
4. To appoint Auditors and fix their remuneration.
5. To transact such other business as may be brought before the meeting with the consent of the Chairman.

The Share Register of the Company will be closed from 24th December, 1954, to 6th January, 1955, (both days inclusive).

By Order of the Board,
BIRLA BROS. LTD.,
Managing Agents.
BOMBAY, 11th December, 1954.

Note.—Dividend Warrants for Dividend, if sanctioned, will be posted to the Shareholders at their addresses as per Share Register.

THE BEST AND THE SAFEST for

REPRESENTATION AND INSURANCE

The NEPTUNE ASSURANCE CO., LTD.

Famous for Clock Insurance Schemes

Attractive Insurance Schemes to suit ALL MODERN NEEDS

Last Valuation Bonus declared:

Per thousand per year

Endowment Rs. 8/-

Whole Life Rs.10/-

1954 is our Bonus Year

Life Fund exceeds - - - - - Rs. 1,00,00,000

Assets over - - - - - „ 1,25,00,000

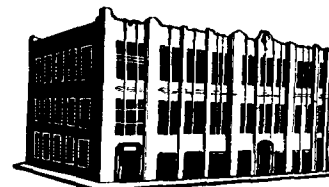
Apply for Particulars to:

Head Office: 104, APOLLO STREET, BOMBAY 1

THE INDIAN BANK, Ltd.

(ESTD.

1907)



Head Office: "INDIAN BANK BUILDINGS," MADRAS 1.

Branches and Sub-Offices throughout South India, Bombay and New Delhi

CAPITAL

AUTHORISED	Rs. 1,00,00,000
SUBSCRIBED	72,00,000
CALLED AND PAID-UP	57,80,000
RESERVE AND OTHER FUNDS	76,00,000
DEPOSITS	23.71 Crores

BOARD OF DIRECTORS:

M. A. Chidambaram Chettiar
R. K. Venkatachalam
R. Sundram Iyer
Rao Bahadur M. R. M. S. Periannan Chettiar
O. M. SP. L. M. Meiyappa Chettiar
A. M. A. MR. Murugappa Chettiar
Rao Bahadur Dr. M. R. Guruswami Mudaliar
C. Krishnamoorthy Mudaliar
L. Alagusundaram Chettiar
P. V. Rm. Kulandayan Chettiar
K. Balasubramania Iyer
Rao Saheb E. M. Muthappa Chettiar

London Agents:
Westminster Bank
Ltd.

New York Agents:
National City Bank of
New York

**ALL KINDS OF BANKING BUSINESS INCLUDING
FOREIGN EXCHANGE TRANSACTED.**

N. GOPALA IYER
Secretary

THE SHREE NIWAS COTTON MILLS LTD. BOMBAY 13

USE SHREENIWAS FABRICS

Durable and Fashionable

Our Varieties:

★ Shirtings ★ Coatings ★ Voiles ★ Mulls

★ Prints ★ Checks ★ Longcloth

★ Dhoties ★ Sarees, etc., etc.

All Mercerised.

Managing Agents:

MARWAR TEXTILES (AGENCY) LIMITED

"Shreeniwas House," Waudby Road
Fort, Bombay

THE K. C. P. LIMITED

Registered Office: 55, Peters Road, Madras

Business Office: Vuyyuru, Krishna District

Authorised Capital - - - - - Rs. 22,00,000

Called and Paid-up Capital - - - - - Rs. 16,68,090

MANUFACTURERS OF:

**WHITE SUGAR, CONFECTIONERY, RECTIFIED
AND DENATURED SPIRITS**

DIRECTORS:

Srimanthu Rajah Y. Sivarama Prasad Bahadur, Chairman.
Sri V. Ramakrishna, M.A., C.I.E., I.C.S. (Retd.), Managing Director.
Sri A. V. Subrahmanyam.
Sri A. V. Raghavarao, M.Sc., B.E.
Sri K. Sreeramulu.
Sri B. Narayanaswamy Naidu, B.A., B.L.
Sri S. V. R. Apparao Bahadur.
Sri Kaza Umamaheswararao.
Sri P. R. Ramakrishnan, M.Sc., (M.I.T.).

Sri M. Sitharamarao, M.A., Secretary.

SUBSIDIARY COMPANIES:

KRISHNA INDUSTRIAL CORPORATION LTD.

Manufacturers of Carbon Dioxide Gas

ALFRED BERG & CO. (INDIA) LTD.

Manufacturers of Pharmaceuticals

The average weekly wages, basic plus D.A. and other cash payments) for various categories of workers in different coalfields are as follows:—

Workers	Assam	Rani-ganj	Jharis	Madhya Pradesh	Vindhya Pradesh	Orissa	Hyderabad
Underground:							
Miners and loaders	18 12	8 13 5	9 14 12	11 11 4	10 10 15	2 11 13	7 15 8
Others	16 4	0 13 3	5 13 1	9 10 10	9 1 3	13 3	10 13 2
Open-working:							
Miners and loaders	9 14	2 13 0	0 12 3	8 7 13	3 8 15	2	..
Others	16 14	0 11 2	0 10 6	6 6 12	4 6 0	0	..
Women	8 0	0 10 15	7 8 3	3 7 12	1 5 11	11	..
Surface:							
Men	13 12	1 7 2	7 0 12	13 9 10	15 10 11	3 12	1 2 15 6 1
Women	8 3 10	7 12 1	1 8 2	0 6 1 10	5 9 2	6 11 4	9 5 2
Overall	15 13 11	12 6	5 12 13	1 10 1	5 10 0	9 12 4	10 14 5 3

BETTER DAYS DAWN ON JUTE INDUSTRY PROSPERITY, HOWEVER, DEPENDS UPON SEVERAL FACTORS

THE jute industry fared reasonably well in 1954. Its position was on the whole more comfortable than in 1953. In the latter year, the industry passed through what was known as a "crisis of stocks." For jute goods stocks with mills rose, month after month, at an alarming rate, godowns were jammed to capacity; foreign demand was at a low ebb, with export duty at Rs. 275 per ton on hessians and Rs. 175 per ton on sackings, constituting 18 per cent. of the value of jute goods; competition from the Continental mills which were able to buy Pakistan jute cheaper than Indian mills was severe and loss of markets caused a slump in prices. Those, in brief, were the main features of the jute industry in 1953. But even as that year drew to a close, better days dawned on the industry. A gradual improvement set in and gathered momentum as 1954 progressed. Mills' stocks of manufactured goods steadily declined and, for the first time since September, 1951, dropped to less than a full month's production. Despatches also were distinctly better and prices realised were higher on an average; in fact, by 10th November they stood at the peak levels. Production, too, registered an upward trend, following the increase in working hours of the mills on two occasions in the latter half of the year. The raw material position was throughout fairly comfortable, although towards the close, reports of lower crop in India and Pakistan in 1954-55 due to damage caused by floods dimmed the outlook a bit.

STOCKS DECLINE

Unlike in the previous year, stocks of jute goods experienced a progressive decline during the year under review. At the end of January, 1954, stocks stood at as high as 96,087 tons, as against 128,418 tons in the same month of 1953. Thereafter, they registered a steady decline in each of the following months till September, 1954, when, as stated at the outset, they were at the lowest level for any month in the past three years, at 67,979 tons. But, in October, however there was a slight increase to 97,000 tons. This increase was due to slackness in the offtake of sackings by overseas countries. As compared with the stocks in September, 1954, sackings at 39,800 tons showed an increase of 5,200 tons, while hessians declined from 26,650 tons to 23,000 tons.

The table below gives an idea of the stocks held by the industry at the end of each month in the year under review, as compared with the corresponding months of 1953:

Month	1953	1954
January	128,418	96,087
February	136,106	95,393
March	138,797	92,914
April	136,106	91,850
May	138,789	86,478
June	133,540	80,948
July	136,807	80,725
August	134,459	70,562
September	118,670	67,979
October	102,713	69,790

The gradual decrease in stocks was brought about by better offtake of goods, especially from overseas countries. Except in April and June, monthly exports maintained an upward trend throughout the year till August, when they reached 80,900 tons, being the peak for any month in the preceding three years. Several factors contributed to bring about this improvement. The chief among these was the reduction in export duties on both hessians and sackings by the Government of India in 1953. It will be useful to record here the position of these duties since that year. On 28th February, 1953, the duty on sackings was reduced from

Rs. 175 to Rs. 80 per ton. This reduction provided then a temporary relief, in that there was a slight improvement in the offtake, owing to purchases made by buyers, who had stayed away from the market till then in anticipation of this. At this time, no change was made in the export duty on hessians. The authorities thought there was no need for it. They were, however, mistaken, for, in the U.S., the Continental mills continued to gain the upper hand and prices in India during August-September, 1953, dropped considerably. In order to stimulate demand and to eliminate Continental competition, the export duty on hessians was reduced, with effect from 15th September, 1953, from Rs. 275 per ton to Rs. 120 per ton. This cut placed Indian hessians on a more competitive footing with Continental goods. The benefits of reduction in export duties thus effected in 1953 accrued to the industry in the year under review, as reflected in the exports of jute goods. Internal consumption, however, remained tardy, despite record production of a number of food-grains, which, for their handling, mainly depend on second-hand jute gunnies. The table below indicates the trend of despatches from Indian jute mills for export as well as for internal consumption during the nine months of the year under review as compared with those in the corresponding period of 1953:

1953				1954			
Month	Exports	Internal offtake	Total	Exports	Internal offtake	Total	
January	44.0	14.7	58.7	58.0	10.5	68.5	
February	43.4	12.5	55.9	59.6	8.5	68.1	
March	57.1	14.4	71.5	67.2	11.0	78.2	
April	57.0	13.2	70.2	65.0	11.0	76.0	
May	59.4	12.1	71.5	68.3	7.0	75.3	
June	60.3	7.9	68.2	66.1	7.0	73.1	
July	67.0	9.7	76.7	80.3	7.1	87.4	
August	63.1	8.7	71.8	80.9	7.1	88.0	
September	80.0	9.3	89.3	71.8	9.4	81.2	
Total	545.9	107.5	653.4	617.2	80.0	697.0	

Thus the total despatches during January-September, 1954, aggregated 697,000 tons, as compared with 653,400 tons in the same period of the previous year. Although the despatches were higher by 44,600 tons, they were far lower than those in 1952 when they amounted to 716,000 tons. These figures indicate that the mills have yet to make up considerable leeway before they can regain their lost position, especially in overseas markets. This calls for sustained vigorous efforts. During the year under review Argentina's purchases of Indian hessians gave good relief to the mills. This country lifted about 100,000 tons in 1953 and its total offtake this year is expected to be more or less of the same order. There was also good support from West Africa, West Germany, Peru, Burma, the Middle East and U.K. Australia showed considerable interest and placed orders for sackings.

DECONTROL IN AUSTRALIA

A point in favour of the Indian jute mills was the decision by the Australian Government to decontrol jute goods. As a result of this decision, private trade was permitted to make purchases of wool-packs from 1st July and consacks from August, this year. The complete control over the sale and distribution of wool-packs will be withdrawn in January, 1955, and that on consacks in the following month. This decision has been a heartening one to the industry and should be so, because jute control in Australia has had a deleterious effect on consumption of jute manufactures in that country all these years. This was so because the prices charged by the central

authorities to the consumer in Australia were higher than those at which they could be purchased by him directly in Calcutta. The withdrawal of control will now provide opportunities for the Indian jute mills to regain at least a good part of the Australian market, which they had lost in the post-war period, especially after the Korean boom.

INDUSTRY ON TRIAL

But jute goods are still on trial in the U.S. markets, although there has been considerable improvement, during the past two or three years, in U.S. consumption of burlap. It rose from 481 million yards in 1951-52 to 734 million yards in 1952-53. In the following year, there was again a setback, as the consumption declined to 697 million yards. Some improvement has, however, been noticed in the first five months of 1954-55 as it amounted to 360 million yards, as compared with 317 million yards in the same period of 1953-54. For this small recovery four factors were mainly responsible, namely, (a) the vigorous publicity drive launched by the I.J.M.A. through its branch in the U.S., (b) the promotion of burlap sales programme, (c) the improvement in the competitive capacity of burlap consequent on reduction in the export duty on the same by the Government of India, and (d) increase in the supplies of jute goods by Indian

vious year, given in the comparative table below:

Month	1953	1954
January	72,995	67,327
February	68,615	68,201
March	74,430	75,866
April	74,292	74,989
May	72,944	71,333
June	72,807	74,641
July	75,353	80,657
August	68,138	76,229
September	73,007	73,906
October	60,789	75,043
Total	722,050	745,042

During the ten-month period of the current calendar year, the output aggregated 745,042 tons, an increase of about 23,000 tons. This increase was due to the increase in the working hours of the I.J.M.A. mills from 42½ to 45 a week from 18th July onwards engendered by better offtake of jute goods. The aggregate output for the year, including that of the two subsequent months, namely, November and December, should reveal a further marked improvement; for the I.J.M.A. decided to raise the working hours further from 45 to 48 with effect from 18th October last. This decision will be in force for a period of three months, as the I.J.M.A. stated that it would review the decision again at the end of January, 1955, in the light of stock position and demand for goods prevailing then. This caution is due to the anxiety of the Association to avoid a repetition of the unhappy experience resulting from a similar decision taken by it in December, 1951. It may be recalled that the decision to increase the working hours to 48 per week in that month had to be reversed four months later, in April, 1952, on account of poor offtake of jute goods and increased accumulation of stocks with mills.

IMPROVEMENT IN DEMAND

The I.J.M.A. was prompted by many considerations in deciding to raise the working hours of the mills in two stages as stated above. The Jute Enquiry Commission appointed by the Government of India in 1953 had recommended in its report that the Working Time Agreement imposing restrictions on working hours of mills and sealing 12½ per cent. of the looms was not conducive to the progress of the industry, as it sought to protect the inefficient units at the cost of the efficient mills. The Agreement which is to operate for five years, is due to expire at the end of this year and the I.J.M.A. has to give consideration to its renewal next month. Meanwhile, the improvement in the overall position of the industry provided the Association a chance to restore the 48-hour working week, as stated above. With the expected increase in the U.S. and the Argentine demand, with lower stocks with mills amounting to almost less than a month's output, with the prospect of Australia entering the Indian market following full decontrol of jute goods in that country, and the likelihood of China and Russia entering this market, the Association felt that the mills would not be able to cope with the increasing demand, unless it took steps to raise the hours of work per week. Accordingly, they were raised first from 42½ to 45 on 18th July, 1954, and from 45 to 48 on 18th October, 1954.

The overall increase in working hours from 42½ to 48 a week during the year will enable the mills to increase their production by about 9,300 tons a month. This, in its turn, will increase the annual demand for raw jute by about 650,000 bales. This additional demand compels one to pay some attention to the supply

position of raw jute this year and the coming one.

During the year under review, the jute mills did not experience any difficulty in getting their requirements of raw jute, though the output of jute registered a sharp drop. Raw jute production in the Indian Union amounted to 3.13 million bales in 1953-54, as against 4.60 million bales in 1952-53. With the carry-over of 1.61 million bales from 1952-53 and imports from Pakistan, amounting to 1.5 million bales, the total availability for 1953-54 was 6.24 million bales, as compared with 7.1 million bales in the preceding season. Of this quantity, mill consumption amounted to 5.31 million bales, while other non-industrial consumption accounted for 100,000 bales.

The estimated opening stocks of jute for the 1954-55 season are placed at 1.44 million bales. Although the area sown was higher at 1.33 million acres, the outturn of raw jute during the season is estimated at no more than 2.82 million bales,* on account of damage caused by unprecedented floods. Thus, the total available supplies from indigenous sources during the current season (including the carry-over from the 1953-54 season) would be of the order of 4.2 million bales. As against this supply, the consumption of jute mills in the Indian Union is estimated at 5.80 million bales. This exceeds the preceding season's mill consumption by 490,000 bales. The higher consumption is due to the increase in the working hours in mills, as stated already. If to this is added the nominal 100,000 bales on account of consumption for purposes other than factory processing, the total requirements of raw jute for the season would be 5.90 million bales. As internal supply is estimated at 4.2 million bales, the industry is faced with a shortfall of 1.70 million bales, to which should also be added at least about one million bales for carry-over stocks at the end of this season. The overall shortfall is, therefore, of the order of 2.70 million bales. This has to be met by imports from Pakistan. This means that India's dependence on Pakistani jute in the current season will be as high as 44 per cent. The outlook thus for the industry, in so far as raw jute supply is concerned, is not very encouraging.

The outlook for the industry is not as encouraging as it should be. Once it enjoyed the monopoly in world markets. Today its share is no more than 57 per cent. of the total world loomage. Wrong fiscal policies, speculation, cornering of stocks, high prices and other unhelpful tendencies have inflicted considerable permanent damage to the industry. Substitute materials such as cotton goods and paper have made heavy inroads into the markets for packaging material at the expense of jute. Bulk handling in countries like the U.S., Canada and Australia, where crops are large and labour is expensive, has been encouraged by the high prices of jute goods caused by the high export tax and high prices in India. The latter have also been responsible for the expansion as well as modernisation of the jute industry in the Continent. Today, these Continental countries have formed a Federation to safeguard their interests against competition from India. Japan is also emerging as an exporter of hessians. Pakistan is rapidly increasing its productive capacity and is likely to prove an effective competitor to India, enjoying as it does superior advantages such as high quality jute fibre, factories equipped with the latest jute mill machinery and cheap docile labour.

*This estimate has since been revised to 3.153 million bales.

POPULATION CURVE RISING BUSINESSWISE, ALL IS GOING WELL

From Our Own Correspondent

NEW YORK, 13th December SEASONED observers at Washington and New York feel that the vicious attack of Senator Joseph McCarthy against President Eisenhower may turn out to be a blessing in disguise. In effect, the Senator has accused the Democratic administrations of 20 years of treason; he accuses the present Republican Administration of treason and he accuses some 70 members of the Congress who voted against him in the censure resolution as "hand-maidens of Communism." Pretty soon, the only person left to accuse will be Senator McCarthy. The reason Senator McCarthy's declaration of war on the President of the United States may be an asset is that the Republican Party, freed of "McCarthyism," might find its strength enhanced with the great majority of voters who favour progressive thinking, but who also favour more or less conservative management of the affairs of the United States.

As mentioned in previous despatches, the party lines between Republicans and Democrats are gradually being washed away in the U.S. President Eisenhower could have been elected on a Democratic ticket as well as on the Republican, and the support he is going to get in the next session of Congress, particularly in the foreign trade field, will come from the Democrats rather than from his own party. An open break with McCarthy was almost inevitable and it will probably be welcomed abroad more than at home where McCarthy is just a figure to make the headlines, but not much more.

Businesswise, all is going well. Steel operations have risen to a new high for the year. Electric power consumption is at a new high, the seventh peak made this year. Building construction continues to climb to new heights and non-farm employment hit a new top for the year. Life insurance companies in the U.S. increased their assets \$5,700 million to \$84,200 million. Long-distance telephone calls are 10 per cent. higher than last year, presumably owing to the reduction in taxes on this service.

Dissident notes were in recent lower rail freight loadings. These, however, are no longer a true barometer without taking into consideration the volume of freight trucked and flown by air. Coal production is off, too, but it is offset by an increase in oil consumption.

Two interesting forecasts were issued this week. Prudential Insurance Company, in its annual survey, estimates that spending throughout

of prices is "sentiment." A slight breeze in the international political atmosphere may have a sudden big effect on the price structure in a short period. Bilateral negotiations by Governments for raw materials may also change the picture. Non-ferrous metals are international commodities of strategic importance and no country in the world can be self-sufficient in regard to her entire requirements. There is always a certain amount of dependence on outside supplies. Naturally, therefore, happenings in some far off distant areas may upset the market equilibrium in other areas. The possibility of Russia and China entering the world markets during 1955 on a larger scale than in the previous years should also be reckoned seriously while assessing the future trend. Despite the big improvements in statistical information relating to world metal positions and trade, there remains little reliable data about these countries. The pattern of prices may be influenced by developments emanating from this region about the needs of which little is known.

The U.S. may reach \$370,000 million in 1955, topping the 1953 record by some \$5,000 million. There is no run-away boom implied, however. On the contrary, it would be achieved on a much sounder basis than in 1953, since it would not result either from heavy inventory accumulation in business and industry or from excessive Government spending for defence. This coincides with a forecast by Roy L. Reiersen, Vice-President and Economist of Bankers Trust Company, New York. He said that industrial production might reach its mid-1953 peak of 137 before the end of next year and it may surpass it.

Unemployment in the U.S. rose by 152,000 in the month ended early in November. Total unemployment was given at 2,893,000 last month, as against 2,741,000 in October and 1,699,000 in the like 1953 month. The increase, however, is seasonal and not in industrial areas of the country.

One of the rather phenomenal developments in this country has been the post-election stock market boom. The general explanation is the good outlook. Also, higher industrial and business earnings, owing to lower taxes and better dividends, have been in evidence for some time.

Brokers' loans on stock exchange collateral reached \$1,337 million on 8th December, according to official banking statistics. It was the highest aggregate since 1944, when the present basic factors of comparison were started by the Federal Reserve Bank of New York. At the height of the 1929 boom, brokers and street loans were about \$6,000 to \$9,000 million, respectively. Thus, it may be observed that very little credit, comparatively speaking, is involved in the stock markets at the present time.

There is, however, apprehension among officials that, with increasing stock prices, some of the vast savings may be diverted to speculative ends. Nobody can predict what will happen in this direction and the Federal Reserve Board has the power to increase margin requirements any time it sees fit to do so. One basic factor in the securities' markets is that the supply of equities and bonds has not kept up in volume with the increasing volume of funds pressing for investments.

It is now projected that business and industrial spending for plant and equipment in 1955 will be nearly \$1,000 million above the fourth quarter annual rate for 1954 which runs somewhere in the neighbourhood of \$34,560 million. This is, in part, the result of ever-increasing technological developments, but these expenditures, obviously, would not be made, if business and finance felt that the climate for expansion is not favourable. The rising population curve is one basic factor in these calculations. Some projections suggest that the capital goods market may increase to the \$42,000-million level by 1959, provided that the gross national product reaches about \$440,000 million by then. This is held to be within the realm of possibility by Arthur F. Burns, Chairman of the President's Council of Economic Advisers.

The retail markets in the U.S. have behaved admirably and most stores expect a better dollar volume this holiday season than in 1953, after all receipts have been tabulated. The trend towards price stability and greater competition, noted in recent months, have become more pronounced in the closing weeks of the year and price advances have been small and few.—All Rights Reserved.

PRODUCTION OF CLOTH HITS ALL-TIME RECORD

EXPORTS ESTIMATED AT 932 MILLION YARDS

THE achievements of the Indian cotton mill industry during the calendar year 1954 were so remarkable that it is a pleasure to record its history in that year. Not only did the actual production of cloth register a distinct improvement as compared with that in the previous year, but it exceeded the target set in the Five-year Plan even two years before time, namely, March, 1956. Thus, the quantity of cloth actually produced by the mills during 1954—on the basis of figures for the first 10 months—was nearly 5,000 million yards—an all-time record—as against 4,878 million yards in 1953. The actual output surpassed the production target of 4,779 million yards fixed by the Planning Commission for 1955-56 by as much as 185 million yards. It also exceeded the rated capacity of 4,922 million yards for 1953-54. The increase in cloth output would have been greater still but for the restriction on the manufacture of dhotis.

The substantial improvement in cloth output followed a marked rise in the production of yarn, from 1,506 million lbs. in 1953 to 1,545 million lbs. (estimated) in 1954. The latter figure, however, falls short of the Planning Commission's target and the actual installed capacity by 95 million lbs. and 230 million lbs., respectively. Thanks to the improvement in yarn output, the supply of yarn available to the handloom sector was quite comfortable. Reflecting this position, the production of handloom cloth expanded considerably. As against 742 million yards of cloth in 1950-51 and 1,200 million yards in the previous year, the output in 1954 is estimated at 1,600 million yards. The target for this sector for 1955-56 is 1,700 million yards.

ACHIEVEMENT CREDITABLE

The impressive performance in production certainly redounds to the credit of the workers and management. It is remarkable, because the industry had to fight the rough weather of growing competition in world trade in textiles, on the one hand, and a series of handicaps—production control, heavy tax imposts and vagaries of Government's policies, to mention only a few—on the other. How was the industry able to register this achievement? By far the most important factor was the comfortable raw cotton supply position.

Absence of any labour strike of magnitude was another equally important factor. During the first eight months of 1954, for instance, there were only 72 strikes, with 59,572 workers involved, as against 87 strikes, involving 70,877 workers, in the corresponding period of 1953. The number of man-days lost was, as a result, less, being 131,301, which compares with 276,896 a year before. There was also some improvement in the transport situation. The number of wagons loaded with raw cotton in the eight months ended August, 1954, was larger at 70,000, as against 67,000 in the same period in 1953. Similarly, the supply of wagons for transport of cotton manufactures was better, being 43,000, as against 42,000. In addition to these, there were two other helpful factors: (1) Improved position in respect of power and fuel; (2) complete freedom accorded to the cotton textile industry following the removal of all control on prices and distribution of all varieties of cloth. The cotton mills also received a small inducement by way of tax relief in the form of reduction in excise duty on superfine cloth from As. 3-3 to As. 2 per yard, abolition of the 10 per cent. export duty on medium

count cloth, and withdrawal of import duty on foreign cotton.

To revert to production. The table below indicates the trend of cloth and yarn output—month by month—during 1954, as compared with the previous year:

(Cloth in million yards; yarn in million lbs.)

	Cloth		Yarn	
	1953	1954	1953	1954
January	416	418	131	132
February	379	397	116	122
March	390	405	118	125
April	417	426	122	129
May	422	427	124	129
June	414	422	125	128
July	436	441	133	136
August	414	416	127	132
September	396	412	126	131
October	407	379	130	123
November	369	415*	120	120*
December	421	415*	135	129*
Total	4,890	4,983*	1,506	1,545*

* Estimate only.

VARIETIES PRODUCED

An idea of the different varieties of cloth produced in the Indian mills in the past two years can be had from the following statement:

(In million yards)

	Coarse	Medium	Fine	Superfine
1953	597.79	3,136.46	838.92	304.34
1954	48.72	298.84	41.63	29.24
January	48.72	298.84	41.63	29.24
February	41.85	287.13	39.65	25.7
March	40.84	294.14	40.70	29.68
April	37.24	315.39	40.27	31.16
May	35.65	313.59	42.60	30.54
June	35.09	283.32	42.03	27.93
July	43.91	306.90	42.14	29.35
August	38.49	293.47	38.30	25.05
September	42.68	290.95	38.44	25.52
October	40.26	267.54	35.41	26.22
November	—	—	—	—
December	—	—	—	—
Total*	402.91	2,910.62	390.73	283.42

1954	48.72	298.84	41.63	29.24
January	48.72	298.84	41.63	29.24
February	41.85	287.13	39.65	25.7
March	40.84	294.14	40.70	29.68
April	37.24	315.39	40.27	31.16
May	35.65	313.59	42.60	30.54
June	35.09	283.32	42.03	27.93
July	43.91	306.90	42.14	29.35
August	38.49	293.47	38.30	25.05
September	42.68	290.95	38.44	25.52
October	40.26	267.54	35.41	26.22
November	—	—	—	—
December	—	—	—	—
Total*	402.91	2,910.62	390.73	283.42

—Not available. *For ten months only.

Thanks to the maintenance of a high level of output, supply of cloth available for consumption within the country were plentiful, despite an appreciable increase in exports, as will be seen from the figures cited below:

	1953	1954*
Production:	4,878	5,000
Mills sector	1,200	1,000
Handlooms	200*	200
Power looms	—	—
Total supply†	6,278	6,300
Less—Exports	701	932
Supply available for internal consumption	5,577	5,368

* Estimates only.
† Excludes production of khadi, silk and rayon goods.

The improvement in cloth supplies was accompanied by larger internal offtake, an evidence of which is provided by the diminution in stocks of cloth held with the mills. The quantity of cloth lying unsold with the mills at the end of August, 1954, for instance, was only 396,000 bales, as against 475,000 bales in the beginning of October, 1953.

CLOTH PRICES

The availability of plentiful supplies of cloth was reflected in a fall in the prices of cloth, although the extent of the fall was not much. The all-India average index number of wholesale price of cotton manufactures (base: 1939=100) for the first nine months of 1954 was 406, as against 412 in the same period last year. It may be further noted that this index number, which stood at 410 in October, 1953, declined to 397 in January, 1954, went up by stages to touch a high of 419 in May and June and moved downward again thereafter, the latest being 415 for October, 1954. An idea of the decline in prices can also be had from the following table which gives the rates for some of the popular varieties of

cloth in the Bombay market as compared with those a year before:

(Ex-mill prices)

		15th November	
		1953	1954
Grey, unbleached			
Longcloth (37") Bombay Dyecap	Per yd.	0 7 4	0 5 5
Shirting (35") Bombay Dyecap	"	0 7 7	0 7 2
Leopard (43") B. R.	"	0 9 11	0 9 6
Cotton			
Dhotis (43") Crown	9 yds.	6 0 0	5 11 9
Mills	10 1/2 yds.	6 8 0	6 6 6
Dhotis (44") India			
White, bleached			
Longcloth (37") West-ern India	Per yd.	0 12 9	0 11 3
Shirting (35") Minerva	"	0 10 0	0 9 0
Mull (50") Century SF	"	1 0 0	1 0 0
Dhotis (43") Minerva	8 yds.	6 4 0	6 8 0
Dhotis (50") Century SF	9 yds.	14 0	14 0
Coatings (27") Mysore Spinning	Per yd.	0 12 6	0 11 6

M=Medium. SF=Superfine.

Notwithstanding the fully satisfactory cloth supply position, the Government of India is still unwilling to admit the industry's claim for complete decontrol. Thus, there are still prevailing several measures of control. These include control on production, reservation of certain varieties of cotton textiles for the handlooms, mills' obligation to make available certain quality of yarn for handloom and powerloom sectors, tex marking of cloth for identification and other marking designed to safeguard the interests of consumers, and restriction in the use of sizing and filling material.

EXPORTS OF TEXTILES

On the export front, too, the performance of the industry was quite impressive. During the first 11 months of 1954 alone, for instance, cloth exports aggregated 852 million yards, 151 million yards more than the quantity exported during the whole of 1953. The quantity of cloth shipped in the corresponding period of last year was 675 million yards. Assuming that exports in December will be of the order of 80 million yards, the total exports for the whole calendar year may be placed at 932 million yards, which, while comparing very favourably with the previous year's exports of 701 million yards, fall short of the Buxton target of 1,000 million yards.

A striking feature of the foreign trade in cotton piecegoods during 1954 was the marked rise in the export of medium cloth. The bulk of the cloth exported during the 10 months ended October, 1954, was accounted for by this variety, the quantity actually shipped being 514 million yards, as against 202 million yards in the corresponding period of last year. This significant improvement in exports of these varieties must be attributed to the abolition of the 10 per cent. export duty on them with effect from 24th October, 1953. Exports of coarse cloth, however, suffered a steep fall, from 212 million yards to 158 million yards, evidently because of the continuance of export duty of 10 per cent. on this variety. Fine cloth, too, accounted for a decline in exports, the quantity actually shipped during January-October, 1954, being lower at 67 million yards, as against 130 million yards a year before. Exports of superfine cloth were not quite encouraging. During the period under review, not more than 20 million yards were exported, as against 11 million yards in the same period of 1953. The low level of exports of fine and superfine varieties of cloth may be surprising, considering the abolition of the import duty of As.2 per lb. of cotton with effect from 28th February, 1954. But this is not inexplicable. It only means that the Indian mills were not in a position to face the competition in these varieties offered by

Japan and the U.K. This is a significant fact, in that it shows that, but for the subsidy the Indian mills get in the form of low-priced cotton, they would not be able to export such large quantities of cloth as they are doing at present. Ironically enough, the whole of this subsidy is being borne by the poor cotton grower and the principal beneficiaries thereof seem to be the workers employed in the mills.

CATEGORIES EXPORTED

A comparative statement relating to exports of different categories of cloth in the past two years is furnished below:

	Total	Coarse	Medium	Fine	Superfine
1953	675.0	212.0	130.0	11.0	1.0
January	48.4	17.7	15.9	0.7	1.0
February	38.6	15.0	11.5	11.3	0.8
March	53.9	23.8	17.5	11.7	0.9
April	63.6	26.2	22.6	13.9	0.9
May	64.5	24.4	22.7	16.4	1.0
June	55.1	20.7	21.9	12.6	0.9
July	54.9	19.8	20.5	12.2	0.9
August	61.8	18.1	25.6	16.6	1.5
September	62.0	22.5	21.4	16.9	1.3
October	53.2	24.8	25.9	8.9	1.1
November	69.7	24.1	31.3	11.9	1.4
December	76.6	24.6	40.3	10.4	1.6
Total	700.6	230.7	273.3	152.5	14.3
1954	852.0	25.2	46.7	7.5	1.1
January	80.5	25.2	46.7	7.5	1.1
February	84.1	20.2	55.1	0.9	1.0
March	88.2	18.3	43.7	6.5	1.7
April	69.5	16.5	45.1	7.9	2.0
May	60.2	14.3	38.4	5.8	2.2
June	62.8	7.3	45.1	7.8	1.9
July	102.6	30.3	71.9	6.5	3.4
August	62.4	10.3	37.0	3.1	2.4
September	85.2	14.0	50.5	5.2	2.1
October	85.3	14.5	51.3	7.8	4.3
November	75.5	13.9	55.6	4.6	1.4
December	76.5	13.9	55.6	4.6	1.4
Total†	899.8	187.2	608.7	77.6	26.3

* Passed for shipment. † Estimated.

An idea of the exports of Indian cotton piecegoods to some of the important countries during the first eight months of 1954, as compared with the corresponding period of 1953 and the whole of 1953, can be had from the following table:

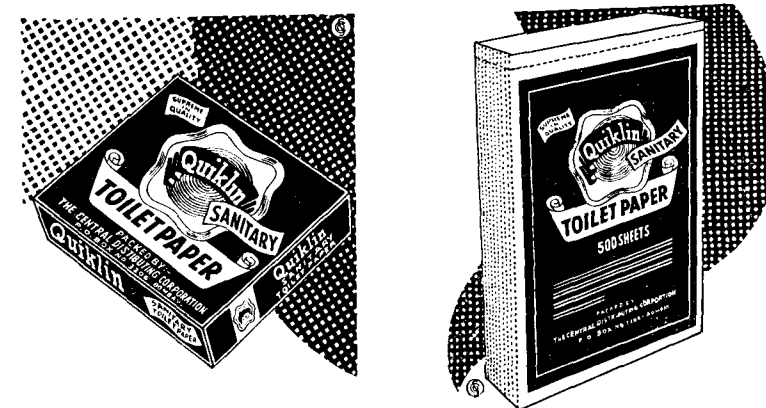
Destination	1953	1954	1954 (upto 31-8-54)
Aden	58.84	76.94	46.13
Afghanistan	26.38	28.68	17.01
Australia	1.88	12.50	36.78
British East Africa	53.70	63.93	57.91
British West Africa	16.68	54.07	45.81
Burma	69.96	69.66	38.97
Ceylon	14.56	19.39	17.36
Ethiopia	3.17	7.21	16.33
Hongkong	8.68	9.70	11.69
Iraq	8.44	9.02	9.97
Malaya	90.95	63.36	34.18
Pakistan	60.97	0.58	11.78
Persian Gulf	15.84	20.33	18.41
Saudi Arabia	6.37	14.02	11.56
Sudan	53.04	46.13	58.73
United Kingdom	5.06	20.50	70.24

As in 1953, so also during the year under review, the Central Government's policy regarding exports of cloth continued to be one of freedom for the trade. The system of free licensing of piecegoods exports was extended from time to time and it now remains valid for shipment up to the end of June, 1955.

EXPORT PROMOTION COUNCIL

The year under review witnessed two notable developments in the sphere of exports—establishment of the Cotton Textiles Export Promotion Council and institution of a scheme for inspection of cotton textiles meant for export. Eleven months after the idea was sponsored by Mr. T. T. Krishnamachari—on 4th October, 1954, to be precise—the Council was registered as an association with limited liability under the Indian Companies Act, 1913. The main functions of the Council are: (1) To carry out market studies in overseas countries, (2) to send out trade missions, (3) to act as liaison between foreign buyers and Indian textiles interests, and (4) to lay down judicial and equitable principles for the maintenance of a high level of export trade in cotton textiles. The inaugural meeting of the Council was held in Bombay on 12th November, 1954.

During 1954, the Cotton Textile Fund Committee constituted the



Made From
High Quality Water-absorbent tissues with
Featherlike softness
which make it indispensable
for
SANITARY USE
Available

in Two Sizes, Interleaved and Plain

Enquiries to:

THE CENTRAL DISTRIBUTING CORPORATION

P. O. BOX NO. 3206

BOMBAY

A. V. THOMAS & CO., LTD.

(INCORPORATED IN TRAVANCORE)

Head Office: ALLEPPEY

Telephone: 625

Telegram: 'THOM'

Branches:

CALICUT, COCHIN, QUILON AND TRIVANDRUM

Managing Agents of:

THE HIGHLAND PRODUCE CO., LTD.
THE MIDLAND RUBBER & PRODUCE CO., LTD.
THE RAJAGIRI RUBBER & PRODUCE CO., LTD.
THE NELLIAMPATHI TEA & PRODUCE CO., LTD.
THE COIR YARN & TEXTILES LTD.
THE AYURVEDIC COMPOUND TINCTURES LTD.
BRUNTON AND COMPANY (ENGINEERS) LTD.
THE KALPETTA ESTATES LTD.

Agents for:

ISTHMIAN STEAMSHIP LINES, NEW YORK.
THE EASTERN FEDERAL UNION INSURANCE CO., LTD.,
CALCUTTA.

EXPORTERS OF:

Tea, Rubber, Coffee, Cardamom, Coir Yarn, Mats and Mattings and all other Malabar Produce.

IMPORTERS OF:

All Machinery, Acids, Copper Sulphate and other Estate requisites.

CONSTRUCTIONAL ENGINEERS

Of Schooners and Cargo Boats.

SHIPPING AND FORWARDING AGENTS.

CIVIL AND MILITARY CONTRACTORS.

DISTRIBUTORS AND AGENTS:

Caltex Products, Asbestos Cement Manufactures, Tyres and Tubes, Electronia Radios, etc., etc.

Distributors for the FAMOUS GERMAN INSECTICIDES

Manufactured by:

MESSRS. FARBEFABRIKEN BAYER AKTIENGESellschaft
(Represented by Messrs. Chika Limited, Bombay)

Specialities:

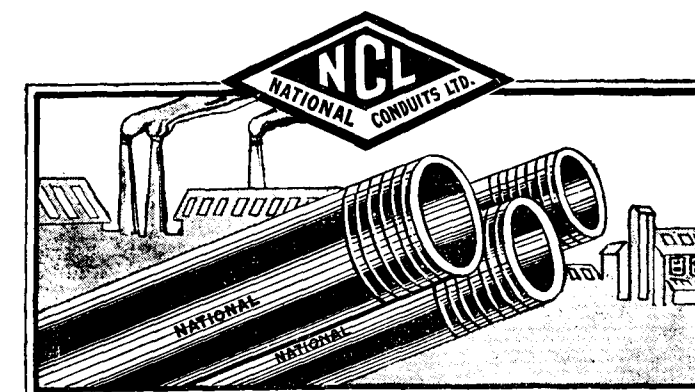
1. FOLIDOL E. 605 (Conc.)
2. FOLIDOL E. 605 (Dust)
3. CUPRAVIT (OB. 21)
4. CERESAN, Etc.

ENQUIRIES SOLICITED

THE NATIONAL CONDUITS LTD.

(Estd. 1940)

DELHI - KANPUR - BOMBAY - CALCUTTA



- * Producing 70 per cent. of the Country's Production.
- * Approved by Government Test House, Calcutta.
- * Approved by Fire Insurance Association, Bombay.
- * On Government Rate Contract for the whole of India.
- * Used in all Dams, Tube-wells, Mills, Factories and Railways.

Make sure that it is the Product of

THE NATIONAL CONDUITS LTD.

Head Office: Kashmere Gate, DELHI.

BRANCHES:

BOMBAY: Dahisar (Borivli).

KANPUR: 14/5 Civil Lines.

CALCUTTA: 1/H/3 Pran Kishan Mukherji Road.

Sole Distributors:

SHREE NURSINGSAHAY MUDUNGOPAL ELECTRIC COMPANY, LIMITED.

DELHI - BOMBAY - CALCUTTA - MADRAS

BEAUTY AIDS

Not only in India but in almost every corner of the EAST, MIDDLE EAST and FAR EAST E.S. Patanwala's toilet preparations and the famous **AFGHAN SNOW** are the first choice of fastidious and discerning women.

AFGHAN SNOW beauty aids have been handed down by generations of experts who have studied cosmetic reactions under the ever changing climatic conditions and exclusively prepared for the TROPICS

AFGHAN NAIL POLISH
EMPIRE VEGETABLE-HAIR OIL
DURRESHEWAR-PERFUME
GLYCERINE SOAP
LAENDER-BRILLIANTINE
OTTO KHUS SOAP
and
AFGHAN SNOW

For a full range of our products write to address below or Cable: "AFGHAN SNOW" BOMBAY.

AUTHORISED OVERSEAS EXPORTERS:
JAYA HIND AGENCIES,
 PATANWALA BUILDING,
 CONNAUGHT ROAD,
 BOMBAY-27.
 —INDIA—

MANUFACTURED BY
E.S. Patanwala
 BOMBAY (INDIA)

BHARAT POLICY
for Protection
in every INDUSTRY

Bharat Fire & General will cover the following risks:

**FIRE • MOTOR
 MARINE • AVIATION
 WORKMEN'S COMPENSATION
 FIDELITY GUARANTEE
 CASH IN TRANSIT
 & EVERY OTHER RISK**

**BHARAT FIRE
 & GENERAL INSURANCE LTD.,**

Head Office: **SCINDIA HOUSE, NEW DELHI.**

Branches at:

15A, Elphinstone Circle, Fort, Bombay
 304, Thambuchetty Street, Madras - 1
 3, Chittaranjan Avenue, Calcutta
 and at Patna, Darbhanga, Cochin,
 Ahmedabad & Poona.

Principal Agents at Colombo Ceylon. Organising Offices at Meerut and Ujjain.

Inspectorate for the supervision of cloth exports, headed by a Chief Inspecting Officer, assisted by inspecting officers and a batch of inspectors, at Bombay and a similar set of staff at Ahmedabad. The purpose of inspection is generally to ensure that only standard varieties of cloth certified as such by the Inspectorate are exported from India. This will obviate complaints from overseas importers and will also ensure the establishment of a fair name for Indian textile goods. A certification Trade Mark (representing hallmark of quality) has been registered as the property of the Committee. This mark will be affixed by the Inspectors on the varieties of cloth inspected by them. Specifications for 15 items of textiles have been drawn up and the trade marks affixed to any of these varieties carry a quality number. Inspection of cloth other than standard varieties is carried out by the Inspectorate if requested by the overseas buyer or the exporter. For the time being, inspection of cloth is being carried out free of charge. If, however, the Committee decides at a later date to levy a fee for inspection, it will do so after giving due notice to the mills, exporters, etc.

TEXTILE ENQUIRY COMMITTEE'S REPORT

During the year under review, the Cotton Textile Enquiry Committee, popularly known as the Kanungo Committee, submitted its report to the Central Government. The report was placed on the floor of the Lok Sabha on 6th October, 1954. The Committee, it will be recalled, was appointed in November, 1952, to make a comprehensive enquiry into the various sectors of the cotton textile industry—the mills, the powerlooms and the handlooms—with a view to determining the place of each in the national economy and their interrelationship. The report is under the consideration of the Government and, up to the time of writing, no decision on any of the recommendations has been announced.

The Committee estimates the per capita consumption of cloth in 1960 at 18 yards—Mr. T. T. Krishnamachari places it still higher at 20 yards. On this assumption and on the basis of a population of 430 million, the Committee expects the domestic demand for cloth to rise to 7,200 million yards. Requirements for export are estimated at 1,000 million yards. The aggregate production of cloth should thus be 8,200 million yards, as against the present rate of output of 6,600 million yards. Accordingly, production will have to be stepped up by 1,600 million yards by 1960. The Committee has suggested that this extra production should be secured through improved type of handloom and powerloom industries. It has, therefore, not favoured the expansion of the weaving side of the mill sector. In fact, it has suggested the pegging of mill cloth output at the current level of 5,000 million yards per annum, although it has favoured the replacement of plain looms with automatic looms at the rate of 5,000 a year in the next 20 years.

In the opinion of the Committee, there should be a phased programme for the conversion of 1.2 million active handlooms in the country into semi-automatic looms or powerlooms to make the handlooms technically more efficient. Under the programme, 300,000 handlooms should be converted into 213,000 improved handlooms and powerlooms over a period of six years, the conversion of the remaining looms being carried out in two or three five-year periods, so that, in 15 or 20 years' time, the entire handloom industry will have been transformed into decentralised improved handloom or powerloom industry.

The extra 1,600 million yards of cloth which the Committee has envisaged for the handloom sector in the next six years require an extra 300 million lbs. of yarn. For this, an additional spindleage of 1.75 million is required. The need for such expansion has been fully recognised by Mr. Krishnamachari. Inaugurating the first meeting of the All-India Handloom Board held in Bombay on 13th November, 1954, Mr. Krishnamachari emphasised, for instance, that the existing spinning capacity—11,642,249 spindles—should be immediately expanded by the installation of two million more spindles. Be that as it may, on the question of reservation of the field of production, the Kanungo Committee is of the opinion that the existing reservations in favour of handlooms or improved handlooms and domestic powerlooms must continue upto 1960 only.

RATIONALISATION

A very vital aspect of the cotton textile industry which evoked considerable discussion in the Press and on the platform during 1954 related to productivity of labour. This is hardly surprising, considering the need for raising the productivity of labour employed in cotton mills, in order to make cloth cheaper for consumers in this country and to enhance the competitive ability of Indian cotton goods in overseas markets. The productivity in the Indian cotton industry has generally declined by 20 to 33 per cent. in the period following the Second World War, while that in the other cotton textile producing countries, such as Japan, the U.K. and the U.S., has gone up. India's backwardness in this respect is clearly borne out by the fact that an operative in the Indian cotton industry handles, on an average, 280 ring frame spindles, as against 800 spindles and 1,200

spindles handled by his confreres in the U.K. and the U.S., respectively. Likewise, an Indian operative handles an average of 2.5 ordinary looms, as against five ordinary looms in the U.K. and 32 automatic looms in the U.S. Again, the machinery and equipment in most of the India's mills are comparatively old. Thus, as much as 49 per cent. of the looms, 36 per cent. of inter frames, 31 per cent. of drawing frames, 27 per cent. of slubber and roving frames, and 17 per cent. of warping and weft ring frames are more than 44 years old. Indeed, as Mr. T. T. Krishnamachari stated in the Lok Sabha some time ago, nearly 63 cotton mills are almost on the verge of closure because of old and worn-out machinery.

An irresistible conclusion that emerges from the foregoing account is that, unless the cotton textile industry is rapidly renovated and productivity of labour raised, India cannot compete effectively in world cotton textile markets. To the extent schemes of rationalisation are implemented, cost of production of cloth will be reduced and prices to consumers can be lowered. Certainly, it would be no exaggeration to say that the future of the Indian cotton textile industry hinges on the success of measures that are taken to increase productivity. Viewed thus, the stamp of approval by Parliament for introducing the principle of rationalisation must be regarded as a major event in the history of the cotton textile industry, since it will enable this leading industry of the country to rationalise and rehabilitate, albeit at a slow pace, its plant and machinery in the coming year. The resolution on rationalisation adopted by the Lok Sabha on 10th September, 1954, runs as follows:

"The House is of opinion that rationalisation of the textile and jute industries, where it is necessary in the

country's interests, must be encouraged, but the implementation of such schemes should be so regulated as to cause the least amount of displacement of labour in those industries providing reasonable facilities for the employment of such displaced labour."

The practicability of the above resolution, however, remains to be tested.

WORLD WOOL POSITION

(Concluded from page 100)

the rather low level of stocks held by retailers. As commercial stocks of raw wool held in the U.S., were also estimated to be very low, any further recovery in retail sales, or an increase in the ratio of stocks to sales, would encourage increased wool purchases, even if it is only from Commodity Credit Corporation stocks. In fact, increased consumption would probably mean greater purchases from abroad, because foreign stocks were thought to be especially low.

In assessing the factors likely to influence purchases, attention must also be paid to the Japanese foreign exchange position, for the enormous fall in Japanese purchases last season was due, in part, to shortage of sterling. While it is to be hoped that the trade agreement negotiated early in 1954 with the U.K. may help prevent any further deterioration in the position, it remains true that Japan's economy is at present in dire straits and, in the last resort, wool purchases may depend on what further aid can be secured from the U.S.

In the current season, those who are interested in the wool market will also be watching Russian buying carefully. Up to the time of writing, no purchases appear to have been made by Russia in the Dominions and the future course of such purchases is completely unpredictable.

Whatever influence these factors may exert in 1955, they did not prevent prices at the beginning of the present season from being lower than the previous season's close. To some extent, this fall was not unexpected, because a late spurt in buying at the end of the 1953-54 season had raised prices above the average level for the season as a whole. Furthermore, early merino offerings appear to have been of only average description and this probably accounted for some of the slowness in bidding. Prices later rose slightly, but fell again in November, this time as a result of the dislocation of shipping attendant on the London dock strike.

A survey of the year in wool cannot overlook the changes which have taken place in the London market in wool tops futures, now in its second year of operations. The volume of business transacted in that market now exceeds that of the Antwerp and Roubaix markets combined, and the average daily turnover in some months has been larger than in the New York market. This rapid growth must be considered very satisfactory from the point of view of future market operations, particularly as it has been accompanied by a marked fall in the abnormally high discount rates on distant months' contracts, which made selling hedges unprofitable in the early months of trading. If the present very small discounts can be maintained, it may be expected that a great deal more hedging of raw wool purchases will be undertaken. —All Rights Reserved.

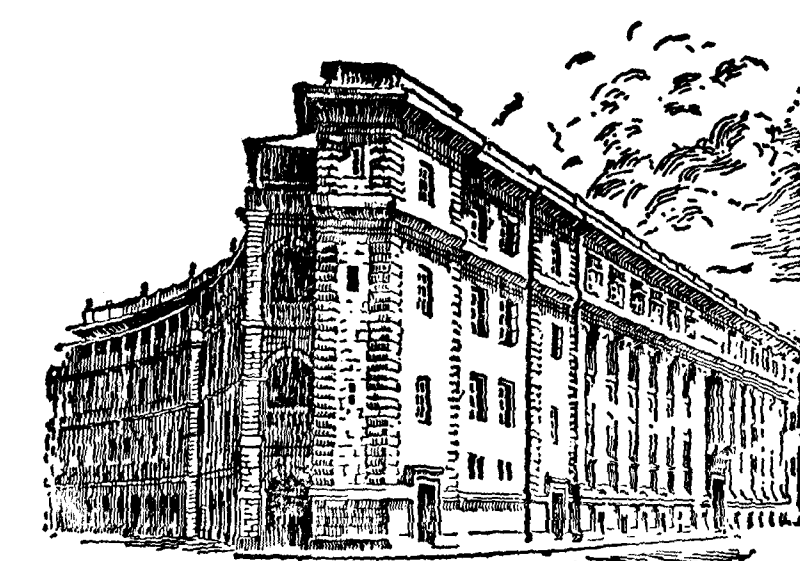
In the Industries of INDIA the name

FENNER

on V-Belts means safe and economical operation always

GREAVES COTTON & CROMPTON PARKINSON LTD.
 1, FORBES STREET, FORT, BOMBAY.

hold a complete range of V-Belts made by **FENNER** for immediate delivery and manufacture Pulleys quickly



Bombay Local Head Office

IMPERIAL BANK OF INDIA

constituted under the Imperial Bank of India Act, 1920 for the purpose of taking over the undertaking of the Bank of Bengal (established in 1806), the Bank of Bombay (established in 1840) and the Bank of Madras (established in 1843).



Local Head Offices:
CALCUTTA—BOMBAY—MADRAS
 and over 400 branches and sub-offices throughout India, Pakistan, Burma and Ceylon

London Offices:
 25, Old Broad Street, E.C. 2.

Our Specialities

1. THE JEHangIR VAKIL MILLS COMPANY LIMITED (Ahmedabad)

PRINTED POPLIN AND BLEACHED LONGCLOTH



2. THE NAVJIVAN MILLS LIMITED (Kalol, North Gujarat)

POPLINS, SARIS AND PRINTED VOILES



3. THE NEW JEHangIR VAKIL MILLS COMPANY LIMITED (Bhavnagar)

PRINTED VOILES AND CHINTS



THE JEHangIR VAKIL GROUP MILLS

THE cotton year ended 31st August, 1954, marks a significant milestone in India's cotton economy, for it witnessed a record level of cotton consumption by Indian mills. The actual consumption of 4.6 million bales (of 400 lbs. each) is a record in the history of cotton consumption in the post-partition period. The year was also remarkable for the availability of a relatively larger supply, as compared with the previous year, thanks to the improvement in cotton output. Thus, the supply of cotton in the 1953-54 season was estimated at 7.12 million bales, inclusive of the domestic production of 4.65 million bales, as against 6.87 million bales, inclusive of domestic production of 3.66 million bales for the previous season. Indeed, the increase in output has been so large that the Five-year Plan's target of additional production of 1.26 million bales, to be reached in 1955-56, has already been fulfilled to the tune of 80 per cent.

The following table gives the supply and distribution of cotton in the 1953-54 and 1952-53 seasons:

Supply and Distribution of Cotton
(In thousand bales of 400 lbs. each)

	1953-54	1952-53
Supply		
Indian cotton (at beginning of season)	447	757
Trade stocks	1,013	1,290
Mill stocks	95	114
Foreign cotton (at beginning of season)	240	391
Trade stocks	3,270	3,295
Mill stocks	270	270
Cotton crop during season	670	985
Village consumption	7,110	6,872
Foreign cotton: estimated imports		
Total supply	7,110	6,872
Distribution		
Indian cotton		
Estimated exports	140	341
Village consumption	270	270
Mills' consumption	3,290	3,911
Foreign cotton consumption	710	940
Indian cotton (at end of season)		
Estimated trade stocks	708	447
Estimated mill stocks	1,011	1,013
Foreign cotton (at end of season)		
Estimated trade stocks	92	95
Estimated mill stocks	200	246
Total distribution	7,110	6,872

Indian mills consumed, as already stated, 4.6 million bales in the 1953-54 season. This is the highest level of cotton consumption in any year since 1945-46, which, however, was a pre-Partition year. It is also significant that the consumption of Indian cotton stands at an all-time record level of 3.89 million bales for the 1953-54 season, as compared with 3.61 million bales and 2.99 million bales in the 1952-53 and 1951-52 seasons, respectively.

The following table gives the figures relating to the consumption of cotton by Indian mills during each year of the decade ended 1953-54:

Mills' Consumption of Cotton
(In million bales of 400 lbs. each)

	Indian cotton	Pakistan cotton	Foreign cotton	Total
1944-45	2.99	1.25	0.64	4.88
1945-46	2.70	1.38	0.80	4.88
1946-47	2.14	1.02	0.70	3.86
1947-48	2.86	0.72	0.62	4.20
1948-49	3.12	0.41	0.72	4.25
1949-50	2.54	0.20	0.94	3.68
1950-51	2.52	0.01	1.09	3.62
1951-52	2.99	•	1.08	4.07
1952-53	3.61	•	0.85	4.46
1953-54	3.89	•	0.72	4.61

* Small quantities.
† Excluding Pakistan cotton.
N.B.—Figures prior to 1946-47 relate to undivided India.

It is against the background of the increase in cotton consumption by the Indian mills that one should review the efforts that are being made to augment the output of cotton and improve its quality. A welcome feature of the progress of the Five-year Plan is the fact that there has been a sizable improvement in cotton output. The Plan fixed the target of additional production at 12.6 lakh bales to be reached during the 1951-56 period. During the year 1953-54, the output of cotton (official estimate) was 3.93 million bales (of 400 lbs. each), as against 2.97 million bales in 1950-51. Thus, the increase of nearly a million bales in cotton output represents more than 80 per cent. of the five-

MILLS' COTTON CONSUMPTION REACHES RECORD LEVEL SUPPLY POSITION COMFORTABLE

year target. About half of the increase has been obtained by an expansion of the area under cotton which has risen in the last four years from 14.6 million to 17.0 million acres, an increase of nearly 17 per cent. The increased production of cotton within the country has reduced India's dependence on imports. Imports in the official year 1953-54 were only 650,000 bales (400 lbs. each), as against 1,230,000 bales in 1950-51; this implied a saving of Rs. 48 crores in foreign exchange.

PER ACRE YIELD

The per-acre yield of Indian cotton continues to remain low at about 92 lbs., calculated on the basis of actual crop and 76 lbs. on the basis of official crop estimate. This is very low, when compared with the world average of 218 lbs. per acre and of the free world average of 222 lbs. per acre. Consequently, although India's area under cotton is 20 per cent. of the total area under cotton in the world, its share in world cotton production is less than 10 per cent. Some idea of the long leeway that India has to make up before it catches up with other cotton-producing countries can be obtained when it is realised that the per-acre yield of cotton in the U.S. is 324 lbs., in Pakistan 195 lbs., in Brazil 161 lbs., in Egypt 510 lbs. and in the U.S.S.R. 299 lbs. Although the use of improved seed and fertilisers can make much difference to the yield, there is no doubt that no significant improvement can be expected so long as the area under irrigated cotton remains as low as 6 per cent. of the total area under cotton, as it is at present. From this point of view, the successful completion of the irrigation projects under the Five-year Plan is a factor that will have a marked effect on India's cotton economy, since that will enable the farmers to bring more irrigated land under cotton.

As regards the improvement in the quality of cotton, some successful efforts have been made by the Central and State Governments and the Indian Central Cotton Committee to increase the output of long-staple cotton (I* and above) in the country. Success has also attended their efforts at producing extra-long staple cotton varieties such as MU.1 and MU.2 in Madras State and 170-Co2 and B4-Co2-M in the Bombay State. The latest available figures relating to staple length distribution of Indian cotton crop relate to the 1952-53 season. The table below gives the staple-wise distribution of Indian cotton crop during 1952-53 and 1951-52 together with the corresponding averages for the quinquennia 1939-44 and 1944-49:

Cotton Output

(Official Forecasts)

(In thousand bales of 392 lbs. each)

	A	B	C	Total
1939-44	755	1,386	1,771	3,912
	(19)	(30)	(45)	(100)
1944-49	381	1,044	676	2,101
	(18)	(50)	(32)	(100)
1951-52	915	1,223	992	3,130
	(29)	(39)	(32)	(100)
1952-53	903	1,213	874	3,050
	(32)	(39)	(29)	(100)

A = Long-staple (I* and above).
B = Medium staple (below I* and above H*).
C = Short staple (H* and below).
N.B.—Figures within brackets refer to percentages.

There has been, as already stated, an increase not only in the total consumption of cotton but also in the consumption of Indian cotton. In the next few years, there will be a further increase in cotton consumption, considering that the demand for cloth is bound to increase. The

present production of cloth is about 6,600 million yards, inclusive of 1,600 million yards of handloom cloth. The Kanungo Committee has estimated that domestic demand will rise to 7,200 million yards by 1961. It has also estimated the quantum of cloth that should be exported at 1,000 million yards. Thus, the Committee envisages an additional production of 1,600 million yards. This would mean an increase in cotton consumption to the tune of 1.1 to 1.2 million bales. Extra-factory consumption is also bound to move up in the next few years. It is, therefore, necessary to take these factors into account in setting a target for cotton in the next Five-year Plan.

India can, in fact, afford to err on the side of a liberal target for its cotton. This is because if India produces more cotton than it needs, it can always export the surplus, for which there is both a ready and remunerative market. India, unlike the U.S., is not likely to face, at least in the near future, the problem of burdensome surpluses. Also, there is another reason why cotton deserves special attention in the second Five-year Plan. In the first Plan although agriculture received significant emphasis, the stress was on food production. The targets which had been fixed for additional food production have already been achieved. In the next Plan, the emphasis should, therefore, shift from additional food production—improvement must no doubt be maintained in this sector—to additional production of commercial crops. Being one of the most important of such crops, cotton deserves special attention.

FOREIGN TRADE IN COTTON

Some important developments took place in the sphere of the Government's fiscal policy for cotton. The Central Government abolished, with effect from 28th February, 1954, the import duty of As. 2 per lb. and 5 per cent. surcharge (2.35d. per lb.) The Government also announced, on 11th November, 1954, its decision to reduce the export duty from Rs. 200 to Rs. 150 per bale of 400 lbs. on Mathias, Kalagins, Dholleras, C.P. I, C.P. II, C.I. deshi and Oomra deshi varieties and to increase the export duty on Bengal deshi cotton from Rs. 125 to Rs. 150 per bale. The changes in export duties were made in response to repeated demand from cotton shippers who have for long complained that the high duty on non-Bengal deshi varieties was responsible for the slackness in the export demand for these varieties. Since the margin of profit for Bengal deshi varieties has remained high, the Government thought it advisable to increase the duty on these varieties.

Early this year, the Government announced free licensing of U.S. cotton of 1.1/16" staple and above, shipment to be completed before the end of December, 1954. This announcement was subsequently modified so as to bring in all dollar cotton of staple length 1.1/16" and above. This was done with a view to providing for the import of Mexican cotton. In June, the Government announced that import licences for cotton staple 1.1/16" and above from dollar and non-dollar areas for the July-December, 1954, period would be issued to mills as well as to importers against evidence of purchase from overseas suppliers. During the 1953-54 season, imports of cotton aggregated 658,645 bales, as against 684,600 bales in the previous season, though the quantity licensed for im-

port was lower at 632,000 bales in the 1953-54 season, as against 652,559 bales in the 1952-53 season. If actual arrivals were higher than the quantity licensed for imports it was because the former included some cotton licensed in the previous season. Importers are generally satisfied with the present arrangement under which imports of cotton from the dollar and sterling areas are being allowed freely both against prior sale to mills and on merchants' account. Since this policy will expire at the end of the current calendar year, they have urged the Government to continue this policy for the next year.

EXPORT QUOTA

The Government continues to regulate the export trade in cotton through restrictions which specify the quality and quantum of permissible exports. The export quota for the 1953-54 season was 175,000 bales, consisting of 75,000 bales of Bengal deshi, 50,000 bales of Dhollera, Mathia and Kalagin and 50,000 bales of C.P. I, C.P. II, Central India deshi, and Oomra deshi, as against 252,000 bales in the previous season, consisting of 150,000 bales of Bengal deshi, 50,000 bales of Dhollera, Kalagin and Mathia, 50,000 bales of C.P. I, C.P. II, Central India deshi, Oomra deshi and 2,000 bales of Assam Comillas. Exports of cotton (passed for shipment) for the 1953-54 season were 142,398 bales, as against 322,878 bales in the previous season. Exports have been lower than the permissible quantum of exports. This is attributed to the fact that, among the permissible varieties of export cotton, the non-Bengal deshi varieties could not be sold because the duty on these varieties was high till recently; the duty, as already stated, has now been reduced.

For the current season (1954-55 season), the overall quota, inclusive of the second allotment of 25,000 bales of Bengal deshi made on 12th November, 1954, is 125,000 bales, made up of 75,000 bales of Bengal deshi, 25,000 bales of Mathias, Kalagin and Dholleras and 25,000 bales of C.P. I, C.P. II, C.I. deshi, Oomra deshi of 1.1/16" and below. In view of the reduction in export duty on non-Bengal deshi varieties, it is believed that export prospects are favourable. The question whether a further quota for export of Bengals should be allowed has been the subject of some discussion in cotton circles. In responsible quarters, it is felt that no further quota should be announced, pending the emergence of a clear picture of the new crop position.

NEW COTTON POLICY

The Central Government announced, on 24th July, 1954, its cotton policy for the 1954-55 season. The four main features of the policy were: the retention of control over cotton; the reduction in the floor prices for cotton by Rs. 55 and the grant of permission for trading in new crop (February, 1955 contract) in cotton, and the abolition of the zonal system of distribution of cotton. Many impartial observers were, of course, reluctant to concede the need for control on cotton, considering that there is now no control on cloth. Presumably, the Government's decision stems from the fear that the removal of control on cotton will result in a scramble for Indian cotton, and that the financially weaker mills will be put to serious difficulties in procuring their normal requirements of cotton.

FLOOR PRICES

There was also some resentment at the reduction of the floor price of the basic 25/32" Fine Jarilla cotton; this was reduced by Rs. 55 to Rs. 495 per candy. At its meeting, held on 30th July, 1954, the Indian Central

(Continued on page 155)

GLADSTONE LYALL & CO., LTD.

4, FAIRLIE PLACE, CALCUTTA

★

STEAMER AGENTS
THE CITY LINE LTD.
ELLERMAN & BUCKNALL
ASSOCIATED LINES.
HALL LINE LTD.

LLOYDS AGENTS
INSURANCE
Agents for:
FIRE, MARINE, ACCIDENT.

LIGHTERAGE
Managing Agents:
CALCUTTA LANDING AND
SHIPPING CO., LTD.

PAINTS
RED HAND COMPOSITIONS
COMPANY
PABCO PAINTS
STONALL
SUPER POLISH FOR
CARS, N. C. THINNER, BLACK
ANTICORROSIVE PAINTS, BELT
DRESSINGS, LEAKSTOP, ETC.

ROOFING
Agents:
MALTHOID ROOFING, FLOOR-
ING AND DAMPCOURING.

DDT
Licensees for
J. R. GEIGY S.A., BASLE,
D. D. T. AND B. H. C.
FORMULATIONS.

SUGAR—DISTILLERIES
Managing Agents:
CAREW & CO., LTD.

PLYWOOD
Managing Agents:
EAST INDIA PLYWOOD CO.,
LTD.

BOBBINS
Proprietors:
BANGALORE BOBBINS & FIRNS
MANUFACTURING CO.

MILL STORES
Proprietors:
G. F. PLAYFAIR & CO.

Stockists & Distributors:
INDIA RUBBER GUTTA PERCHA
AND TELEGRAPH WORKS
CO., LTD.

GENERAL

Agents:
CANEC BUILDING BOARDS,
ANTIFIRE FIRE EXTINGUISH-
ERS, WILLIAMS AND WILLIAMS
BRITISH STEEL DOORS, WIN-
DOWS, GLAZING BARS, ETC.,
PEARSON'S HYCOL AND SAL
HYCOL DISINFECTANTS.

★

Branches at

NEW DELHI - MYSORE - VIZAGAPATAM

THE MYSORE SUGAR COMPANY LIMITED BANGALORE

Head Office:

Sri Jayachamaraja Wadiyar Road, BANGALORE, 2

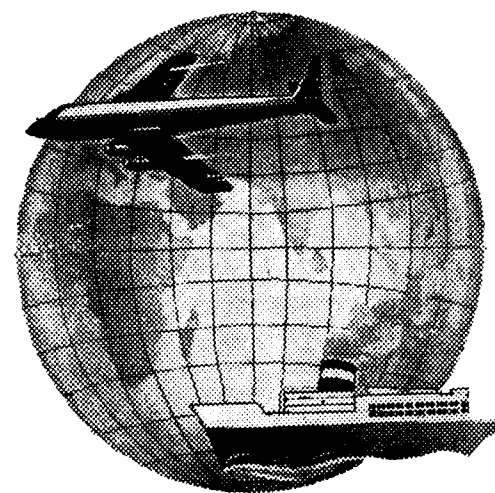
Factory:

MANDYA (Mysore State)

SUGAR MANUFACTURERS DISTILLERS AND CONFECTIONERS

WE LEAD

- * The Sugar Factory at Mandya is one of the biggest of its kind with the largest annual output of any single factory.
- ** We are pioneers in the field of Alcohol Manufacture, having been the first in India to produce and use Power Alcohol as Motor Fuel.
- *** We own one of the most modern Confectionery Plants where we produce delicious MYSWEETS.



FOREIGN TRADE. . .

Extensive international trade is essential for the development of national economy. A country's foreign trade largely depends on efficient banking service.

With a network of correspondents at all important trade centres of the world the United Bank of India Ltd. is equipped to render adequate service and give expert guidance in matters of foreign trade.

PAID-UP CAPITAL AND RESERVES:

Over Rs. 3,73,00,000

WORKING FUNDS:

Over Rs. 34,72,00,000



United Bank
of India Ltd.

BOMBAY OFFICE:—SIR PHEROZSHAH MEHTA ROAD

LIFE PLANNING

is the heart of all planning, individual or national. The First Five-Year Plan or the Second, you cannot derive the full benefit of these if your own life is not well planned.



THE
General
ASSURANCE SOCIETY LTD.
ESTD. 1907

LIFE • FIRE • MARINE • ACCIDENT AND MISCELLANEOUS

• CENTRAL OFFICE •

8, DALHOUSIE SQUARE EAST, CALCUTTA-1.

For . . .

EXPORT AND HOME CONSUMPTION
IN
MEDIUM - FINE - SUPERFINE
COUNTS

A RICH VARIETY OF COTTON FABRICS
IN
GREY, BLEACHED AND DYED
ALSO

PRINTED FABRICS IN ATTRACTIVE
DESIGNS AND PLEASING SHADES
AT MOST COMPETITIVE RATES

Please contact

**THE DEWAN BHADUR RAMGOPAL
MILLS LIMITED**

P. O. Box No. 5, SECUNDERABAD-DECCAN.

Managing Agents:

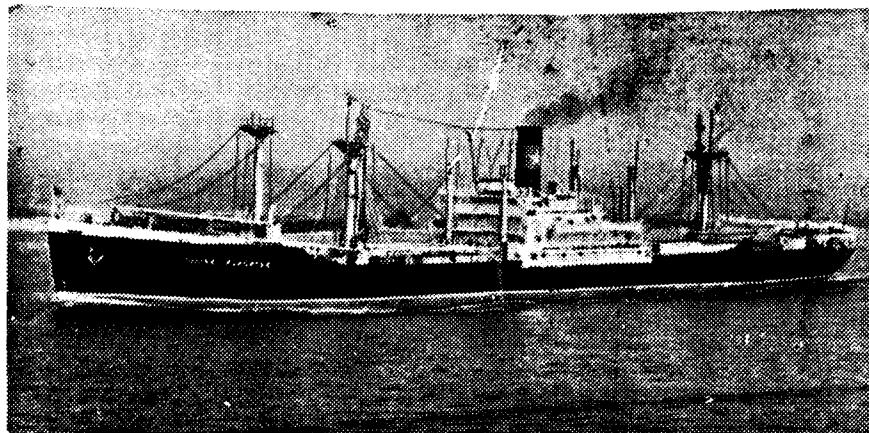
LACHMINARAYAN RAMGOPAL & SON LTD.

Phones: { Registered Office: 5459
Agents' Office: 5414

Grams: { COTTON,
SECUNDERABAD.

INDIA STEAMSHIP CO., LTD.

Takes Better Care of Your Cargo



Regular Cargo Service between

INDIA - U.K. - CONTINENT

CALLING AT

Port Sudan, Port Said, Alexandria, London, Liverpool,
Dundee, Antwerp, Rotterdam, Hamburg and Bremen.
Also accepting THROUGH CARGO for Famagusta,
Limassol, Beyrouth, Lattakia, Piræus, Izmir, Istanbul,
Scandinavia and West African Ports.

Also **INDIAN COASTAL SERVICE**

FLEET

S. S. INDIAN PIONEER S. S. INDIAN ENDEAVOUR
S. S. INDIAN TRADER S. S. INDIAN EXPORTER
S. S. INDIAN SHIPPER S. S. INDIAN NAVIGATOR
S. S. INDIAN IMPORTER S. S. INDIAN MERCHANT
S. S. INDIAN COMMERCE

Managing Agents:

LIONEL EDWARDS LIMITED

D-1, Clive Buildings, Calcutta-1

BRANCHES AND AGENCIES AT PRINCIPAL PORTS

more cups to the pound



**HIMALAYAN
GOLDEN
DUST TEA**

AN all-time record crop in tea and coffee and one of the largest crops so far in rubber are expected to be harvested in India during the year that is about to close. Curiously enough, in tea the increase in crop is accompanied by a rise in prices, which is very unusual. The prices realised for coffee have been below normal. In rubber, there has been no change in prices and the schedule fixed by Government in the previous year has continued to operate. Whilst, therefore, it would not be true to say that the plantation industry as a whole has had a prosperous year, it can be said that some sections of the industry have passed through a relatively comfortable period of good crops and fair prices. That is not to say that the industry had no problem to worry about in the way of marketing, labour, taxation and the like. On the contrary, the year under review was bristling with problems of various kinds, some of them making their appearance for the first time in this industry.

TEA

So far as the production of tea is concerned, the year's crop is expected to be not less than 645 million lbs. made up of 518 million lbs. for North East India and 127 million lbs. for South India. Besides setting up a new record in crop, it shows that production has been rising steadily in recent years. This steady rise is accounted for not merely by favourable weather but by the steady and adequate use of fertilisers and by the systematic adoption of plant protection measures which are a feature of the post-war plantation industry.

In spite of the large crop, however, there still appears to be a world shortage of tea, as is indicated by the fact that demand is steady and prices are still moving up. This seems to be the case not only with Indian tea but with the teas of Ceylon and Indonesia as well. The extent to which prices of tea of the various producing countries have moved up may be seen from the following table of average prices realised in the London auctions during the week ended 2nd December, 1954, as compared to those in the corresponding week in 1953.

Origin	Week ended 2-12-1954	Corresponding week of 1953
Northern India ..	6 9.97	3 10.20
Southern India ..	6 8.37	3 9.38
Pakistan ..	6 6.40	3 8.31
Ceylon ..	7 0.32	4 1.60
Indonesia ..	6 6.68	3 6.90

A year ago, when tea was recovering from the slump of 1952, it was felt that any abnormal rise in price over a short period would almost certainly result in strong consumer-resistance and plunge the industry once again in distress. One is, therefore, entitled to ask why this fear has not come true, in spite of the very substantial rise in price over the past 12 months. The answer is simple: as already stated, there is a world shortage of tea, and the present prices are merely an index of that shortage. The shortage is not expected to last much longer, and it is almost certain that prices will slide down as soon as the next rush crop arrives. There is considerable anxiety among growers as to what will happen when prices start receding. They fear that the longer the present prices continue the stronger will be the consumer resistance when it appears at last. It is thought that consumers in some parts of the world are already taking to other and cheaper forms of beverage, because tea is proving to be too costly for them, but the fact may not be known until it is too late for the tea industry to repair the damage.

INTERNAL MARKET

In the internal market, too, the price of tea has registered a significant advance in the past 12 months, though the rate of increase is less than that of export teas. The Government of India have so far allowed a release of 449 million lbs. out of the 1954 crop, representing 129 per cent., of the "standard export figure." Internal consumption for the year is estimated at about 185 million lbs. This would only leave a further 11 million lbs. available for export out of the current year's crop (ignoring any carry-forward from last year) and it seems certain that the Government will not agree to release this quantity unless they are satisfied that it will leave sufficient supplies for the internal market.

It appears that total exports of tea this year are still short of the quantity permitted, despite the increased offtake in the U.S. and some other countries.

It would seem difficult, at first sight, to reconcile this fact with the recent heavy scramble for export rights (or quotas). Since the middle of this year, the price of export quota has been rising by leaps and bounds, and, at the time of writing, it has touched the fantastic level of 382 pies, or Re. 1-15-10 per lb. Export quota in tea is a saleable commodity and it is freely transferable. Whilst it is true that some growers have already stocked themselves with the quotas necessary to meet their export commitments, it is also true that a large proportion of the quotas so far released has been purchased by speculators and persons not interested in the tea trade, and that these people are dictating their own prices to the exporters of tea. Measures to stop speculation and to control the price of quotas have been considered by the Government, the Tea Board and the tea growers and the trade but so far no action has been taken to solve the problem. The Government appears to think that no action is called for, since, presumably, in its view, the price of export quota only represents the difference between the internal and export prices of tea and that an exporter should not object to pay the current price of quota if he can make it up from the price for which he sells the tea. That argument may hold good in some cases but not all. It is not in all cases that the exporter can realise the full value of the quota he has purchased. Then, there are cases of forward contracts which only take into account a nominal price for the quota and not the present fancy prices. The high price of export quota not only does not help the grower-exporter, but in a number of cases puts him to heavy loss.

There is no reason why export quotas should continue to be regarded as a saleable and freely transferable commodity, whatever may be the reasons which have made them so in the past. A high price of export quota increases the price of tea in the export market, and increases the price to the consumer. The benefit does not go to the grower or exporter, but to some middlemen. It is, therefore, suggested that export quotas should be so issued in future that transfers are not permitted more than once, or twice; and that every such transfer should be registered in the books of the Tea Board. At present, it is usual for an export quota to change hands several times—each time for a price higher than the previous one—and it is only the last transaction that is registered in the books of the Board. Another suggestion is that the Board should not issue the bulk of the year's release in the beginning itself, as is done at present, but should spread it out through the year in accordance with export requirements.

EXPORT DUTY RAISED

The rise in tea prices has brought in its wake a series of undesirable developments. Anxious to take advantage of the current export prices, the Government of India have raised the export from 4 to 7 annas a lb.; an increase which is expected to bring an additional Rs. 5 crores of revenue. Whilst there is no grave objection to the increase as such, it is pointed out that Government should not regard the increase as permanent and should reduce it or give it up entirely as soon as prices recede. It is also pointed out that Government's argument that the duty is borne by the buyer and not the grower does not hold good in all cases, and that, eventually, it is the grower who bears the full incidence of the duty. Taking advantage of the current prices, the Government have also recently raised the tea cess from Rs. 2 to Rs. 4 per 100 lbs. The increase is expected to bring in an additional revenue of Rs. 85 lakhs which is intended to be utilised in greater propaganda for tea consumption and other development.

The Tea Act, 1953, was brought into force on 1st April, 1954, and a new Tea Board, having a greater number of representatives of consumers and labour than there was in the previous Board, has now been set up. The rules under the Tea Act have also been brought into force. These rules provide for a new method of computation of "crop basis" of tea estates, which is more rational than the old one. The regulations in respect of new plantings in tea are also much simpler than those in the old Tea Control Act.

Propaganda for Indian tea is being continued vigorously both in India and abroad. The work in America is being conducted in co-operation with the

U.S. Tea Council and a sum of 450,000 dollars is being spent this year.

SCIENTIFIC RESEARCH

A significant development in the Board's work this year is the attention given to scientific research in tea and the training of Indians in tea tasting and blending. It is understood that the Board is considering various proposals for expansion of research, including the allocation of grants for existing research institutions. The selection of suitable Indians for training in tea tasting and blending is also engaging the urgent attention of the Board.

In October this year, the Government of India appointed a special committee to investigate the possibility of a reduction in the quantity of tea consigned to London for sale in auctions there, with a corresponding increase in the quantity for sale in auctions in India. The move has been generally welcomed, because, if the object is achieved, it would add to the prosperity of the tea trade in this country. At the same time, it must be pointed out that the provision of greater and more suitable warehouse accommodation at the auction centres, the institution of expert shipping, insurance and arbitration services and the facilities for buyers to see the teas offered for sale are absolutely necessary if the scheme is to succeed.

COSTS TOO GO UP

Much has been said earlier about the high price of tea and it is necessary to see to what extent the industry is actually benefited by it. The rise in price has generally helped the industry to recover from the effects of the slump of 1952, but costs of production have advanced during the year by increased wages, in some areas, and by the industry's acceptance of the obligations under the Industrial Disputes (Amendment) Act in respect of compensation for lay-off of labour. The margin of profit resulting from the increased price has, to some extent, been absorbed by the above-said commitments. In Madras, the State Government has proposed an agricultural income-tax on plantations, on the lines of the Travancore Government levy, and it is thought that other States may impose a similar tax in the near future. In planning, even the semblance of prosperity appears to be sufficient for State Governments to come out with proposals for taxation.

The tea industry's new commitments include the implementation of the provisions of the Plantation Labour Act, and it is estimated that, on the basis of the draft rules, the industry will be required to set aside large sums of money to meet this commitment. No less important is the necessity, which is now becoming too evident, to provide funds for the rehabilitation of gardens. Consideration of these aspects may bring us to the question of what are true earnings in a tea plantation nowadays. Over the years, the distribution of profits of the majority of tea companies has been curtailed, in order to leave funds for improving the capital value such as extensions in planted areas, factories, housing, sanitation, hospitalisation, etc., with the result that the old-established companies show a very low cost per acre, on the basis of the original subscribed capital. The payment of dividends by a few such companies of 25 per cent. or 30 per cent. may at first sight imply a large profit, but this is not the case. At present values, the payment of a 25 per cent. dividend by a company whose block stands at Rs. 400 per acre only represents a distribution of Rs. 100 per acre, and this is a small return, indeed, as compared with potato or paddy cultivation. Even this Rs. 100 per acre is heavily taxed in the hands of the shareholder.

NO LABOUR TROUBLE

It is gratifying to see that the plantation industry has escaped serious or prolonged labour trouble during the year. In Travancore and one or two other areas, there have been some politically inspired troubles but these have now ended. Disputes of a minor nature have also occurred, but most of them have been settled amicably through negotiation or by the intervention of the officers of the Government Labour Department. In Madras, a Special Plantations Industrial Tribunal is looking into disputes referred to it for adjudication by the State Government regarding the payment of bonuses to estate staffs for the years 1951, 1952 and 1953 and to estate workers for the years 1952 and 1953.

At general meetings of planters' associations held during the year, the chairmen, while acknowledging an improvement in crops and prices, have drawn attention to the paramount necessity for rehabilitation of the gardens, and the necessity for raising the finances to meet the heavy outlay. They have also urged the Central and State Governments to adopt a more realistic taxation policy towards this industry, so that there will be some incentive for investment. The industry has brought out these points clearly before the Taxation Enquiry Commission as well as the Committees on Finance for the Private Sector, and it expects to place them again in more detail before the Plantation Inquiry Commission which has just commenced its work.

COFFEE

The position of the coffee industry has, in many respects, been less happy than tea. About 29,430 tons have so far been harvested this year and handed to the India Coffee Board pool, setting up an all-time record in coffee crop. It may be mentioned here that large crops were harvested in the previous two seasons as well, and due to the restricted level of exports, there was a large carry-forward of previous stocks into the 1953-54 season. The largeness of the crop, the delay in exports and a certain amount of deterioration in quality due to prolonged storage were, in the main, responsible for the serious drop in prices which occurred since January this year. Fortunately, since the middle of this year, the Government have adopted a more realistic policy in regard to exports and accepted the recommendations of the Board. But, even after making full provision for internal consumption, there is expected to be a carry-over of at least 4,500 tons of the current season's crop to next year. The Board has, therefore, requested Government to permit the export of 4,000 tons out of the 1954-55 crop during the first four months of 1955. The crop for 1954-55 is expected to amount to 24,200 tons, made up of 15,000 tons arabica and 9,200 tons robusta.

HIGH EXPORT PRICES MISSED

The Government's dilatoriness in agreeing to export the quantity of coffee recommended by the Board has to some extent prevented the industry from realising the full benefit of the high prices in export markets. At the same time, Government also imposed during the year an export duty of Rs. 62-8 a cwt. on coffee, with a view to diverting a part of the benefit of the export price to the national exchequer. World price of coffee has now considerably gone down, thus reducing the margin of profit on coffee exported from India. Indian pool auction prices are in the region of Rs. 206 per cwt. for Plantation A, Rs. 172 for Arabica cherry flats, and Rs. 155 for Robusta cherry flats. These compare with Rs. 201, Rs. 179 and Rs. 145, respectively, 12 months ago. While internal consumption is rising and is in the region of 17,000 tons, production also is rising steadily, owing to the fact that new plantings opened since the war are coming into bearing.

The Indian Coffee Market Expansion (Amendment) Bill, as modified by the Select Committee, was passed by the Lok Sabha in November this year. After a great deal of discussion, the Minister agreed to make specific provision in the rules to the effect that the representatives of the growers on the new Board shall be elected or nominated, as may be provided, by the recognised organisations of growers. The growers had strongly pressed for such a provision and there is satisfaction that this has been agreed to. The request that a non-official should be appointed as Chairman of the Board was not accepted. On the question of Government consulting the Board before taking any important decisions affecting the industry, suitable provision has been made in the Act, though it is also provided that failure on the part of the Government to consult the Board shall not invalidate any decision taken by the Government. The new Coffee Board, like the Tea Board, will include representatives of consumers, besides a larger number of representatives of labour than there is in the present Board.

The question of liability of coffee to Indian income-tax assumed considerable significance during the year by the fact that a number of coffee growers were actually assessed not only on a portion of their income for the last season but even retrospectively from season 1945-46 under section 34 of the Income-tax Act. The growers'

Highest Quality

Attractive Prices

Prompt Delivery

CAUSTIC SODA
LIQUID CHLORINE
★ BLEACHING POWDER
HYDROCHLORIC ACID
FERRIC CHLORIDE



* From early 1955 onwards STABLE BLEACHING POWDER having 35 per cent. active Chlorine will be manufactured and supplied by us on a German Process.

**THE METTUR CHEMICAL & INDUSTRIAL
CORPORATION LTD.**

METTUR DAM R. S. (S. India)

Managing Agents:

SESHASAYEE BROTHERS LIMITED

SPENCER & CO., LTD.

Head Office: MADRAS, 2

Post Box No. 301

Telephone No. 34001

BRANCHES THROUGHOUT INDIA

IMPORTERS, EXPORTERS AND GENERAL MERCHANTS

Hotel Proprietors, Caterers and Owners of the Rob Roy Tea Estate in the Nilgiri Hills

Manufacturers of:

CIGARS, FURNITURE, DRUGS & CHEMICALS, AERATED WATERS, CONDIMENTS, ETC.

Sole Distributors for:

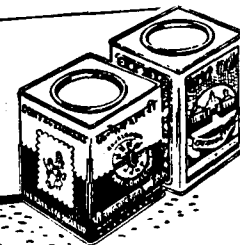
PYE RADIOS, KELVINATOR REFRIGERATORS AND AIR-CONDITIONING EQUIPMENT, RONSON PRODUCTS, PHARMACEUTICALS—PARKE DAVIS & COMPANY LIMITED, WINES AND SPIRITS, TEA, STORES, ETC.



WISE MOTHERS CHOOSE RAVALGAON SWEETS

Confectionery may taste sweet and yet cause harm to children. Wise mothers always choose Ravalgaon Confectionery for their children because it is so delicious and wholesome. The finest sugar and expert blending of essences, fresh fruits and nuts are so apparent in its taste

RAVALGAON CONFECTIONERY
Bon-Bons, Pineapple, Orange Slice, Mixed Stars, China Balls, Fruit Drops, English Apple, Two-Penny, Butter-Nut, Almonds, Aniseed, Rose-Heart, Toffee, etc.



available at all stores

Direct all your enquiries and requirements only to Sole Agents: Messrs. Motilal Girdharlal Agharkar, Malegaon, Dist. Nasik. A "Walchand Group" Industry

SISTA'S RS. 4.

contention that the curing of coffee is not an industrial process but is only a process ordinarily employed by the cultivator in bringing the coffee to a marketable state has not been accepted by the Income-tax Department, and it is understood that the matter will be taken up in the courts.

The position with respect to labour on coffee plantations was much the same as that on tea plantations mentioned earlier in this review. As in the case of tea, the growers of coffee also have drawn the special attention of the Government and of the Taxation Enquiry Commission to the need to grant tax reliefs to coffee planters to help them conserve funds not only for the rehabilitation of planted areas, which is admittedly long overdue, but also to meet the new commitments under the Plantation Labour Act and other legislation. The fact that coffee is a fruit crop, with yields highly fluctuating year after year, and should therefore be exempt from such commitments or given special reliefs, was stressed in all these representations.

RUBBER

Production of rubber during the first ten months of 1954 was 16,443 tons, as compared with 16,053 tons during the same period of 1953. Consumption, on the other hand, during the first ten months of this year was 21,035 tons, as against 18,410 tons only in the same period of last year.

It is evident that consumption of rubber in India has well outstripped production and it is also certain that unless early and effective steps are taken to bring more acres under rubber and to improve the yield of the existing planted areas, it would be impossible for the producing industry to meet the local requirements in full. The gap between local production and consumption must, of course, be filled by imports, but the growers have always urged, and Government have accepted the principle, that manufacturers of rubber goods should be allowed to import raw rubber up to the extent of the dry rubber content of their exports.

The most important problem before the Indian rubber-growing industry is the urgent need for rehabilitation, so that the present average yield of 275 lbs. per acre is raised substantially and brought in line with the average production in countries like Malaya. The

Rubber Board's scheme for replanting some 75,000 acres has been with Government, for some time and, although the Rubber Board had requested the Government to move the Planning Commission to include this in the Five-year Plan, this does not appear to have been done. The allowance for rehabilitation included in the present controlled price of rubber is much too small for any large-scale or even moderate-scale operation. It is time that Government woke up to the fact that the survival of the Indian rubber industry very largely depends upon the replacement of the old rubber trees and that the pace of rehabilitation must be speeded up in all possible ways. It is particularly necessary that the rubber industry is enabled to conserve funds for this purpose and exempted, as in the case of coffee, from heavy burdens in the shape of taxation or capital works under legislation such as the Plantation Labour Act.

The Lok Sabha recently passed the Rubber Production and Marketing Amendment Bill as amended by the Select Committee. The provisions of the Bill in respect to appointment of the Chairman of the Board, the election of growers' representatives, and the necessity for Government consulting the Board before taking important decisions affecting the industry, are generally in line with those of the Coffee Bill. Provision is also made for maintaining two funds—the General Fund and the Pool Fund—the latter being meant for giving assistance to small growers.

Other plantation crops like cardamom, cashew, and pepper have had a satisfactory period on the whole. Cardamom prices have reached lower figures compared to last year and now stand at about Rs. 9-8 to Rs. 10-4 a lb. for the better varieties. The price of pepper has also declined considerably, and the present price range is between Rs. 125 and Rs. 170 a cwt., as compared with Rs. 365 and Rs. 390 a year ago. The Report of the Spices Enquiry Committee was published during the year. The creation of a separate fund at the Centre for the development of the pepper and cashewnut industries is the main recommendation of the Committee. It also recommends the setting up of two special agencies, one in the U.S.A. and the other in the U.K., for the purpose of publicity and sales promotion.

MILLS' COTTON CONSUMPTION REACHES RECORD LEVEL

(Concluded from page 150)

Cotton Committee adopted a resolution which stated that it was "unwise" on the part of the Central Government to have reduced the floor price for cotton, feared that it would adversely affect cotton production and recommended the restoration of the cut in the floor prices. But the Government has not so far paid any heed to this request, presumably because it feels that, in the context of the falling trend of agricultural prices, in general, the price of cotton should not be supported at too high a level. It must be remembered that there is no guaranteed support price for any other agricultural commodity in India.

Tentative estimates of the supply of cotton in the 1954-55 season place it at 7.23 million bales. The following table gives the supply and distribution of cotton in the current season:

Supply and Distribution of Cotton in 1954-55 Season
(In thousand bales of 400 lbs. each)

	Indian cotton	Foreign cotton	Total
Supply			
Carry-over with mills and trade as on 31-8-1954	1,774	258	2,032
Estimated cotton crop, 1954-55	4,600	600	4,600
Estimated imports	..	..	600
Total	6,374	858	7,232
Distribution			
Estimated mill consumption (1954-55)	4,100	650	4,750
Estimated exports (1954-55)	150	..	150
Ex-factory consumption	270	..	270
Total distribution	4,520	650	5,170
Carry-over with mills and trade as on 31-8-1955	1,854	208	2,062
Grand total	6,374	858	7,232

It will be seen from the table above that the estimated supply of 7.23 million bales includes 4.6 million bales of Indian cotton crop, a carry-over of 2.03 million bales from the last season and imports of 600,000 bales. The major factor in the distribution of cotton is the mills' consumption which is placed at 4.75 million bales. This is not a difficult level for the mills to reach, if the recent favourable trends in the off-take of cloth by the domestic and foreign markets is maintained.

Notice

EASTERN RAILWAY TENDER

SALE OF CONDEMNED ENGINES AT JAMALPUR AND RAMPURHAUT

THE GENERAL MANAGER invites tenders for the SALE OF 31 CONDEMNED ENGINES stabled at Jamalpur and 6 CONDEMNED ENGINES stabled at Rampurhaut. Tender No. SS. 44/53 obtainable from the Office of Controller of Stores, Eastern Railway, Fairlie Place, Calcutta, on production of a receipt for depositing Rs. 2/- for the tender form with the Chief Cashier, Eastern Railway, Calcutta. Firms situated outside Calcutta may, however, remit the amount by Money Order. This amount is not refundable.

Tenderers may inspect the Engines on any day before the closing date of tender, contacting the Deputy Chief Mechanical Engineer, Jamalpur, or the Running Shed Foreman, Rampurhaut, as the case may be.

Closing date—January 14, 1955, at 12 noon.

GENERAL MANAGER

INSIST ON: LYNDON PRODUCTS

BELT DRESSINGS • **SOLDERING FLUX**
THE MOST ESSENTIAL BELT PRESERVATIVE HELPS IN PRODUCING NEAT AND DURABLE JOINTS

POLISHING COMPOUND • **EMERY COMPOUND**
FOR POLISHING OF METALLIC SURFACES FOR FINAL POLISHING OF IRON & STEEL SURFACES

STENCILLING INK  **GASKET CEMENT**

VALVE GRINDING (CARBORUNDUM) PASTE
FOR GRINDING VALVES OF MOTOR CARS & OTHER ENGINES

PIPE JOINTING COMPOUND

FORMS PERFECTLY LEAK-PROOF JOINTS

LYNDON CHEMICAL INDUSTRIES LTD.
PIS-1, CHOWRINGHEE SQUARE, CALCUTTA-1.

DISTRIBUTORS:

Messrs. ROYAL HARDWARE MART, 108, Nagdevi Street, BOMBAY-3.

Messrs. ROCKMETAL MERCANTILE CORPORATION, "Dinroze Estate," 1/17-H, Mount Road, MADRAS-2.

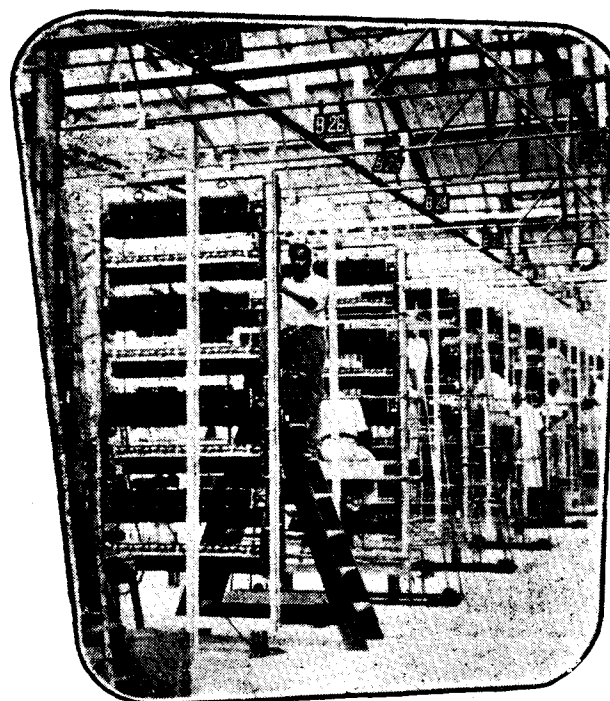
Messrs. MANOHAR LAL & SON, Pearey Lal Street, Kashmere Gate, DELHI.

Messrs. JHALANI BROTHERS, Gali Lohe Wali, Chowri Bazar, DELHI.

Messrs. B. D. GOPALDASS, Lakshmi Building, The Mall, KANPUR.

Messrs. RAMU BROTHERS, North of Zilla Court, Post Box No. 79, ALLEPPEY.

Sri C. L. V. PRASAD RAO, "Ranga Reddi Buildings," Mala Kunta, Goshamahal, HYDERABAD-Dn.



Our Rack Wiring Section

Have you seen the inside of an Automatic Exchange? There are thousands of Relays, Single-motion Selectors, Two-motion Switches, etc. These sensitive mechanisms are manufactured to precise standards by well-trained and nimble-fingered operators in ITI's large factory at Duravaninagar, Bangalore.

We supply everything in the field of Telecommunications, viz.

TELEPHONE EXCHANGES, BIG OR SMALL
INTERCOMMUNICATION SETS, TRANSMISSION EQUIPMENT, TRAIN CONTROL EQUIPMENT.

Contact:



INDIAN TELEPHONE INDUSTRIES LTD.
DURAVANINAGAR - - - BANGALORE

THE PLYWOOD MANUFACTURERS' ASSOCIATION OF INDIA

P-11, MISSION ROW EXTENSION, CALCUTTA.

Classified List of Members (Zonal Basis)

CALCUTTA AREA

- (1) ASSAM BENGAL VENEER INDUSTRIES LTD., 32, Canal South Road, Beliaghata, Calcutta-15.
- (2) Messrs. BOSE WOOD WORKS LTD., 19, Dakshindari Road, Calcutta-37.
- (3) Messrs. B. S. & CO., 6, Nabin Chandra Das Lane, Baranagore, Calcutta.
- (4) BENGAL PLYWOOD MANUFACTURING CO., 36, Foreshore Road, Shalimar, Howrah.
- (5) KASIPUR PLYWOOD CO., 34/1, Barrackpur Trunk Road, 24 Parganas.
- (6) THE ALBION PLYWOOD LTD., Albion Jute Mills' Compound, Budge Budge.
- (7) UNION PLYWOOD LTD., 20, Canal East Road, Ultadanga, Calcutta.
- (8) VARAT PLYWOOD, 82, Ultadanga Main Road, Calcutta.
- (9) THE GREAT INDIAN PLYWOOD MANUFACTURING CO., 1/18, Paikpara Row, P. O. Belgachia, Calcutta.

NORTH BENGAL AREA

- (10) ASSAM BENGAL VENEER INDUSTRIES LTD., No. 2 Unit, Oodlabari, Dist. Jalpaiguri.
- (11) BENGAL VENEER AND SAW MILLS LTD., Siliguri.
- (12) Messrs. B. S. & CO., No. 2 Unit, Nagrakata.
- (13) THE BAGDOGRA PLYWOOD FACTORY, P. O. Bagdogra, Darjeeling, West Bengal.
- (14) MADARIHAT VENEER AND SAW MILLS, P. O. Madarihat, Dist. Jalpaiguri.
- (15) WOOD CRAFT PRODUCTS LTD., Cooch Behar (West Bengal), Assam Rly.
- (16) THE ENCO PLYWOOD AND SAW MILL INDUSTRY, Siliguri (Darjeeling).
- (17) EAST INDIA PLYWOOD CO., LTD., Cooch Behar—9.

ASSAM AREA

- (18) JEYPORE TIMBER AND VENEER MILLS LTD., P. O. Jeypore, Dibrugarh, Assam.
- (19) ASSAM PLYWOOD PRODUCT, Dibrugarh (Assam).
- (20) SURMA MATCH AND INDUSTRIES LTD., Karimganj (Cachar), Assam.
- (21) ASSAM TIMBER AND STORES LTD., Gauhati, Assam.
- (22) ASSAM VALLEY PLYWOOD LTD., Makum Road, Tinsukia, Assam.
- (23) ASSAM FOREST PRODUCTS LTD., Makum Junction, P. O. Nowgaon, Assam.

SOUTH INDIA

- (24) MYSORE COMMERCIAL UNION LTD., Yesvantpur, Bangalore.

THE year 1954 will go down in the history of Indian insurance as a year of great significance, in that it witnessed a cheapening of the cost of life insurance in two ways. A general slashing of life premium rates by nearly all life offices and a handsome increase in bonuses by a number of them. Although many life assurance companies protested vehemently at the initiative taken by a leading insurer to reduce the rates, all life offices have now reconciled themselves to lower premium rates. A number of leading life offices later followed up this action by a declaration of higher bonuses. General insurers were concerned at the growing competition for available business and continued to press their claim for generous tax relief. Both life and general offices felt uneasy over the expansion of Government-sponsored insurances. Thus, they were perturbed by the decision of the authorities of the Postal Insurance Fund to extend the benefit of their insurance to employees in quasi-Government bodies, and the contemplated move of the Mysore State Government to expand its activities in the general insurance field.

An event of outstanding importance in the sphere of life assurance during the year under review was, as stated at the outset, the reduction in premium rates. The first shot in this direction was fired by the New India Assurance Company, Ltd., in March, 1954. This raised a great deal of controversy in insurance circles, for other insurers quickly realised that, unless they followed the New India's move, they would hardly be able to get any business. There has now been an all-round reduction in premium rates, nearly all insurers having announced their new tables of reduced premium rates.

LOWER PREMIUM RATES

The reduction of premium rates was defended on the ground that, in recent years, there had been a significant improvement in mortality experience, and increase in interest yields. Those who supported the movement towards lower premium rates argued that the insurers should pass on the benefits of favourable mortality experience and of higher yields on investments to policyholders and that in India, where both *per capita* income and *per capita* insurance are low, any move designed to lower premium rates should be welcomed. Those who opposed this move contended that, although mortality experience had improved, it was a factor which affected the whole life insurance more than the endowment insurance (the popular variety in this country) and that interest rates, though they had tended to look up, had by no means attained stable levels. Also, they argued that the proper way to pass on benefits of favourable mortality experience and interest yields was through the bonus rates. Incidentally, it may be noted here that the New India has done both, that is, effected a reduction in premium rates and an increase in bonus rates. A few other companies, too, have done so and others are bound to follow when their next valuation comes up. Whatever may be the merit of either side of the controversy, there is now little doubt that lower premium rates and higher bonuses have come to stay.

The latest available all-India figures relating to new life assurance business refer to 1952 which, according to the *Indian Insurance Year Book*, aggregated Rs. 145.7 crores, as against Rs. 147.9 crores in 1951. Since the 1952 figures are uncorrected they are not strictly comparable with the previous figures. Subject to this qualification, the

LIFE INSURANCE BECOMES CHEAPER

GENERAL INSURERS' PLEA FOR TAX RELIEF

trend of new life business over the decade ended 1952 is given below:

New Life Business (In crores of rupees)			
	Indian Insurers	Non-Indian Insurers	Total
1943	64.2	10.0	74.2
1944	97.0	11.9	108.9
1945	123.7	12.6	136.3
1946	140.9	12.9	153.8
1947	126.5	13.1	139.6
1948	121.7	12.9	134.6
1949	130.0	12.2	142.2
1950	125.8	13.7	139.5
1951	131.4	16.5	147.9
1952	120.3	16.4	136.7

The net amount of life insurance business in force in India at the end of 1952 was Rs. 916 crores (subject to correction), consisting of Rs. 790 crores in the books of Indian insurers and Rs. 126 crores in the books of non-Indian insurers; the corresponding figures for the previous year were Rs. 873 crores, Rs. 755 crores and Rs. 118 crores respectively. The annual premium income of the insurers amounted to Rs. 44.88 crores, consisting of Rs. 37.95 crores being the premium income of Indian insurers and Rs. 6.93 crores, the income of non-Indian insurers. The assets of Indian insurers, as on 31st December, 1952, amounted to Rs. 292.92 crores, which included Rs. 122.09 crores of Central Government securities, Rs. 12.63 crores of securities of Part A States and Rs. 3.80 crores of securities of Part B States and Rs. 17.67 crores of Municipal, Port Trust and Improvement Trust Securities. The net rate of interest on mean life insurance funds earned by Indian insurers was 3.43 per cent., as against 3.33 per cent. in 1951; for non-Indian insurers, it was 3.35 per cent. as against 3.19 per cent. Indian insurers spent 27.1 per cent. of their premium income to cover their management expenses as against 27.2 per cent. in 1951, while foreign insurers' expense ratio was 22.4 per cent. in 1952 and 23.0 per cent. in 1951.

The overall new business figure for 1953 and 1954 are not yet available. Judging from the figures of new life business, announced by leading insurers, it would appear that the overall business in 1953 should at least be maintained at the 1952 level. As regards the current year, the position is somewhat uncertain. A large amount of new life business has no doubt been placed in the books of the leading insurers, thanks to the reduction in premium rates. But a considerable part of this business is of the replacement variety, in that the policies effected in the last two or more years have been converted into paid-up policies and replaced by new policies. Also, some of the smaller insurers have not been able to get as much new business as they used to get before, owing to keen competition in the field. It would not, therefore, be a matter for surprise if the total business in force at the end of this year were to show no sizable increase. Some of the major Indian insurers should, however, be able to show record new business. It remains to be seen whether this increase will make up for the loss of business by smaller insurers.

GENERAL INSURANCE

General insurers continue to face the problem of a fall in premium income, caused by the fall in insurable values. It is, however, noteworthy that many Indian insurers are able to attract more and more miscellaneous business. Also, they

have been able to improve the business in their foreign portfolio. The latest available all-India figures for general insurance business also refer to 1952. Between 1951 and 1952, fire premium income declined by Rs. 37.6 lakhs to Rs. 10.45 crores, marine premium income by Rs. 34.9 lakhs to Rs. 4.72 crores, though miscellaneous premium income improved by Rs. 15.6 lakhs to Rs. 6.05 crores. The average claims ratio worked out to 32 per cent. in fire business, 57 per cent. in marine business and 49 per cent. in miscellaneous business, as against 30 per cent., 52 per cent. and 50 per cent. in 1951. The expense ratio in fire, marine and miscellaneous business was 32 per cent., 27 per cent. and 29 per cent. as compared with 31 per cent., 24 per cent. and 28 per cent. in the previous year.

The chief difficulty of the general insurers continues to be the high cost of procuring business. A scramble for available business has resulted from the fact that several units, without being satisfied with their present rate of progress, are trying to force the pace of improvement by indulging in uneconomic competition. Although there has been a setback in premium income, it should be possible for general insurers to develop new lines of business and add to their premium income, particularly in view of the rise in living standards and general development in economic activity that must follow the implementation of the projects under the Five-year Plan. Instead of concentrating their attention on new lines of business, the general insurers are still engaged in competing for available business by adopting both fair and unfair means.

TAXATION

General insurers have continued to press their demand for appropriate tax reliefs. The appointment of the Taxation Enquiry Commission gave them an opportunity to formulate their demand. The present practice is to allow general insurers to set aside as reserve, free of tax, 50 per cent. of their premium income for fire and miscellaneous insurance and 100 per cent. for marine insurance. In a memorandum submitted to the Commission, the Indian Insurance Companies' Association suggested that the companies should be permitted to transfer without attracting tax, 100 per cent. of their premium income of the year in respect of fire and miscellaneous insurance, 150 per cent. in respect of marine cargo business and 200 per cent. in respect of marine and aviation hull business. It was not suggested that these positions should be reached immediately; the suggestion was that the companies should be allowed to add a maximum of 5 per cent. of their annual premium income to their unexpired premium reserves from year to year until the above reserve position was attained.

How could the insurance companies be enabled to contribute more effectively to economic development? This question assumed a special significance this year with the appointment of the Committee on Finance for the Private Sector (Chairman: Mr. A. D. Shroff). At present the investment of funds of life assurance companies is governed by section 27 of the Insurance Act, under which the funds are required to be invested as follows: 25 per cent. in Government securities, 25

per cent. in Government or other approved securities, and the balance of 50 per cent. in approved investments specified in section 27A(1) and (2).

To enable insurance companies to play a larger part in meeting the growing financial needs of the private sector, the Committee recommended that the section should be so amended as to require the companies to invest 25 per cent. of the funds in Government securities, 20 per cent. in Government or other approved securities and the balance of 55 per cent. in other investments specified in section 27A. The Committee was further of the opinion that restrictions which stipulate that not more than 2½ per cent. of the liabilities should be invested in any one company were unduly severe and that the limit of 2½ per cent. specified in section 27A(3) and (4) and of 2 per cent. prescribed in the former sub-section should be raised to 5 per cent. It also recommended that the whole issue of investment of insurers funds should be examined in detail by the Government in consultation with insurance interests, with a view to removing the anomalies in the provisions of the Insurance Act.

INSURANCE POOL

The Indian Insurance Companies' Association Pool had another year of successful operation during 1953. In January, 1954, the Pool Agreement, which regulates the working of the Pool, was extended by a further period of three years. The last agreement expired on 31st December, 1953. Since then, it was found necessary by the Central Committee of the Pool to extend the Agreement with certain minor changes in order to see that the working of the Pool was not impaired. A draft charter for the Pool, which has been prepared, is now under the consideration of the authorities of the Pool.

The total premium income of the Pool improved from Rs. 20 lakhs in 1952 to about Rs. 30 lakhs in 1953. The premium income in the year 1954, it is believed, will exceed Rs. 40 lakhs. Claims experience in all departments is only about 40 per cent., expenses of management about 10 per cent. and commission about 1 per cent. The Pool has commenced underwriting aviation business with effect from 1st July, 1954. The Indian Airlines Corporation has decided to renew certain policies which would otherwise have expired in July, this year.

HEALTH INSURANCE SCHEME

The year 1954 witnessed the introduction of the Employees' State Insurance Scheme in Nagpur and Greater Bombay. Although the Employees' State Insurance Act was passed in 1948 and amended in 1951 with a view to removing certain difficulties in enforcing it by stages, it was only in 1952 that the Scheme commenced to be implemented in any part of the country. In February, 1952, it was introduced in Delhi and Kanpur and extended, in May, 1953, to eight centres in the Punjab. In July, 1954, it was extended to Nagpur and in October, 1954 to Greater Bombay. Although Bombay does not share the distinction of being a city where the Scheme was introduced at the first instance, the importance of the application of the Scheme, to Bombay arises from the fact that the largest insurable population under the Scheme is to be found in this city. As against nearly 85,000 employees in Kanpur, 40,000 in Delhi, 40,000 in Punjab and 25,000 in Nagpur, the Scheme will cover 4½ lakh workers in 1,600 factories in Bombay. In this connection, it may be mentioned that when the Scheme is extended to the whole of India, it will cover about 25 lakh employees in 14,000 factories.

WITH a general easing of the inflationary pressures and the attainment of some stability and strength in the world economy, the retreat from dearer money and a relaxation of the restrictive measures adopted during the earlier years were carried a stage further in 1954. Many of the important countries in the world, such as the U.S., the U.K., France, Germany, Belgium and Ceylon, reduced their bank rates during the year, while, in some, there was a reduction in the reserve requirements of commercial banks. This was accompanied by a movement towards the restoration of free markets and greater freedom in foreign exchanges. The two important exceptions to the general trend were Japan and New Zealand which introduced further restrictions during the year, mainly for meeting balance of payments difficulties.

For India, the year 1954 was, on the whole, one of further progress and growing confidence. It appeared that the apprehensions of a business recession generated by the break in prices in 1952 had been definitely overcome by the end of the year. On the contrary, a feeling of buoyancy prevailed in many sectors of the economy. Activity remained at a high level, with business men's outlook being characterised by a note of optimism. Over the year ended November 1954, money supply showed an increase of Rs. 100 crores and bank credit a rise of Rs. 45 crores,* reflecting in part the growing tempo of the development plan and the greater business activity. This compares with an increase of only Rs. 17 crores in money supply and an actual fall of Rs. 3 crores in bank credit in the year ended November, 1953.

The greater increase in money supply in 1954 did not, however, generate any inflationary pressures; in fact, the general index of wholesale prices showed a fall of 4.3 per cent. over the year. Industrial production showed a sustained rise, the index for all industries rising from 135.5 in November, 1953, to 149.3 in July, 1954, the latest month for which figures are available. Production of food also showed a substantial increase. Controls over foodgrains were progressively re-

*Excluding foreign bills purchased and discounted. These have not been taken into account throughout in this review because comparable figures for the period prior to 14th May are not available.

BANKING AND MONETARY TRENDS

A YEAR OF STABILITY AND PROGRESS

laxed, thus making available additional avenues to banks for employing their funds.

As will be seen from the table below, at the end of 1954 the Scheduled banks were in a much stronger position than a year ago. Their resources had been augmented substantially, the liquid position was more comfortable while they had increased both their investments and advances:

Scheduled Banks' Consolidated Position
(In crores of rupees)

As on	Total liabilities (net)	Cash and balances with Reserve Bank	Excess over statutory minimum	Investments	Advances and bills	Advances as percentage to total liabilities
November 28, 1954 ..	925	109	+41	350	512	55.4
November 27, 1953 ..	850	101	+34	337	467	55.4
Change over the year ..	+66	+8	+7	+13	+45	3.0

Both the gilt-edged and the equity markets ruled generally firm. The new issues market was also active, the offer of debentures by Burmah-Shell (Rs. 8 crores) and the Indian Cable Company (Rs. 1 crore) and the issue of ordinary shares by the Imperial Tobacco Company of India (Rs. 1 crore) and the Ahmedabad Electric Company (Rs. 1.75 crores) being some of the outstanding issues during the year. The total amount of new capital sanctioned for issue by the Controller of Capital Issues during January-September, 1954, aggregated Rs. 72 crores, as against Rs. 50 crores and Rs. 39 crores, respectively, in the corresponding periods of 1953 and 1952. The Government's borrowing programme was also more successful, the Central Government deposits recording a fall of only Rs. 19 crores in the year to November, 1954, as compared with a fall of about Rs. 60 crores in the year before. This, coupled with an 'overall stability' of the economy, made it possible to envisage a further acceleration of the developmental effort without generating inflationary pressures. A more detailed review of the trends during the year is given in the following paragraphs.

Seasonal Variations

The seasonal variations in money supply and bank credit during the year did not quite conform to the normal pattern (vide the statement published on page C in the Statistical Section appearing between pages 90 and 91). In the busy season 1953-54 (26th September, 1953 to 7th May, 1954) the expansion of money supply at Rs. 173 crores was appreciably higher than the expansion of Rs. 76 crores in the

busy season 1952-53. Similarly, the credit extended by banks also was higher by Rs. 20 crores. The contraction of both money supply and credit during the slack season of 1954 was, however, much smaller, with the result that, at the beginning of the 1954-55 busy season, the level of both money supply and bank credit was higher by Rs. 113 crores and Rs. 36 crores, respectively, as compared with the position a year ago. In the current busy season (which commenced to-

wards the end of September, 1954), so far there has not been much expansion in money supply, while Scheduled bank credit has actually declined by Rs. 2 crores. The various factors which contributed to these unusual variations are discussed below:

Busy Season 1953-54

Although this review covers the calendar year, it would be better to cover the developments since October, 1953, as it would help a better appreciation of the trends. The busy season 1953-54, which commenced on 26th September, 1953, was one of unusually long duration and continued for over seven months right till 7th May, 1954, when both the notes in circulation and bank credit reached the peak level for the year. Notes in circulation touched a level of Rs. 1,234 crores, as compared with a peak of Rs. 1,180 crores in 1953 and Rs. 1,165 crores in 1952. Advances (including bills discounted) of Scheduled banks also reached a high of Rs. 576 crores on 7th May, as against a peak of Rs. 554 crores in 1953. Demand liabilities of Scheduled banks also went up by Rs. 10 crores as against a fall of Rs. 24 crores in the busy season 1952-53. As a result, the money supply shot up by Rs. 173 crores, as compared with an expansion, respectively, of Rs. 76 crores and Rs. 8 crores in the two previous busy seasons. The large increase in note circulation was attributable mainly to a sizable balance of payments surplus (about Rs. 54 crores as measured by the rise in the foreign assets of the Reserve Bank) and a fall of almost equal magnitude (Rs. 52 crores) in the deposits of the Central Government. The fall in Government balances reflected

the increasing tempo of the development plan. It would be interesting to observe that, just before the floatation of the National Plan Loan on 19th April, the Central Government deposits had reached a low of Rs. 51 crores which was the level indicated by the Finance Minister as the irreducible minimum.

Bank credit, too, spurred up by no less than Rs. 98 crores, the expansion of Rs. 42 crores during the month of January being a record for any month since 1951. The higher demand for bank credit stemmed from higher business activity and the restoration to the private sector of trading in certain foodgrains. This expansion in bank credit was buttressed in the main by large borrowings from the Reserve Bank, the Scheduled banks' investments and cash and balances recording a fall of only Rs. 20 crores in the entire busy season. Of the increased borrowings (outstandings) of Rs. 52 crores from the Reserve Bank, the borrowings against 'usage' bills accounted for Rs. 30 crores. It may be interesting to note here that total borrowings against 'usage' bills from 1st January, 1954, to 7th May, 1954, aggregated as much as Rs. 80 crores, as against only Rs. 40 crores in the corresponding period of 1953. It would thus be seen that the bill market scheme introduced by the Reserve Bank has been very helpful as an instrument of seasonal credit expansion.

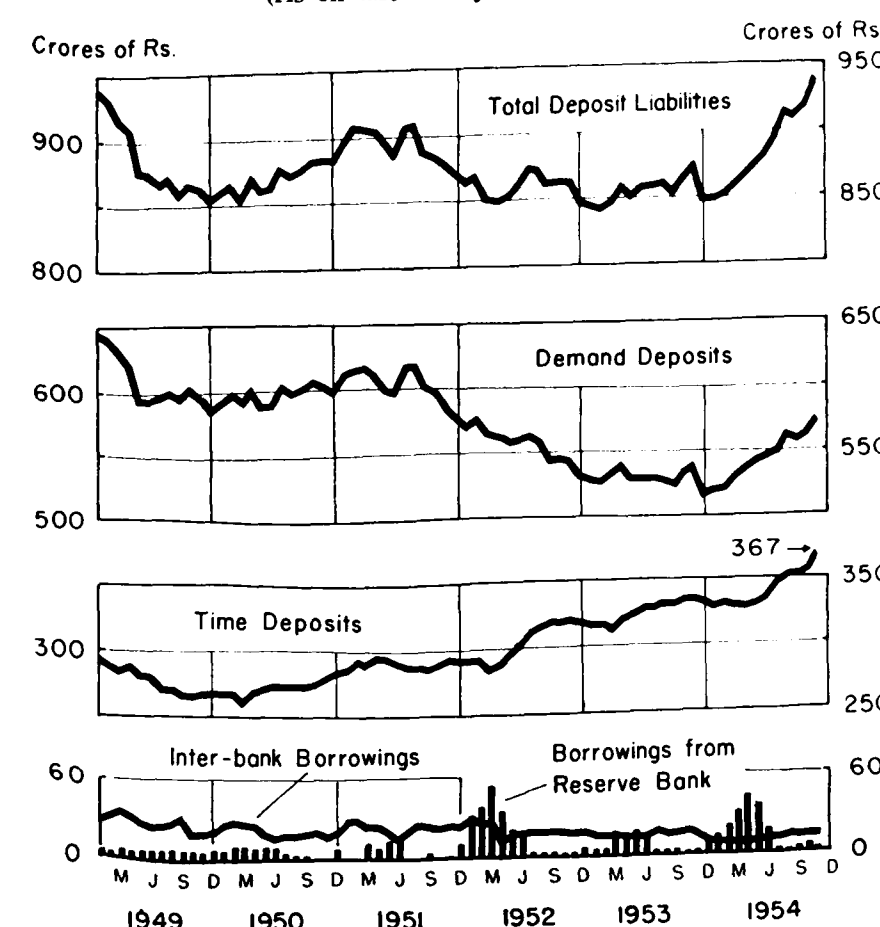
Slack Season--May-September

In the slack season which followed, the contraction of both notes in circulation and bank credit was on a much smaller scale, only a little over half of the busy season increase in notes in circulation and about two-thirds of the increase in bank credit having returned by the end of September. The circulation of notes was probably kept up by the deposits of the Central and State Governments increased by only Rs. 50 crores between 8th May and 25th September, although, during the same period, Government had netted a sum of about Rs. 100 crores by way of subscriptions to the National Plan Loan. The repayment of bank credit was not sufficiently brisk, because of fresh demand for financing foodgrains and imports of sugar. Another important factor which helped maintain the high level of the money supply was the failure of the Reserve Bank to unload some of its investments in Government securities on the market. Normally, in a slack season, the Reserve Bank is a seller of Government securities which action helps the disinflationary process. In the slack season of 1954, the Reserve Bank actually increased its portfolio of Government securities by Rs. 25 crores.

As a result of all these factors, the level of money supply and bank credit at the end of September, 1954, was appreciably higher as compared with that a year ago and the money rates were also firmer. The call money rate, for instance, ruled at 24-24 per cent., as compared with 1-1½ per cent. in September 1953.

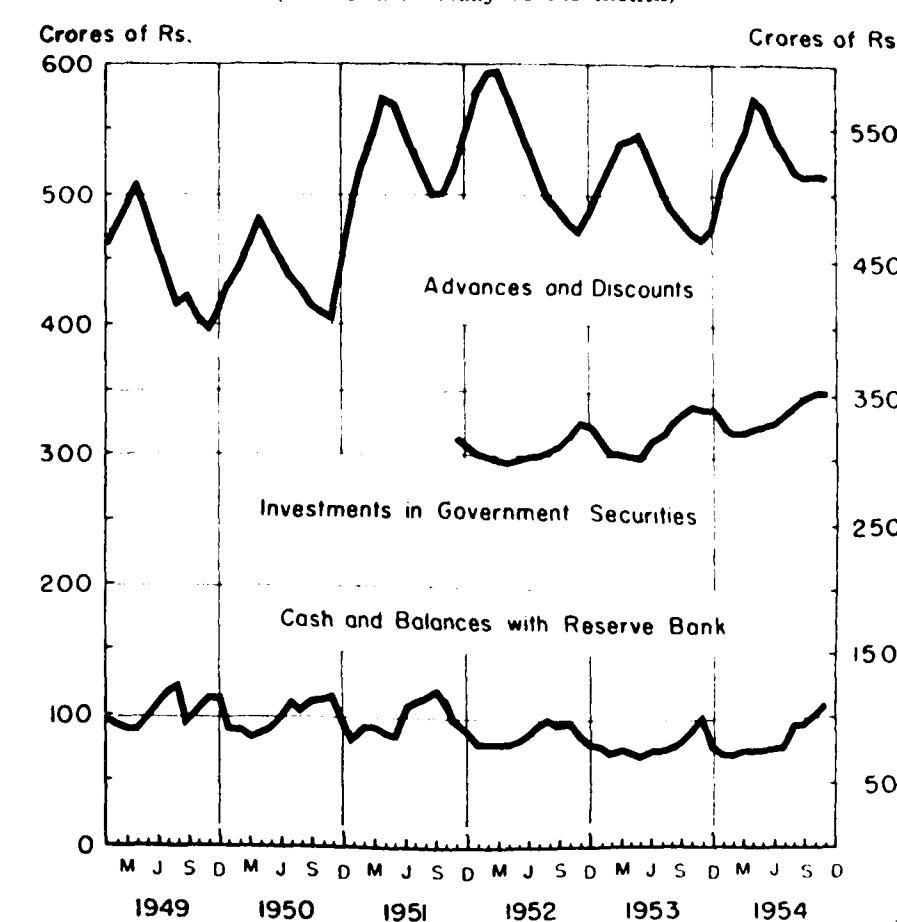
PRINCIPAL LIABILITIES OF SCHEDULED BANKS

(As on last Friday of the month)



PRINCIPAL ASSETS OF SCHEDULED BANKS

(As on last Friday of the month)



The high level of money supply and bank credit in the beginning of October partly explains why only sporadic signs of busy season expansion are noticeable so far. Notes in circulation have so far moved up by only Rs. 15 crores. The Scheduled banks' resources have increased by Rs. 27 crores but their advances as percentage to total liabilities have actually declined from 58 per cent. to 55 per cent., while their cash and balances with the Reserve Bank have gone up by Rs. 16 crores.

As already stated, there was an increase in bank credit during the year. Not only was there an increase of Rs. 44.08 crores over the year in the portfolio of Scheduled banks, as against a decline of Rs. 2.61 crores in the previous year, but the level of banks' advances throughout the year was higher than in the previous year. Thus, the average advances (including inland bills purchased and discounted and money at call and short notice) for the year amounted to Rs. 527.46 crores, as compared with that of Rs. 508.38 crores for the previous year. This is due to three reasons: (1) the increase in the bank's lendable resources, (2) the enlarged credit available from the Reserve Bank against usance bills and (3) the expansion in production of both agricultural and industrial goods.

Interest Rates

No notable changes in the general pattern of interest rates on advances by banks occurred during the year. There was, however, a slight widening of the range of interest rates in some cases, as, for example, on loans against Government securities and trustee securities by both Exchange banks and major Indian Scheduled banks, while, in the case of some others, the range was narrowed, as, for example, in the case of advances against agricultural commodities by Exchange banks and clean advances by major Indian Scheduled banks. The following table presents the broad pattern of interest rates changed by the two main groups of banks:

	Exchange Banks		Major Indian Scheduled Banks	
	June	June	June	June
	1953	1954	1953	1954

Loans against—	%	%	%	%
Government and trustee securities	3-5	3-6	4-5	3-4
Share and debenture securities	4-6	4-6	4-6	4-7
Agricultural commodities	4-6	4-6	4-6	4-7
Non-agricultural commodities	4-6	4-6	4-6	4-7
Real estate	4-6	4-6	4-6	4-7
Fixed deposits	4-6	4-6	4-6	4-7
Other secured advances	4-6	4-6	4-6	4-7
Unsecured advances	4-8	4-8	4-8	4-9

Bank Deposits

The year witnessed a distinct revival of the upward trend in bank deposits, the total demand and time deposits (net) at the end of November, 1954, being appreciably higher than even the level at the end of 1950:

(In crores of rupees)			
As on	Demand liabilities (net)	Time liabilities (net)	Total
Nov. 26, 1954 ..	561	964	925
" 27, 1953 ..	528	332	860
" 30, 1952 ..	532	313	845
" 29, 1951 ..	509	298	807
" 24, 1950 ..	538	273	811

As will be seen from the table above, the increase in time deposits continued but the special feature of the year was a spurt in the demand deposits which even exceeded the increase in time deposits. The declining trend in demand deposits noticed since 1951 has been reversed. Another interesting feature was that there was an increase in total deposits in each quarter of the year, the increase in the last three quarters averaging as high as Rs. 25 to Rs. 30 crores. This expansion in the resources of the banking system was sustained partly by the surplus in balance of payments and partly by Government expenditure.

During the year under review, the trend of deposits with banks showed an almost continuous upward trend, the lowest and highest levels having been touched in the beginning and the end of the year, respectively. Thus, demand deposits, which had stood on 27th November, 1953, at Rs. 526.36 crores, declined to no less than Rs. 505.62 crores on 8th January, 1954, but rose continuously to a high of Rs. 561.44 crores at the end of November this year. The highest and the lowest levels touched by these deposits in the previous year were Rs. 530.71 crores and Rs. 501 crores, respectively. Similarly, time deposits, after declining from Rs. 332.23 crores to Rs. 324.13 crores on 2nd April, 1954, rose to the year's peak of Rs. 963.57 crores at the

end of November. In 1953, the highest and the lowest levels were Rs. 332.33 crores and Rs. 309.59 crores, respectively. An interesting feature revealed by these figures is that the highest and the lowest levels of deposits touched in 1954 were higher than those of 1953.

Treasury Bills

The sale of Government of India three months' Treasury Bills was suspended in the third week of April, 1954, following the announcement of the flotation of 3½ per cent. National Plan Loan. The total amount offered from 1st January, 1954, and up to this period was Rs. 15 crores, while the amount tendered aggregated Rs. 19.42 crores. The weekly average rate of accepted tenders was higher than in the corresponding period of 1953. The lowest rate was Rs. 2-7-9 per cent. per annum and the highest Rs. 2-11-0 per cent., as against Rs. 2-6-0 per cent. and Rs. 2-7-0 per cent., respectively, in 1953. After remaining suspended for nearly seven months, the sale of these Bills was resumed in the second week of November and during the three weeks up to the end of November, the total amount offered was Rs. 4.50 crores and the total amount tendered aggregated Rs. 7.75 crores. The average rate of accepted tenders was about Rs. 2-7-8 per cent. per annum.

Money Market

The short-term money market experienced stringency over a much longer period during the year than in the previous year, as a result of the demand for funds having continued almost throughout the year, as witness the higher level of advances. The inter-bank call money among Exchange banks and big Indian banks was, however, bid during the busy season at no more than 3 per cent. per annum, as in the previous year, because of the banks' unwillingness to pay more, as borrowing from the Reserve Bank against usance bill's was cheaper than borrowing from other banks at more than 3 per cent. (besides the brokerage). The lowest rate at which inter-

bank call money was placed during the slack season was 1 to 1½ per cent., as against ½ per cent. in 1953. Short-term deposit rates also ruled higher, three months' deposits fetching at times as high as 3½ per cent., as against 3 per cent. in the previous year. The lowest rate of interest offered for these deposits during the slack season was 2½ per cent., as against 2 per cent. in 1953.

Government Borrowing

The Government's borrowing programme during the year had some special features. Only one combined loan intended to meet the requirements of both the Central and State Governments was issued during the year and was for an unspecified amount. The issue was timed earlier than usual, in fact, almost at the peak of the busy season. It was hoped that this would facilitate the tapping of the surplus funds which would be available in the rural areas immediately after the harvest. By the end of September, when the loan was closed, the total subscriptions amounted to Rs. 160 crores, which compares with a cash borrowing of about Rs. 60 crores (excluding Treasury Bills and small savings) by both the Centre and the States during last year. While presenting the budget for 1954-55, the Finance Minister had stated that he proposed to borrow Rs. 75 crores from the domestic market. Even assuming that the State Governments had proposed to borrow another Rs. 25 crores, the actual borrowings during the year have far exceeded the targets for the year.

Two Central Government loans involving a sum of Rs. 48 crores were repaid during the year. In the year 1953, two loans for a sum of Rs. 69 crores are due for repayment while none is to be repaid in 1954. If, therefore, Government can borrow from the market during each of the next two years something of the size of the National Plan Loan floated this year, it would be of considerable assistance in increasing the outlay on development and thus to make up some of the leeway in the progress of the Plan.

Small Savings

Although the Government floated a big loan during the year, the response to the small savings drive was better as compared with 1952 and 1953. This will be borne out by the following table which shows the net receipts under small savings during a comparable period of 1951, 1952 and 1953.

Net Receipts (In crores of rupees)			
	1952	1953	1954
Post Office Savings Bank Deposits	+17.02	+11.77	+14.95
National Savings Certificates	+14.20	+15.48	+14.55
10-year Treasury Savings Deposits	+5.87	+5.47	+4.19
10-year National Plan Certificates	..	..	+4.05*
Post Office Cash Certificates, Defence Savings Certificates, etc.	-3.11	-2.48	-1.82
Total ..	+33.98	+30.24	+35.92

* Introduced from 10th May, 1954.

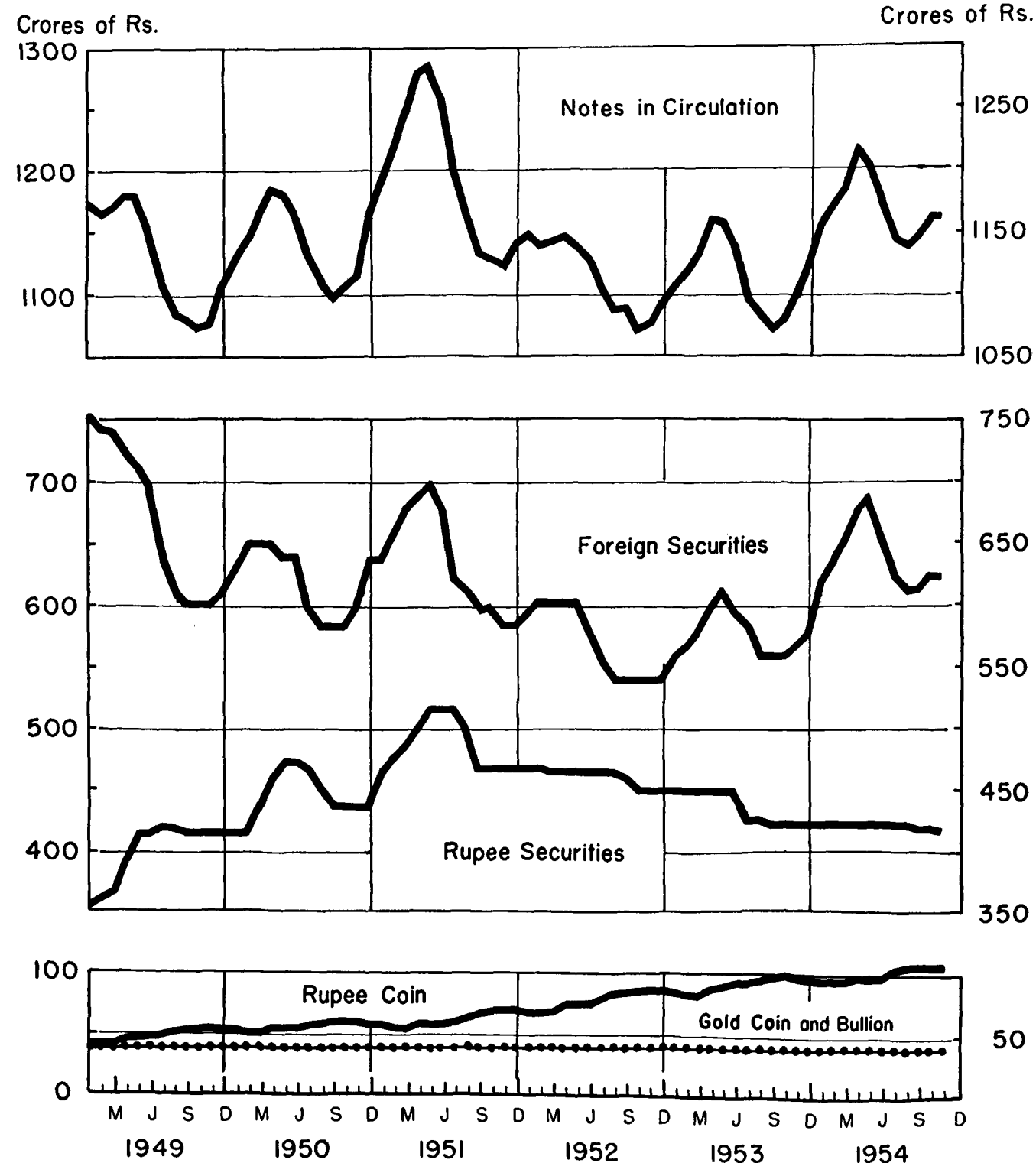
At the present rate, it would appear that the Finance Minister would be able to raise Rs. 45 crores by way of small savings, a figure which he has budgeted for 1954-55.

During the year, a new series of Ten-year Savings Certificates carrying simple interest at 4½ per cent. per annum free of income-tax were issued from 10th May, 1954, as part of the National Plan Loan. The new issue is intended primarily for the small investor. The maximum holding has been limited to Rs. 1,000 for an individual and to Rs. 2,000 for joint-holders.

Similarly from 1st July, 1954, new 15-year Annuity Certificates were issued. An investment of Rs. 3,500 in these certificates would fetch a monthly income of Rs. 25 for 15 years. The maximum limit has been fixed at Rs. 28,000 for individual holdings and at Rs. 56,000 for joint holders. Institutional investors are debarred from subscribing to these certificates.

CURRENCY ASSETS AND LIABILITIES

(As on last Friday of the month)



SMALL GAINS IN GILT-EDGED

THE Gilt-edged market was extremely dull almost throughout the year, excepting for occasional spells of speculation in the Conversion Loan (3 per cent. 1986), which lost as much as Re. 1-8 during the year from the opening rate of Rs. 82-8. The sentiment of the market was adversely affected once in May and again towards the end of the third quarter of the year. Stringent money conditions, the issue of 3½ per cent. 1964 National Plan Loan in April and keeping the loan on tap for five months, the appearance in the money market of a few concerns for raising debenture issues offering a relatively higher rate of interest and the loan issues by the Bombay Municipality and the Saurashtra Government were some of the highlights of the year. Towards the middle of December, the market picked up some strength on scattered institutional buying and support by the Reserve Bank on a limited scale.

The Reserve Bank gave support to the market on a few occasions, besides giving facilities for conversion operations throughout the year. The aim of the Bank was to stabilise Gilt-edged values at about the levels prevailing before the announcement of the National Plan Loan. And it must be said to the credit of the Bank that it succeeded in achieving this object.

The new year 1954 was rung in on a steady note for the Gilt-edged market. The behaviour of the market in the first quarter of the year was very lively. Rumours of a reduction in the Bank rate induced a certain amount of speculative buying. This was reinforced by cuts in the discount rates in the U.S. and France in February. So strong was the demand for the Reserve Bank's support of its sales of Government securities for a few days. Subsequently in March, the Bank put up its selling rates for 3 per cent. loans, 1963-65, 1964, 1966-68, and 1970-75. This change in the Bank's policy of open market operations indicated that the authorities were preparing the market for the flotation of a new loan. The sentiment of operators, as a result of these factors, improved. Demand gradually broadened and, with scarcity of floating stocks, values steadily crept up. Thus, towards the end of March and early in April, most securities were nearer the best levels of the year.

The trend was reflected in the behaviour of the average index figure of Government of India securities for Bombay (base 1949=100). The index, which stood at 89.8 in January, 1954, rose slowly to 90.1 in April. To give the rates of some popular loans. Among 3 per cent. issues, 1957 loan rose from Rs. 98-5 in January to Rs. 98-6 in March. A gain of As. 6 was noted in 1963-65 loan at Rs. 92-15 early in April. 1970-75 rose by As. 4 to Rs. 86-12 and the Conversion loan by As. 2 to Rs. 82-10 in this period.

In the second week of April, however, a reaction set in. On the 12th of that month came the Government's announcement of the issue of a new 3½ per cent. Loan, 1964, called the National Plan Loan. This was the outstanding event of the year. The official announcement said that subscriptions would be received without limit as from 19th April, until further notice. The issue price was Rs. 98-8 for Rs. 100 nominal from 19th to 24th April and was to increase by nine pips per cent. weekly, the nine pips representing approximately the net interest which would accrue on these securities. The redemption yield at the original issue price worked out to 3.68 per cent. The loan was redeemable at par on 19th April, 1964. The proceeds of the loan were intended for financing development programmes under the Five-year Plan. It differed from other loans issued by the Government in two respects, namely, the amount of subscription was not limited and the date of closure was not specified. It was kept on tap for nearly five months, the list being finally closed on 15th September, 1954. The total subscriptions upto that date aggregated Rs. 156.75 crores.

On 30th April, the Government announced its decision to issue Ten-year National Plan Certificates from 10th May, with a view to facilitating subscriptions from small investors. Again on 31st May, the issue of 15-year annuity certificates was announced with the same end in view.

The developments noted above had a bearish effect on the market. Existing loans ceased to evoke interest, as the attention of investors was diverted to the new loan. Demand for them was almost nil. Financial institutions, liquidated their holdings of existing securities in order to invest the proceeds

in the new loan. As banks, too, subscribed to the loan, surplus funds at their disposal dried up and the money market became perceptibly stringent. Consequently, the market was subject to continued selling pressure and Gilt-edged securities suffered a setback in prices. In fact, the year's lowest quotations were witnessed in May. The Reserve Bank's group index figure for Bombay mentioned above which had gone up to 90.1 in April, slipped back to 89.7 in May. The downward trend was seen in the performance of individual securities also. Among 3 per cent. loans, 1957 came down from Rs. 98-6 in March to Rs. 98 in May, 3 per cent. 1966-68 touched a low of Rs. 90-1, as against Rs. 90-6 in April. 1970-75 dropped As. 10 to Rs. 86-2 in May. The 1986 Conversion Loan slumped from Rs. 82-10 to Rs. 81-11. This loan saw still lower levels later in the year.

The rot which overtook the Gilt-edged market was arrested in June. In this month and in July, the Gilt-edged market picked up some strength. Conditions in the money market improved with the onset of the slack season. Demand broadened, with renewed interest being evinced in the market by institutional investors. Paucity of floating stocks, coupled with revival of rumours regarding a reduction in the Bank rate, hardened the sentiment. In order to satisfy the growing demand, the Reserve Bank of India resumed sales of some medium and long-dated securities. Gilt-edged values resumed their upward trend witnessed early in the year. The group index figure of Government of India securities for Bombay rose from 89.7 in May to 90.3 in August, 3 per cent. 1957 loan put on As. 14 over its price in May to stand at Rs. 98-14 in August, 3 per cent. 1966-68 and 1970-75 retrieved from Rs. 90-1 and Rs. 86-2 to Rs. 90-12 and Rs. 87-3 respectively in August. A gain of Re. 1-14 was recorded in 1986 Conversion Loan which touched its peak for the year at Rs. 82-15.

Once again, a reaction set in in September. On the 15th of that month, the subscriptions for the new loan were closed. But by then the market had already gained knowledge of the 5½ per cent. Debenture issue for Rs. 8 crores by the Burmah-Shell Refineries Ltd. The issue was followed by news relating to the loans of the Bombay Municipality for Rs. 1½ crores and of the Saurashtra Government for Rs. 2.25 crores. Institutional investors were keen on replacing their low-yielding securities with these new issues giving a better return. Consequently, the market came in for some selling pressure, and prices began to stage a descent. The trend persisted further, owing to the return of stringency in the money supply, following the commencement of the busy season in October and November. The average index number of Government of India securities staged, therefore, a recession from 90.3 in August to 89.8 in October. The fall was reflected in 3 per cent. 1957 which retreated from Rs. 98-14 in August to Rs. 98-7 in October, 3 per cent. 1966-68 registered a loss of As. 5 to Rs. 90-7 in October. 1970-75 was pushed down from Rs. 87-3 to Rs. 86-15 and 1986 Conversion Loan from Rs. 82-15 to Rs. 80-8.

November was noted for two developments. On the 6th of that month, the Saurashtra State Loan for Rs. 2.25 crores was oversubscribed. Again in the middle of the month, the Government of India repaid 2½ per cent. 1954 loan for Rs. 35 crores. The bulk of this loan was held by the Reserve Bank and, consequently, it had no effect on the market. In the result, prices of Government securities tended to sag, as there was some selling. The Conversion Loan was particularly hard hit in that it came down to Rs. 80-10. At this stage, the authorities stepped in to support short-dated loans. Meanwhile, institutional investors also extended some support. The loans gathered some strength and the year closed on a steady tone. On 21st December most securities stood at slightly higher levels than at the close of the previous year, with the exception of the Conversion Loan, as will be seen from the following set of figures:

	Dec. 21, 1954	Dec. 24, 1953
Rs. a.	Rs. a.	Rs. a.
3% 1986 Conversion Loan ..	81 0	82 8
3% 1970-75 ..	86 14	86 8
3% 1966-68 ..	90 7	90 4
3% 1963-65 ..	93 8	92 8
3% 1964 ..	93 8	92 8
3½% 1961 (N.P. Bonds) ..	99 1	98 15
3% 1958 ..	98 12	98 1
3% 1957 ..	98 15	98 6

(Continued in second column)

Shroff Committee

A reference was made in last year's review to the appointment by the Reserve Bank of India of a committee to examine how increased finance could be made available to the private sector, in particular the possibility of providing, on a larger scale, bank finance for development in the private sector. The Committee submitted its report during the year. Some of the more important recommendations of the Committee are as follows:

(1) In respect of large investments in scheduled industries, Government should give some assurance of immunity from nationalisation at least for a reasonable period.

(2) Early steps should be taken to remove the confusions and uncertainties in regard to labour legislations and awards and to ensure that a rise in the rewards of labour does not run ahead of the increase in the productivity of labour.

(3) Facilities under the Bill Market Scheme should be liberalised.

(4) Remittance facilities scheme should be further extended.

(5) The Reserve Bank should, in consultation with the Government of India, work out a detailed scheme of financial assistance to licensed Scheduled banks opening branches in accordance with an expansion programme submitted by the banks and approved by the Reserve Bank.

(6) The question of linking indigenous bankers and shroffs directly with the Reserve Bank should be actively pursued.

(7) Pending such direct linking of indigenous bankers, steps should be taken to encourage the rediscounting by the Reserve Bank of the usance bills of indigenous bankers through Scheduled banks.

(8) The Reserve Bank should consider whether any of the directives or criteria laid down by it could be suitably relaxed in the case of smaller banks, without prejudice to sound banking principles.

(9) The Reserve Bank should treat shares and bonds of the Industrial Finance Corporation of India and State Financial Corporations as on a par with Government securities for advances under section 17(4) (a) of the Reserve Bank of India Act.

(10) The Bank should explore ways and means of increasing the resources of banks for the provision of medium-term finance on the analogy of the Bill Market Scheme.

(11) The Reserve Bank should facilitate larger investment by commercial banks and other financial institutions by suitable adjustment in its loaning and rediscounting facilities.

(12) Banks should endeavour to increase their investments in shares and debentures of first class industrial concerns, to make larger ventures and to subscribe to a greater extent to the shares and bonds of specialised institutions.

(13) The leading banks, in co-operation with insurance companies should form a consortium or syndicate under the leadership of the Imperial Bank for underwriting or investing in new issues of shares and debentures of industrial companies.

(14) Section 27 of the Insurance Act should be amended to enable insurance companies to invest a larger portion of their funds in industrial shares and debentures.

The Reserve Bank has already taken action on some of the recommendations of the Committee. The Bill Market Scheme has now been extended to all Scheduled banks in possession of a licence, and the minimum limit of advances has been reduced from Rs. 25 lakhs to Rs. 10 lakhs. The Bank has also decided to treat the shares and bonds of the Central and State Finance Corporations on a par with Government securities for the purposes of granting advances. Further, the Bank appointed a committee to examine the Shroff Committee's proposal for setting up a syndicate for underwriting or investing in new shares. It is understood that the Committee has already submitted its Report to the Bank. As regards the recommendation regarding the direct linking of indigenous bankers to the Reserve Bank, its consideration has been deferred pending the publication of the Rural Credit Survey Report. The Reserve Bank has not, however, been able to accept the Shroff Committee's recommendation of extending the rediscounting facilities to Multani hundies.

Agricultural Credit

As a central bank, the Reserve Bank of India continued to take keen interest in the various problems of rural finance, although the initiation of new long-term policies had necessarily to be

deferred pending the submission of the Report of the All-India Rural Credit Survey which it is understood would be available very shortly. [A part of this Report was published on the 21st inst., that is, a few days after this review was written—Ed.] Meanwhile, as recommended by the Informal Conference on Rural Finance convened by the Reserve Bank in 1951, the Reserve Bank of India Act was recently amended to enable the bank to finance more effectively the requirements of rural areas. The scope of section 17(2)(b) of the Reserve Bank of India Act has now been enlarged so that finance could now be made available for production and marketing of commodities and also for processing of goods. A provision has also been added to enable the Reserve Bank to dispense medium-term credit for agricultural purposes for periods ranging more than 15 months but not exceeding five years.

Other Developments

During the year under review, there was no important bank failure, but licences were refused to 12 banks for carrying on banking business. As regards Scheduled banks, three of them, namely, National Handelsbank N.V., the Dinajpore Bank Ltd., and the Bank of Assam Ltd., were excluded from the second schedule, while the British Bank of the Middle East was included in the schedule. As a result, the total number of Scheduled banks declined from 90 at the beginning of 1954 to 88 by the end of the year. The business of National Handelsbank N.V. was taken over by the British Bank of the Middle East.

The latest available figures of the number of branches of Scheduled banks relate to 30th June, 1954. On that date, the branches of Scheduled banks totalled 2,733, showing an increase of 34 over the corresponding figure for 30th June, 1953. As will be seen from the table below, the Imperial Bank accounted for an increase of 25 branches. It would be recalled that one of the important recommendations of the Rural Banking Enquiry Committee was that the Imperial Bank should increase the number of its branches. In pursuance of that recommendation, the Imperial Bank has so far increased its branches by over 50. Five leading Indian joint stock banks accounted for an increase of nine, while the number of branches of the Exchange banks and the other Scheduled banks remained virtually unchanged.

Branches of Scheduled Banks

	As on		
	30-6-'53	31-12-'53	30-6-'54
Imperial Bank ..	419	424	444
Five leading joint stock banks ..	748	759	757
Exchange banks ..	65	66	66
Other Scheduled banks ..	1,407	1,450	1,466
Total ..	2,639	2,708	2,733

Training Facilities for Bank's Staff

It is well known that the paucity of adequately trained staff in the country renders it difficult to organise efficient banking service and extend the scope of banking facilities. With a view to overcoming this difficulty, a Bankers' Training College, sponsored by the Reserve Bank of India, was inaugurated in September last. The College, which is intended to train the supervisory staff of banks, will provide intensive practical training for a period of about eight weeks. Lectures from other experts would also be arranged on subjects of interest to bankers. For ensuring that the College functions on right and efficient lines, the services of two experts from the United Kingdom have been secured under the Colombo Plan. It is expected that the establishment of this College would go a long way towards improving the quality of the staff of the banks.

(Concluded from fourth column)

It will be observed that the gain in values, small though it is, is higher in the case of short-dated and medium-dated securities than in the case of long-dated and undated loans. This reflects mainly the preference of investors for the former type of loans. The loss in the Conversion Loan is in distinct contrast to the gain in other loans, is not surprising, because on the basis of yield pattern for other loans, this security ought to be standing at a much lower level. That the yield on the Conversion Loan (at 3.70) is less than that (at 4.16 later redemption) on 3 per cent. 1970-75, whereas it ought to be higher, considering that the Conversion Loan is not repayable earlier than 1986. This anomaly is due to the support that is extended by the Reserve Bank to the Conversion Loan at Rs. 80, a level which has come to be regarded as the floor.

TREND OF THE MARKETS IN 1954

MARKED GAINS IN EQUITIES

EXPANSION IN ECONOMIC ACTIVITY

BUOYS UP SENTIMENT

From Our Own Correspondent

BOMBAY, 18th December

FOR the second year in succession, investors in equities on the Bombay Stock Exchange have had the good fortune of witnessing their holdings appreciate in value sizably. The bullish activity noted in the closing months of 1953 became more pronounced during the major part of 1954 and many a scrip regained what they had lost in 1951 and 1952. Quite a number of shares touched the highest levels seen in the last few years. Although the last quarter of the year under review witnessed a sharp reversal of the bullish trend, wiping out a good part of the earlier gains, confidence revived once again during the last two weeks, with the result that, at the time of writing, equities showed impressive gains over a wide front, the Reserve Bank of India group index number of variable dividend securities for Bombay disclosing a rise of more than 10 points over the year.

With no serious adverse factor to affect sentiment, the revival of confidence noted last year was well sustained in the year under review. Though every sharp rise in prices attracted a certain amount of reaction, the underlying bullish trend was so strong that all bouts of profit-taking were easily absorbed, except in the closing months. Accordingly, the curve of equity values was able to follow an upward course almost right from the beginning of the year up to the third week of September.

Favourable Factors

There were several favourable developments that kept up the buoyancy of the market. As in the previous year, the main driving force was provided by the implications of the Five-year Plan. There was a general belief that deficit financing during the next two years of the Plan would be on a larger scale than originally envisaged. A high level of economic activity providing an expanding market for industrial goods was anticipated. This anticipation was strengthened by the various measures taken by the Government for promoting industrial expansion, such as the move for establishing Development Finance Corporations and the provision of loans to the private sector on favourable terms. The Commerce and Industry Minister's indication in his address to the Central Advisory Council for Industries of the possibility of greater emphasis being laid on industrialisation in the second Five-year Plan gave rise to hopes of an era of prosperity for several years to come. There were quite a few other helpful factors also. These were: (1) The rising trend of production in major industries, (2) the high level of activity by engineering companies, (3) good corporate results and higher dividend payments, (4) a state of bonus issues, (5) the conversion of Tata Deferred shares into ordinaries, (6) the recommendations of the Shroff Committee for facilitating larger provision of finance for industries, and (7) the announcement of a loan of Rs. 10 crores by the Government of India to the Tata Iron and Steel Company for financing its expansion programme.

As already stated, the sharp rise in values, which persisted almost up to the end of September, experienced a reversal in the months of October and November and continued till the second week of December. During this period, trading was on a restricted scale. This was mainly due to uncertainties regarding the recommendations of the Taxation Enquiry Commission and the Prime Minister's repeated emphasis on socialistic economy as the aim of the Government, with a secondary place for private enterprise. The statement of the Commission stressing upon the State's need for augmenting their revenues by the imposition of better levies, surcharges on land revenue, agricultural income-tax and increase on commercial crops also unnerved the operators. On top of this came the Finance Minister's statement to the effect that every recommendation of the Taxation Enquiry Commission

were some of the factors which sustained the bullish trend during the last two weeks of January.

The continuation of the firm trend during February was expected by expectations that the Central budget for 1954-55 would reveal a large uncovered deficit and only minor changes in taxation. Moreover, the discussions of the World Bank Mission with the Government of India on the proposed establishment of a corporation to promote industrial expansion, renewed rumours about reduction in Bank rate, higher earnings of leading textile mills, accompanied by higher dividends and bonus issues, improved prospects for the shipping industry in view of the proposed loan of Rs. 5.20 crores to Scindias by the Government of India were the factors that encouraged operators to go long. Prices, therefore, forged ahead, the R.B. index of variable dividend securities moving up to 113.1 for the week ended 27th February.

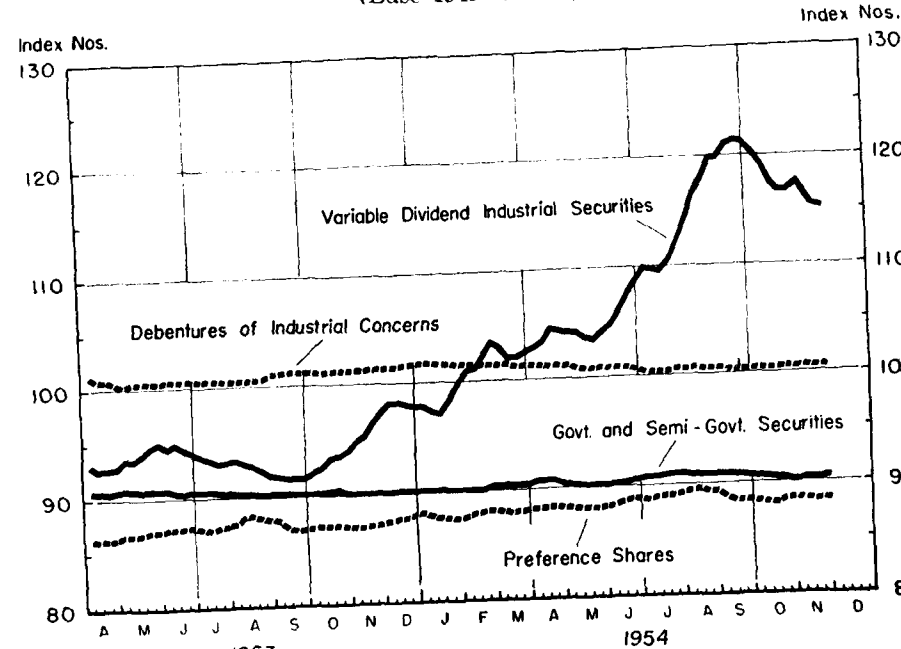
Towards the close of February, however, a reaction set in which continued up to the middle of March on liquidation induced by high budra rates on account of closure of books by leading companies and apprehensions in Calcutta and apprehensions regarding the repercussions of the cotton cloth, art silk fabrics and soap. The reaction that thus ensued pushed down the R.B. index to 111.1 in the week ended 13th March.

The rot caused by the aforesaid factors was, however, stemmed in the first week of December by the Finance Minister's statement at Ajmer to the effect that there would be no major change in the Government's industrial policy, that there would be plenty of scope for private enterprise to expand and that there was even the possibility of the Government handing over some lines of industries at a later stage to the private sector. The revival of confidence on account of the above statement gained further strength as a result of the Finance Minister's revelation, in the course of his speech at the meeting of the Associated Chambers of Commerce, that there was no reason for the private sector to take a pessimistic view of the Taxation Enquiry Commission's recommendations, though the other parts of his speech left many points unclear. Nevertheless, with only a week to go for the year's trading to wind up, equities finished on a firm note.

The year's trading on the Stock Exchange began on a subdued tone, in contrast to the buoyancy noted during the greater part of the last quarter of 1953, and prices eased due to technical correction to the earlier overbought position. Reports of the proposed arms aid by the U.S. to Pakistan and the possibility of economic recession in the U.S. induced operators to liquidate their holdings, with the result that, in the first two weeks of January, values dropped, as indicated by the decline in the Reserve Bank's group index of variable dividend industrial securities for Bombay region (base 1949-50=100) from 107 for the week ended 20th December, 1953, to 105.9 for the week ended 16th January, 1954. Thereafter, there was a resurgence of bullish activity which continued up to the end of February. A feeling of optimism came to prevail due to the general belief that deficit financing in the next two years of the Plan would be on a larger scale than originally planned. The sanction accorded by the High Court of Bombay for the scheme of conversion of Tata Deferred shares into ordinary ones, as recommended by the Mediator, and the higher output of steel by both the Tata Iron and Steel Company and the Indian Iron and Steel Company for the month of December, the proposal of the Associated Cement Companies to issue bonus shares in the ratio of one share for every five shares, increased exports of cotton textiles and improvement in commodity markets

INDEX NUMBERS OF SECURITY PRICES—ALL-INDIA

(Base 1949-50=100)



A small recovery was noted in the closing week of May on bear covering,

which soon developed into boom conditions lasting up to the last week of September, when the year's peak levels were touched. Excepting for a brief period in the first two weeks of July, when a minor reaction took place, the trend was continuously upward during this long period. Several favourable influences cumulatively contributed to the sustained strength of the market. Rumours about a reduction in Bank rate, the Shroff Committee's proposals for providing larger finance for industries, favourable reports of more company earnings and dividends, anticipations of higher dividend for T.I.S.Co. and hopes of the abolition of export duty on coarse cloth, all these fanned the bullish fervour during the whole of June.

There was a minor reaction in the first half of July, as stated above, due to non-materialisation of the anticipated abolition of export duty on coarse cloth, reports of lower production by I.I.S.Co. in June and apprehensions regarding Indo-Pakistan relations. An additional factor which subdued the sentiment was the decision of the Stock Exchange authorities to impose a margin of Rs. 10 per share on outstanding transactions in Tata Ordinary shares beyond 7,500 shares in the case of an individual and 11,000 shares in the case of firms. A recovery, however, set in in the latter half of July on expectations of higher dividend for Tata ordinary shares (the dividend was later only maintained at Rs. 10.8 per share) and announcement of the terms of the Government loan of Rs. 10 crores to the T.I.S.Co. for financing its expansion programme.

Year's Peak

The buoyancy in the months of August and September was sustained by many reasons, such as (1) the speech of the Finance Minister hinting at the prospects of increased dividend financing, (2) prospects of higher earnings and dividends of companies and (3) expectations of bonus issues by more companies and revival of rumours regarding decontrol of steel and cement. In addition to these, there was a resurgence of rumours of a possible increase in the paid-up value of the Tata ordinary shares to Rs. 100. The confident note struck by the Chairman of the T.I.S.Co. on the outlook for steel was well received by the market. The possibility of greater emphasis being laid on industrialisation in the second Five-year Plan, as indicated by the Union Minister for Commerce and Industry in his speech at the Central Advisory Council for Industries, gave additional strength to speculative fervour. The Bombay Government's decision to grant permission to Tatas to erect a second 50,000-kw. electricity plant at Trombay, rumours of a possible abolition of excise duty on coarse cloth and higher output of steel by T.I.S.Co. during August inflated the boom further. After a short-lived reaction in the third week of September, due to reports of a reduction in steel prices abroad and rumours of a possible devaluation of the Japanese yen, bullish forces soon reasserted themselves, once again, on favourable expectations about the Taxation Enquiry Commission's recommendations. Reflecting the trend of prices during this period of over four months, the R.B. index advanced from 113.0 in the week ended 22nd May, to 118.3 in the week ended 3rd July, reacted to 117.1 in the week ended 17th July, but forged ahead to 127.7 in the week ended 11th September. After a minor setback to 127.2 in the following week, the index number moved forward to 127.9 in the week ended 25th September, the highest for the year.

The almost continuous rise in prices noted since the third week of May was reversed in October. Sentiment was easy during the major part of the month, the bearish factors responsible for the same being apprehensions of lower output of steel at Jamshedpur, profit-taking by some institutional investors, rumours of cut in dividend for Scindia Steam, uncertainties regarding the recommendations of the Taxation Enquiry Commission and weakness of the cotton market. After a brief steadiness in the third week, on the strength of some miscellaneous industrial shares, reports of a broadening of demand for cloth and higher output of steel by I.I.S.Co. during the quarter ended September, equities developed a weakness which persisted till the first week of December. Apart from the main factors enumerated at the outset, there were a few others which caused a setback in equities during this period. These were the disappointing results of the Central India Spinning and the Ahmedabad Advance Mills reports of decline in output of cloth, disappointing performances of the Scindia Steamship Company, and the India Steamship Company, resulting in a dividend cut by the one

and the passing over of the dividend by the other, weakness of bullion and non-too-inspiring advices from Calcutta. As a result, there was a marked fall in prices which wiped out a greater part of the earlier gains, as seen from the drop in the R.B. index from 127.9 in the week ended 25th September to a low of 116.9 in the week ended 4th December. The subsequent two weeks witnessed a revival of confidence, as stated at the outset, and equities gained good ground over a wide range.

Sectionwise, the historic event of the year among steel shares was the elimination of the Tata Deferred shares from the Stock Exchange list on 29th March, following their conversion into ordinary shares in the ratio of six ordinaries for one Deferred. This led to a recovery of the market for over half a century found a worthy successor in the ordinary share, which, besides becoming a "prime investment scrip," also turned out to be the favourite of speculators. The conversion of Tata Deferreds was accompanied by the issue of free scrip bonus in the ratio of one ordinary share for each ordinary share held, with the result that the holder of each Tata Ordinary, which stood at the close of 1953 at Rs. 344.8, advanced to Rs. 374 on the eve of the conversion and were placed at Rs. 188 ex-right on 29th March. The ex-right value of the shares steadily appreciated to Rs. 254.12. On the basis of the cumulative value, this equalled Rs. 509.8, a level not seen since January, 1947. After declining to Rs. 211.12 on 18th December, the gain over remained was Rs. 108.8. Indian Irons from which lifted up the price from Rs. 26.24 to Rs. 36.4 in September. The closing was, no doubt, lower at Rs. 33.4, but the rise over the year was still substantial, being as much as Rs. 7.14.

Textile shares on the whole, fared very well during the year, the good results disclosed by several leading mills and higher dividends for the past year, encouraging exports of cloth, expectations of abolition of export duties on coarse cloth and hopes entertained regarding issue of bonus shares by leading mills of Bombay following the issue of such shares by Gokak and Mysore, namely, Svadeshi, Gokak and Mysore Spinning, were the main stimulating factors, as a result of which marked gains were recorded by leading scrips. Thus, Bombay Dyeing finished with a rise of Rs. 80-10 at Rs. 478-12, although they had touched a high of Rs. 551-4 earlier. Kohinoors were marked up by Rs. 38 at Rs. 333-8. Centurys advanced over the year by no less than Rs. 84-8 to Rs. 364-8. Moraries stood on balance Rs. 35 higher at Rs. 222-8. Gokaks were placed at Rs. 219-8 ex-right at the close of the year, as against Rs. 244-8 at the close of 1953. The Company capitalised during the year a part of the reserves and issued bonus shares in the ratio of one share for every four shares. Svadeshi finished every four shares. Svadeshi finished at Rs. 211-8 ex-right, as against Rs. 332-8 at the end of 1953. A bonus issue of one share for every three shares was made by the Company during the year. A notable exception to the trend in the Indian shares which suffered a drop of Rs. 58-8 to Rs. 126-8 on account of the poor results for the year ended 30th June, 1954.

Bank shares fared badly, with sizable losses over the year on account of apprehensions over the Labour Appellate Tribunal's award. Imperial Fully Paid lost Rs. 80 to Rs. 1,765, despite the support given at times on hopes of receiving good compensation in the event of nationalisation. Central Banks were placed Rs. 14 lower at Rs. 50-12. Bank of India lost Rs. 9 at Rs. 148-8.

Good business prospects and declaration of higher bonus by many companies attracted attention in the insurance section. New India scored a gain of nearly Rs. 24 at Rs. 64-2 on reports of the Company having done a record of business during the current year. Reports that the mutualisation proposals had almost been dropped generated selling pressure in Orientals which pushed them down from a peak of Rs. 8 025 to Rs. 5,880, though towards the close a good part of the loss was retrieved on rumours that, in the event of mutualisation proposal not materialising, the Company might issue bonus shares and that a higher dividend was feasible in the next valuation. As a result, the shares regained to Rs. 7,100, the loss over the year being not more than Rs. 150.

In the public utility section, the Tata group of hydro-electric companies received good support on account of the Company's proposal to establish two thermal units of 50,000 kw. each at Trombay having been successful. Andhra Valleys advanced by Rs. 187-8

to Rs. 1,417-8, Tata Hydros Rs. 10-8 to Rs. 147-8 and Tata Powers Rs. 152-8 to Rs. 1,502-8.

The miscellaneous industrial section was the most colourful one with very marked gains. Cements, sugars, engineering and miscellaneous scrips were keenly bid. A.C.C. stood at Rs. 185-4, Rs. 180, ex-rights, as against Rs. 185-4, the Company having issued bonus shares in the ratio of one share for five shares. Among sugars, Belapurs were in the limelight on excellent results for the year ended 30th September, 1954, good prospects for the current year and the announcement of an issue of bonus shares, subject to Government sanction, in the ratio of 1:2. Consequently, they appreciated by as much as Rs. 71 to Rs. 331. Premier Constructions were better by Rs. 31-8 at Rs. 149-8. Bombay Burmahs gained at Rs. 98-12 to Rs. 473-12 on excellent results for the year ended 31st May, 1954, and good outlook for the current year. Tata Chemicals gained Rs. 5-6 to Rs. 16-12 on expectation of maiden dividend for the current year. National Rayons moved up from Rs. 134-8 to Rs. 195 on good current working. Scindias forged ahead from Rs. 11-8 to as high as Rs. 22-8 on expectations of better dividend and increase in face value of the shares by capitalisation of reserves and consolidation of shares. But the poor results and cut in dividend brought the shares back to Rs. 15-4 at the close.

Calcutta Stock Exchange

(From Our Own Correspondent)

CALCUTTA, 5th December

The behaviour of the Calcutta Stock Exchange in 1954 fully reflected the growth of confidence of investors in the economic outlook for the country. Under the stimulus of favourable factors, equities registered impressive gains which surpassed the expectations of even the shrewdest of operators. There were, of course, occasional setbacks owing to profit-taking and bear selling, but these were so feeble that they had not the time to hold back the rise in prices. The volume of transactions was strikingly large on several sessions and most counters wound up the year with substantial gains.

Of the total of 825 sessions held on the Exchange from 1st January to 4th December, 1954, 26 or 10.19 per cent. witnessed quiet conditions, and 46 or 18 per cent. were days of dull trading. The remaining 183 sessions or 62 per cent. were buoyant.

The underlying confidence of operators in the share market stemmed from the implementation of the development schemes under the Five-year Plan. The Plan served the industrial economy in two ways. On the one hand, the increase in construction activities connected with dams, factories, buildings created keen demand for the various types of manufactures, while, on the other, there was a certain amount of increase in the purchasing power of certain sections of the community which helped creation of additional demand for both finished and producers' goods. The remarkable achievement of self-sufficiency in foodgrains was another factor which contributed substantially to strengthen the confidence of operators during the year.

The Stock Exchange began the year with a cautious note under the shadow

of uncertainty created by the U.S.-Pakistan military pact. But, in the middle of January, the Finance Minister's assurance that he would not disturb the existing level of taxation till the Taxation Enquiry Commission's findings were known gave a good start for a number of selected shares to rise. The trend was further assisted by the helpful budget proposals and the changes made in them subsequently for accommodating public opinion in the country. Some relief from excise duties was given in respect of footwear, soap and art silk fabrics.

There was, however, some disappointment to the market by about the 2nd of March, as the increase in retention prices of steel allowed to the Indian Iron and Steel Company, Ltd., was only Rs. 59 per ton, as against the market's expectations of Rs. 60 per ton. The tone of the market was, therefore, subdued. The flotation of the New Loan causing diversion of funds from the share market also helped the subdued trend. Meanwhile, the Finance Minister's references to the Government's readiness to consider the question of limiting dividends of joint stock companies also joined to cause a flutter in the market. Although, as a result, some minor recessions were noted, the market sentiment suffered no serious setback.

The reactionary trend continued till the end of May. The trend was neither unbroken nor persistent. Quotations which wavered during this period, however, picked up strength early in June. The outlook for tea exports which became bright by then stirred activity in the share market. Increase in cloth exports, and rumours of reduction in the Bank rate provided further strength to trading in shares. The fall in prices of foodgrains and, therefore, in cost of living, continuance of protection to a number of industries, all hancement of import duties, all strengthened the sentiment of operators. From May till almost to the end of September, prices maintained a steady upward trend. In fact, they touched the year's peaks by about September. Thereafter, under uncertainty caused by apprehensions regarding the Taxation Enquiry Commission's recommendations and by the misgivings about the Government's industrial policy towards private enterprise, the market turned a shade quiet, though the undertone remained steady till the end of November.

So much for a brief outline of the general conditions in the market during the year. Now sectionwise, the year revealed that tea shares vied with tea shares to retain their traditional leadership of the Calcutta market, but, ultimately, conceded defeat. This was because of fluctuations in prices of jute goods. Over the year, however, jute shares fared well. Under the impetus of overseas orders of jute goods and the consequent fall in stock with mills, some of them scored impressive gains over the year. Thus, Fort Gloster rose by Rs. 142, Kelvins by Rs. 115, Cheviot by Rs. 37, Anglo-India by Rs. 31-8, and Delta by Rs. 30.

Coals could attract little investment support. Increased costs of production, accumulation of stocks at pit-heads, transport bottlenecks and serious competition in overseas markets depressed the sentiment of operators in this section. The shares, therefore, presented a mixed trend. Some popular counters such as Burrakurs, Central India, Dhemo Main, Khatras, Jharra, Talcher, etc., revealed fractional gains over the year, while losses were seen in others such as Bengal, New Beerbooms, Pench Valley, etc. The outlook for these shares was uncertain at the close, on account of the dispute pending with the All-India Industrial Tribunal (Colliery Disputes).

Sugar shares too fared well, although the outlook—with increased imports and licensing of new units—for sugar mills was not encouraging. Besides, the output of sugar too declined. But the factories realised higher prices and thus the loss incurred by low crushing was made good. All the principal counters in this section, namely, Belsund, Carew, Champarnan and Rammugger registered gains over the year.

Paper shares commanded moderate attention. The development of export market in paper helped the sentiment of operators in this section. Tilagar, as a result, rose from Rs. 34-10 to Rs. 42. There was a spectacular rise in Orient Paper which became a popular counter during the year under review.

Teas depicted a distinctly firm tone. Good demand for Indian tea in the U.S. and the U.K. and sharp rise in tea prices to record high levels, produced boom conditions in this section of the Calcutta Share Market. Prices moved up despite occasional recessions on profit-taking. Quotations at the close of the year stood far above those in January. Banarhat, for instance, rose by Rs. 130 to Rs. 523. Birpara improved from Rs. 96 to Rs. 164. Choonabuti shot up from Rs. 112 to Rs. 387. Gungaram advanced from Rs. 234 to Rs. 376, and Hantapara from Rs. 179 to Rs. 332. Patrakola was another bright spot with a rise of Rs. 107 to Rs. 270.

The engineering section was active throughout the year. This was principally due to the fillip this industrial sector received from the implementation of the Plan. Indian Iron, Braithwaite, Indian Galvanising were the main counters which enjoyed good support at the hands of investors and reported sizable gains in the end. Burn & Co, however, suffered losses on account of labour trouble. But Indian Standard Wagon, Jessop & Co., Kumardubi, Marshall and Texmaco continued to be cheerful and recorded sizable gains.

Among miscellaneous industrials, Indian Cables, Indian Copper, Dunlop Rubber, Angelo Bros., F. & C. Osler, Rohtas Industries, Aikali Chemicals were in the limelight throughout the year and participated in the general upward movement in prices.

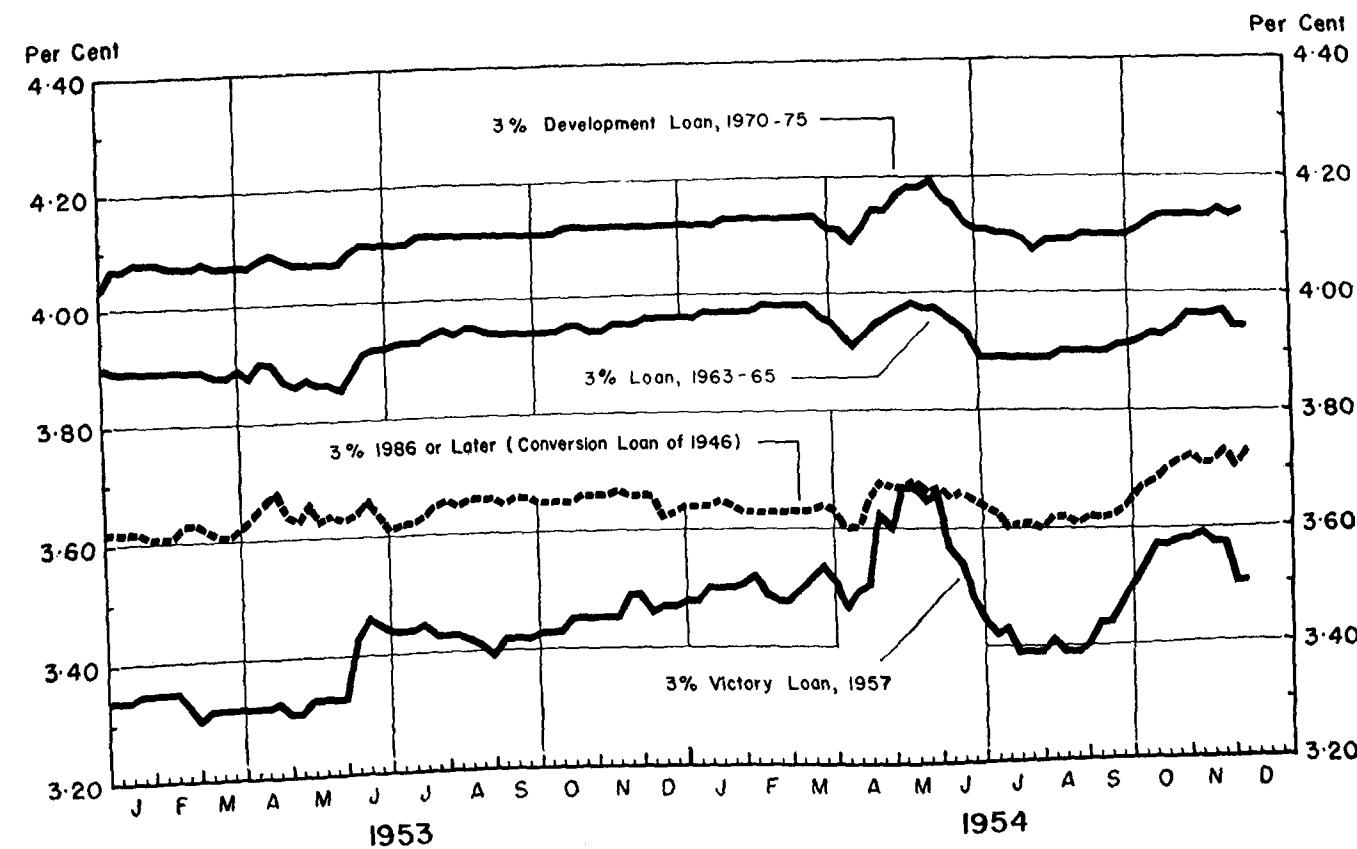
Madras Stock Exchange

(Messrs. Maconochie & Co.)

MADRAS, 30th November

After the trials and tribulations of the first six years since the Partition, settled conditions were witnessed in stock markets, during the year that has just drawn to a close. Almost to the end of the year, share prices soared to new levels, a little steadily at the beginning but soon acquiring swing and momentum, and careered feverishly upwards, until the summit was reached in the middle of September. The reaction that set in then seemed natural and was even welcomed as providing the much needed

YIELDS ON GOVERNMENT OF INDIA SECURITIES



corrective to the heady rise that had been seen since the beginning of the year. However, before even the reactionary trend worked itself out, there was a marked change in climate brought about by depressing speculations about a departure from the industrial policy enunciated in 1948, changes in the tax structure, etc. The impending bank strike was another powerful deterrent.

The restoration of the capital market from the slough of despondency was the significant event of the year. For the first time since 1947, it was possible to contemplate the issue of equity capital to the public. While the two big debenture offerings were readily snatched up, the success of a few equity issues for large sums exceeded expectations. Thus, there were definite indications that risk capital had once again become responsive, though in a small measure and in a selected manner.

Everything was in favour of a rise in equity values right from the commencement of the year. Even the customary budget rumours could not raise their heads, as it was known that there would be no change in the tax structure, pending the report of the Matthai Commission. Agricultural and industrial production has been running at a high level, the output of textile and cement exceeding the Five-year Plan targets. The fall in the price of primary products coinciding with the satisfactory level of prices for manufactured articles was another favourable factor. Export commodities, particularly textiles and tea, held their ground in foreign markets, while the export price of tea spurred to unprecedented levels, thus clearly establishing that Mincing Lane had misjudged not only the stock position but also the trends in consumption. Many of the textile mills in South India, stepped up their dividends for 1953 and almost all the balance-sheets showed satisfactory results.

An important event of the year was the introduction by the Madras Government of a Bill for taxing income from plantation crops. It follows closely the Travancore-Cochin Act and the same slabs and scales have been adopted in the Madras Bill. Incorporated companies would pay income-tax of four annas and super-tax of As. 1-6 in the rupee, both at a flat rate, on the entire profit. The Bill has been referred to a Select Committee and a few modifications are expected. The tax would apply to income earned from 1st April, 1954. There would be no provision for refund of tax. Coffee and rubber companies would pay this tax on their entire income, while tea companies would pay it on the agricultural portion of their income, namely, 60 per cent. of the net profits, after allowing for the payment of income-tax to the Union Government. In view of the attractive prices fetched by tea, this measure made little or no impression on share prices, even though it would mean planting companies having to dole out large sums of money to Government. At the present level of commodity prices, the annual income to Government from this source may even be a crore of rupees, although official estimates are considerably below this figure.

A NEAR MIRACLE

The transformation of the tea outlook in the short span of 18 months was almost in the nature of a miracle. Even the financial journals, closely studying changes in this trade, failed to foresee the spectacular rise in prices that has been witnessed during the year. The biggest beneficiaries of the boom were the low-grown and medium varieties. Low-grown Travancore B.O.P., which started the year at Rs. 2-1-6 per lb., fetched as much as Rs. 3-4-6 in the Cochin auctions held on 18th November, 1954. High-grown tea also participated in the rise though not in the same proportion. Best liquirer Nilgiri B.O.P. fetched Rs. 4-1 per lb. against the opening price of Rs. 3-3. Comparative prices, a year ago, were Re. 1-12-6 and Rs. 2-12-6, respectively. Even more spectacular was the rise in the price of quota to the dizzy figure of 290 pies per lb. In other words, as much as Re. 1-8 per lb. had to be paid for acquiring export rights. During the year, the export duty was raised by three annas, to seven annas per lb., but this was fully absorbed by an immediate increase in price.

There was little cause for excitement for shareholders in rubber companies, for the prices for the various grades of rubber are pegged till October 1955. Current cost of production should be a trifle higher owing to larger provision for labour amenities. But the rise in the price of the commodity in world markets as also the rising trend in indigenous consumption, are happy portents for the future.

It is estimated that this year, consumption would be 27,000 tons against the estimated production of 22,000 tons. The Commerce Minister indicated that during the second Five-year Plan, India would be needing somewhere about 40,000 tons. It is, therefore, possible to strike a note of optimism about a favourable revision, in the price of the commodity next year in order to provide the necessary inducements for stepping up the production of rubber by a programme of rehabilitation and replantation.

The controversy between the Government of India and the Coffee Board over the major issue of the price and marketing policy of coffee, culminated in the Government amending the Coffee Market Expansion Act itself with a view to changing the constitution of the Coffee Board. The industry failed to secure its point against Government nominating the Chairman of the Board, while the Government showed some concession by accepting the principle of election for choosing the representatives of the several estates. For the first time, representation has been provided for robust growers, while labour secured one more seat on the Board. On the whole, Government have taken a more realistic view of exports and a quantity of 8,000 tons has been allotted. Even so, delayed decisions in this regard, have meant the loss of the high prices that prevailed in world markets before the devaluation of the Brazilian currency. The overall position of coffee companies appears satisfactory and the net realisation for the 1953-54 crop may be expected to exceed handsomely the guaranteed minimum of Rs. 2-4 per point.

Thanks to a favourable monsoon, textile mills in the South worked uninterrupted by power cuts, during the year. Yarn and cloth prices were steady and, therefore, the outlook for 1954 seems bright. Export demand for our cloth has been well maintained and the announcement that appeared towards the close of the year that Japan would curtail her exports by as much as 50 per cent. is expected to give a further fillip to exports. These favourable circumstances should be reflected in current year's balance-sheets which would be published early next year. Expectations that Government would abolish the export duty on coarse cloth did not materialise.

Activity in bank shares was at the lowest ebb, and there was very little enthusiasm for investment in bank shares because of the several bank awards and particularly after the strike decision was taken by bank employees over the Government of India referring the recommendations of the Industrial Tribunal to the Rajadhyaksha Commission. All the same, most prices were maintained, and there were even a few improvements.

ELECTRICS

Public utility shares were hot favourites with investors and scarcity of offerings not only restricted business but helped share prices being raised to new high levels. Almost every share participated in the rise, the better amongst them closing at levels at which the yield obtainable is less than 6 per cent. Cochin State was higher by Rs. 4 at Rs. 14-8, while Guntur closed 20 points higher at Rs. 136. Mangalore Electrics closed Rs. 2 higher and Salem-Erode Re. 1-8 higher. South Arcot improved from Rs. 94 to Rs. 104-8 and South Madras from Rs. 10-7 to Rs. 12-8. Tinnevely-Tuticorin rose from Rs. 12-8 to Rs. 13-12 and Vellore from Rs. 13 to Rs. 14-8. West Coast noted a two-rupee rise at the closing price of Rs. 15.

SUGARS

This is one commodity the production of which went down during the year while consumption rose steadily. Government had to make large imports to keep prices under control, but it is its declared policy to give facilities for augmenting indigenous production and to restrict imports to the required minimum. In pursuance of this policy, applications for the starting of new units have been called for and a few licences for sugar mills have already been issued. The outlook for sugar having improved distinctly, sugar shares resumed their popularity. The return of Deccan Sugars to the profit-earning stage was another factor which contributed to the favourable market sentiment for sugar shares. The Rs. 10 paid shares which were quoted at Rs. 9 a year ago, rose to Rs. 12-14, while the Rs. 25 paid shares rose from Rs. 20 to Rs. 35, but the closing was Rs. 31-8. The shares of E.I.D., under the same management, were avidly taken up, the 'A' shares rising by Rs. 2 while the 'B's' closed at Rs. 30-10 cum-rights against the opening quotation of Rs. 24-4. India Sugars met with strong buying and Mysore Sugars closed at Rs. 50-12

cum the 20 per cent. dividend against the opening quotation of Rs. 43-8, even though the Company made a loss. The Travancore Sugar Company had another lean year. It was proposed by the management that this company should be taken over by the East India Distilleries and the factory shifted to Villupuram where there is an abundance of good cane. However, the Company could not secure the permission of the Government of Travancore for this proposal. While these negotiations were afoot, the price of the shares which was Rs. 4-8 at the commencement of the year, shot up to Rs. 8-8 but declined precipitously after the scheme fell through, the closing quotation being Rs. 6-1.

TEA

1954 marks another milestone in the long history of this industry. For the phenomenal increase in the price of the commodity witnessed during this year should strengthen the financial position of tea companies considerably and enable them to step up their production by more intensive cultivation. While the rise in the commodity price has been largely reflected in share prices, it is expected that, other things remaining the same, there would be a further spurt in shares next year when 1954 profits are known.

Alageswaras improved from Re. 1-6 to Rs. 2-10. During the year Blue Mountains and Waverfalls increased their capital by 50 per cent. and the shares closed at Rs. 4 compared with the opening quotations of Rs. 3-7-6 and Rs. 3-13, respectively. Chandramalais stepped up the dividend to 20 per cent. as compared with 12½ per cent. last year and the shares closed at Rs. 5-1-2 from the opening quotation of Rs. 3-1. Cnemuras returned to the dividend-paying stage with 10 per cent. for the year ended March. The shares closed around Rs. 4-10, against the opening quotation of Rs. 3-3. Coonoor Teas spurted from Rs. 26 to Rs. 29-8, the Company having doubled its dividend for the year ended September, 1953. Coorg Teas stepped up the dividend by 5 per cent. and the shares rose from Rs. 6-2 to Rs. 9-1-2. Devasholas declared 25 per cent. for 1953, against 20 per cent. for the previous year and the shares gained five rupees during the year. Halakurris witnessed one of the sharpest rises, the closing being Rs. 27-8, as against the opening quotation of Rs. 14-3. The dividend for 1953 was 25 per cent. against 10 per cent. for the previous year. Highlands were Rs. 3 higher at Rs. 14-12, while Kil Kotagiris were comparatively stagnant, noting a modest rise of just As. 5 over the year. Midlands stepped up the dividend by 24 per cent. and the shares gained Rs. 4-8 at the closing quotation of Rs. 15-8. Malamalais declared a dividend of 20 per cent. for the year ended March, 1954, against nothing for the previous year, and the shares spurted from Rs. 35-8 to Rs. 62-8. Neelamalais paid 17½ per cent. for the year ended June 1954, against 12 per cent. previously, and the shares closed at Rs. 6-13-6 compared with the opening quotation of Rs. 4-5. Nelliampathys gained As. 12 over the year and Nilgiri Teas Rs. 3-4. Nonsuch stepped up the dividend from 33 to 40 per cent. for the year ended June, 1954, but, owing to long liquidation, the price remained depressed almost throughout the year. For the same period, Parkside paid 25 per cent., against 15 per cent. for the previous year and the shares were Rs. 4 higher at the closing quotation of Rs. 20-4. Peermades opened at Rs. 27-12 and, after improving to Rs. 47 cum the interim dividend of 15 per cent., closed quieter around Rs. 43. For the year ended December 1953 the company paid a dividend of 37½ per cent., against 25 per cent. for the previous year. Periakaramalais were about Re. 1 higher at the close but, in spite of excellent results, the dividend for the year ended March 1954 was 5 per cent. lower at 35 per cent., the Company having made provision for agricultural income-tax.

RUBBER

The introduction of agricultural income-tax by the Government of Madras, which would sharply cut into the divisible profits of rubber and coffee companies, did not seriously affect share prices. However, for the major part of the year there was little that was of interest for rubber and coffee shares and, therefore, trading was dull. Yet, few notable rises were witnessed. Anandams spurted from Rs. 8-8 to Rs. 19, even though the dividend for the year ended 1953 was actually 5 per cent. lower. Be Bes closed at Rs. 3-7, against the opening of Rs. 2-2 and Cochin Malabars at Rs. 7-2 after being higher at Rs. 7-8 compared with the opening quotation of Rs. 6-14-6. Kailas witnessed a sharp rise and, after being done up to Rs. 6-2 cum the 30 per cent. dividend, closed

quieter at Rs. 4-9, as compared with the opening of Rs. 3-7-6. Malankara doubled its capital by the issue of bonus shares and the Rs. 30 face value shares were subdivided into shares of Rs. 10 face value, during the year.

COFFEE

Almost to the end of the year coffee shares remained dull and inactive. The bulk of transactions was confined to Oucuterlonys and Consolidateds, while Coffee Lands attracted attention just about dividend time on expectations of a higher dividend. However, the dividend of 25 per cent. that has been recommended by this Company for the year ended June, 1954, against 3 per cent. for the previous year, took the market completely by surprise, and the shares from the previous quotation of Rs. 13-8 spurted to Rs. 18-6-6, latterly falling to around Rs. 1-6-6. Consolidateds also stepped up the dividend by 24 per cent. to Rs. 17½ per cent. and the shares improved to Rs. 19-6 immediately after the announcement but surprisingly fell to Rs. 17-8 to steady up around Rs. 18-6. O'Vees paid only 10 per cent. for the year ended October, 1953. Consequently the shares remained dull but as 1953-54 expectations are higher, the price increased by a rupee by the close of the year. Nilgiri Neerugundis paid a 25 per cent. dividend for the year ended 30th June against nothing in the previous year and the shares gained a rupee.

TEXTILES

1953 results of South Indian Mills were encouraging and many of the companies raised their dividends. Bangalore Woollens stepped up the dividend from 15 to 25 per cent. and have also proposed the issue of bonus shares in the proportion of two ordinary shares for every existing ordinary share, subject to Government sanction. The price rose from Rs. 287-4 to Rs. 409. Buckingham's paid a 10 per cent. dividend for 1953 and the shares rose from Rs. 136-8 to the highest of Rs. 173 on expectations of a higher interim dividend but when the Company maintained the interim of 4 per cent., they fell to close around Rs. 153. Camodas dropped the dividend by 24 per cent. to 7½ per cent. and the shares were just As. 8 higher at the closing quotations of Rs. 13-12. Coimbatore Cottons stepped up the dividend from 9 to 20 per cent. and the shares rose from Rs. 170 to Rs. 272. Pioneers also stepped up the dividend from 9 per cent. to 15 per cent. and the price increased from Rs. 132 to Rs. 190. Dhanalakshmis maintained the 20 per cent. dividend and the shares closed at around Rs. 280 against the opening quotation of Rs. 208. Lakshmis doubled the dividend at 20 per cent. and the shares rose from Rs. 97 to around Rs. 140 to close around Rs. 130. Maduras improved from Rs. 40 to Rs. 48-8 but the closing was Rs. 43-4. Metturs sprung a pleasant surprise by stepping up the dividend by as much as 10 per cent. paying a 22½ per cent. dividend for the year ended March, 1954. The price rose to almost Rs. 200 but the shares closed around Rs. 230. There was little activity in Mysore Silk Filatures and Spun Silks. Radhakrishnas also remained dull while Rajalakshmis rose from Rs. 88 to the highest of Rs. 140 but the closing was around Rs. 132. Travancore Rayons attracted considerable buying and noted the sharpest rise in the textile section. From the opening of Rs. 7-13, they touched a high of Rs. 16-4, but, towards the close, they eased and after falling to Rs. 13-6 picked up to around Rs. 13-12. Vasanthas improved from Rs. 173 to Rs. 215.

MISCELLANEOUS

Aluminium Industries noted a steep rise, the closing being Rs. 17 against the opening quotation of Rs. 13-4. Andhra Cements were well supported, the 'A' and 'B' shares closing at Rs. 128½ and Rs. 12-12, respectively, against the opening of Rs. 101 and Rs. 10-4. Binnys were Rs. 10 higher at Rs. 132. F.A.C.T.s attracted considerable speculative attention touching a high of Rs. 6-15 but closed weaker at Rs. 4-9. India Cements were Rs. 4 higher at the closing quotation of Rs. 20-4. Metturr Chemicals, after touching par, closed at Rs. 7-9. Mysore Chemical Fertilisers were a rupee higher at the close. Gold mining shares were active. Mysore's improving from Rs. 3-2 to Rs. 3-14 but closing at Rs. 3-8. Nunddydroogs were quiet at Rs. 4-5. Mysore papers attracted considerable support and after rising to over Rs. 19, closed quiet around Rs. 17-8. Parrys were only fractionally higher at Rs. 4-11. Rallis dropped Rs. 10 over the year and again there was no dividend for the year 1952-53. After touching Rs. 18-14, Spencers closed around Rs. 17-2. Travancore Cements spurted sharply from Rs. 4-5 to a high of Rs. 8-7 but the closing was Rs. 7-6.—Exclusive to "Commerce."

SMOOTH TRADING IN BULLION FALL IN SMUGGLING KEEPS UP VALUE OF GOLD

BOMBAY, 15th December

THE year that is just drawing to a close in the second in succession in which trading on the Bullion Exchange was bereft of any fireworks. As in the previous year, speculation was on a more moderate scale than in 1952, and more vigilance kept by the customs authorities in checking smuggling, resulting in a distinct fall in supply of gold. The higher price levels for gold aided the sentiment in silver during the major part of the year under review.

Although there was no crisis or hectic movements in prices, the bullish trend, particularly in gold, resulted more often in heavy carry forward charges against sellers at the time of settlement, provoked a section of the members of the Bullion Association to agitate for a modification of the margin system on bullion rates. It nearly succeeded in getting its demand satisfied for the Board adopted a scheme of margins, under which the buyer would be obliged to pay a margin at a rate which would progressively rise with the increase in backwardation, that is, bullion payable by the seller, in distinct contrast to the existing system under which the margin on bullion is at a fixed rate. Accordingly, the relative by-law was amended during the year with the approval of the General Body of the Association, but the amended by-law was not formally approved by the Government of Bombay up to the time of writing.

During the year under review, bullion prices were slightly higher than in the previous year. Thus, the average price of silver (ready 996 Mint) for the year so far was Rs. 162-6, as compared with Rs. 157-8 for 1953 and Rs. 164-12 in 1952. The average price of gold (ready) was Rs. 87-14, as against Rs. 86-11 in 1953 and Rs. 82-3 in 1952. The highest and the lowest points touched during the year were higher than those witnessed by silver. The peak level touched by silver (ready) in 1954 so far was Rs. 174-9, as against Rs. 171-12 in the previous year, and by gold (ready) Rs. 96-4, as compared with Rs. 93-10 in 1953. At the other end, silver (ready) did not go below Rs. 148-4 during the year under review, whereas it had seen a bottom of Rs. 147-6 in the previous year. Likewise, gold (ready) touched a low of Rs. 81-13, which was Rs. 2-6 ahead of the lowest level reached in 1953. The net rise in silver over the year (upto 15th December) was Re. 1-15 per 100 tolas for ready and

Rs. 2-5 for forward position, as compared with a rise of As. 7 for ready and As. 11 for forward in 1953. This rise is in refreshing contrast to a loss of Rs. 44-10 suffered by ready and Rs. 43-8 by forward silver during 1952. Gold wound up the year with a gain of Rs. 5-7 per tola in the ready position and of Rs. 5 in the forward, whereas in 1953 it had suffered a loss of Re. 1-2 in ready and As. 6 in forward and in 1952 as much as Rs. 27-2 and Rs. 27-10 in the ready and forward positions, respectively. That the range of fluctuations was moderate is evident from the fact that the difference between the highest and lowest levels touched in 1954 was no more than Rs. 26-5 in the case of ready silver and Rs. 14-7 in the case of ready gold, the corresponding spreads in the previous year being Rs. 24-6 and Rs. 14-7, respectively.

AMENDMENTS TO BY-LAWS

The amendment to by-law 141 made in December, 1953, by the Board of the Bombay Bullion Association and approved by the majority of members at an informal meeting, fixing the penalty for non-delivery of goods at the time of settlement, was submitted to the Bombay Government for its approval towards the close of that year. The amendment sought to fix the penalty at Rs. 2 per 100 tolas in the case of silver and Re. 1 per tola in the case of gold over the highest rate touched during the settlement. This was in modification of the Board's earlier proposal seeking to restrict the penalty. This proposal was that, under no circumstances, the penalty payable by sellers should be more than Rs. 3-8 per 100 tolas in the case of silver and per 100 tolas in gold over the rate of Rs. 2 per tola in gold over the rate of the current settlement prevailing on the auction day. In January this year, the Bombay Government informed the Board of the Association of its inability to accept the aforesaid change in by-law 141. Instead, the Government suggested the Association's views on a suggestion to include in the by-laws of the Association a provision on the rules clause (d) of rule 201 of the rules of the Native Share and Stock Brokers' Association, Bombay, authorising the Board to postpone the auction for purchasing bullion on behalf of defaulting chasers for a period of 24 hours. For the postponement to be effective for a longer period, previous sanction would be necessary. The suggestion of the Bombay Government was not accepted by the Board and the by-law remained unamended.

Although trading during the year under review was free from any crisis and day-to-day business went on smoothly under the existing by-laws and there was, therefore, no need to amend the by-laws further, the Board took an unprecedented step during the

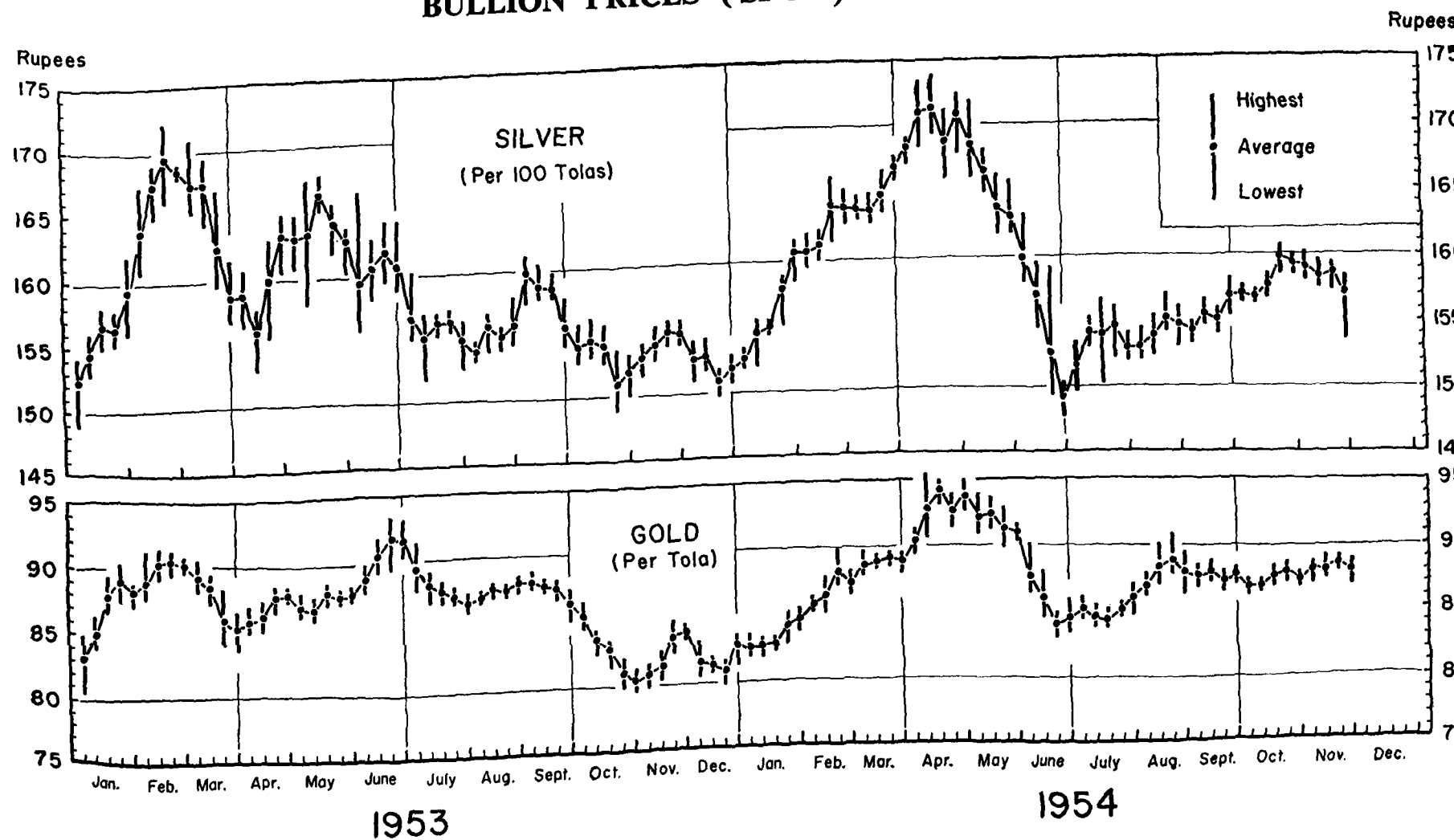
year which, by all accounts, was a move calculated to favour a section of the traders. It was to postpone the settlement day for July delivery contract in silver by three days. The circumstances in which the action was taken were some hectic movements in budia charges in favour of buyers, these touching a high of Rs. 5-8. Such high budia charges necessitated payment of margins by buyers on their outstanding purchases. It was, however, alleged that some manipulations were made by some bulls in order to avoid payment of heavy margins on large outstanding purchases. The action was taken under by-law 32(3) which says that the settlement days for forward transactions shall be the days fixed under clause (ii) of the by-law, provided that, if the Board is of the opinion that circumstances exist which require an alteration of the days so fixed, the Board may postpone such settlement day for a period not exceeding five days. No doubt, the Board was well within its powers when it took such a decision. In fact, the Board did not avail itself of the full latitude provided by the by-law. However, the Board for its action, because the circumstances in which it was taken did not warrant it, and the manner in which the decision was taken was not justified. For the extension of the settlement date is a violation of the sanctity of the forward contract and, therefore, such action can be taken only under abnormal circumstances, as, for example, the emergence of an unexpected situation in which it is beyond the control of the Board to bring about a settlement between the parties to the forward transaction. On behalf of the Board, however, it was stated that the decision was taken in order to gain some time to enquire into certain alleged manipulations in purchases. These manipulations were said to have been made after the margin clause came into operation, so that the margin was paid only on a small volume of outstanding purchases. It was argued on behalf of the Board that if it had not extended the settlement day, the bulls would have forced a squeeze by bringing out the "unmargined" purchases. So, in order to protect the interests of genuine sellers, the Board would appear to have favoured the extension of the settlement day, so that more goods could be brought by the sellers during this period to be delivered at the time of the extended settlement. But this explanation was rather unconvincing to a large section of the traders.

SILVER

Silver opened the year on a buoyant note which persisted almost up to the middle of April, when it reached the peak level for the year under review. The strong bullish fervour which lasted for well over three months, despite occasional profit-taking, was assisted by the usual seasonal demand, the upward trend in other commodity markets and encouraging advices from up-country centres. Opening the year at Rs. 152-9 (as against last year's closing of Rs. 152-5), silver for ready and forward deliveries advanced unhesitatingly to Rs. 156 on 8th January. After a minor recession to Rs. 155 on 15th of the month, the white metal resumed its uptrend, touching Rs. 158-13 on 20th. The closing rate on that day having stood at more than Rs. 7 above the official starting rate for the 21st January settlement, the bulls were obliged to pay margin on their outstanding purchases in terms of by-law 33C(1)(a) at the rate of Rs. 500 per bar. This, however, did not check the advance in price which touched a high of Rs. 164-2 for forward delivery and Rs. 164-6 for ready. As the closing rate for the 18th February settlement stood on 16th February at (Rs. 164-1) more than Rs. 7 above the official starting rate for the settlement, the automatic margin system under by-law 33C(1)(a) again came into operation. Notwithstanding this, there was a further advance to Rs. 166-5 on 17th February, which brought into force the automatic interim clearing in terms of by-law 104(2) which, *inter alia*, provides that whenever the official closing rate of gold or silver for any settlement is higher or lower than the official starting rate or the rate fixed for the last clearing for such a settlement by Rs. 4 or more per tola in case of gold and Rs. 5 or more per 100 tolas in case of silver, there shall be an interim clearing of the payment of differences in respect of all settlements then current. From 18th February onwards, trading was, however, of a limited nature, but no material recession in prices was recorded, consequent on the encouraging offtake in the ready position and developments regarding the proposed U.S. military assistance to Pakistan. After reacting to Rs. 162-14 on 25th February, silver (forward), regained its poise and forged ahead to Rs. 165-1 during the Budget session on 27th February, when ready silver stood at Rs. 165-5.

In the first half of March, activity slowed down, due to apprehensions about large arrivals, but the undertone still remained bullish, thanks to good seasonal offtake. During this period, movement in prices was within a narrow range, from Rs. 165-1 to Rs. 162-14 (forward). But, from the middle of March, prices spiralled up on strong bull support and bear covering, the operators having derived incentive from encouraging upcountry advices, strength of commodity markets and sustained demand in the ready position. The upward trend continued almost without any interruption upto 10th April, when forward silver touched the year's peak of Rs. 173-13 and ready metal Rs. 174-9. It must be mentioned here that, when the daily closing price for forward touched, on 8th April, Rs. 171-9, a level more than Rs. 7 above the official starting rate for the 20th April settlement, bulls were obliged to pay margin. There was again a temporary setback to this upward trend on reports of larger up-country arrivals and forward silver dropped to Rs. 165-15 on 20th April. At this level, the automatic margin clause under by-law 33C again came into operation, but this time it was against bears. Shortly thereafter, on good offtake and political developments in

BULLION PRICES (SPOT) IN BOMBAY



Indo-China, forward and ready silver forged anew again to stand at Rs. 172-2 and Rs. 172-10, respectively, on 28th April. The first four months of the year thus witnessed a bull phase, despite intermittent mild setbacks.

This was followed by a bear phase, which held sway over the market up to the third week of June, though intermittent spells of steadiness were not uncommon. The decline in prices noted during this period, when forward silver touched the year's low of Rs. 148-8 and ready Rs. 148-4 on 21st June, 1954, to be precise, more than wiped out the gain in prices recorded during the earlier bull phase. The sentiment began to weaken towards the close of April and, in the first half of May, the weakness was fairly well pronounced on nervous bull liquidation and persistent bear hammering, induced by apprehensions about possible slackening of demand with the approaching end of the season, weakness in other commodity markets, and reported settlement difficulties in oilseeds. The resultant fall in price brought into operation the automatic margin system under by-law 33C(1)(b) on outstanding sales on 6th May and automatic clearing on the 18th under by-law 104(2). On 18th May, forward silver (June settlement) touched Rs. 161-10 and ready Rs. 162-2. In the third week of May, a steady tone prevailed on a revival of offtake attracted by lower levels and forward silver recouped to Rs. 165-10 and ready to Rs. 166-2 on the 22nd. But the closing week witnessed again the reassertion of the downward trend, which continued up to 21st June (notwithstanding the application of automatic margin on outstanding sales on 2nd June) when, as already stated, a low of Rs. 148-8 was touched by forward silver and of Rs. 148-4 by ready.

The fourth week of June witnessed a revival of a firm undertone on reports of improved offtake and strong advices from the share and cotton markets. Advancing from the low of Rs. 148-8 on 21st June, forward silver moved up to Rs. 157 on 18th July. A feature of trading during this period was the widening of *undha budla*, as much as Rs. 4-4 on the 16th. Although the *undha budla* had gone up to even a higher level of Rs. 5-8 in the previous settlement, it did not attract automatic margin. But this time, it brought into operation on the 16th automatic margin on all outstanding purchases in the July settlement in terms of by-law 33C(1)(a)(1). After a minor recession to Rs. 151-2 on 22nd July, silver put on a steady tone and slowly crept up to Rs. 157-10 (forward) on 17th August on the strength of gold influenced by the political developments in the Portuguese possessions in India. On 12th August, however, automatic margins were enforced on all outstanding purchases in the August settlement in terms of by-law 33C(1)(a). On profit-taking, induced by a feeling that the demand in the ensuing busy season would not be encouraging on account of the extensive damage to agricultural crops in the flood-affected areas, forward silver reacted to Rs. 153-8 and ready to Rs. 153-10 on 24th August. A spell of buoyancy followed this mild setback, as sustained bull support induced mainly by higher offtake in the ready position, firm advices from share and commodity markets, political tension in Far East and firmness of silver in the U.K. This lifted the price to Rs. 161-8 for forward and Rs. 161-4 for ready on 18th October. Though activity was somewhat restricted during the *Moorat* session, undertone remained optimistic. The post-*Moorat* session was featureless and prices moved narrowly till the middle of November. But lack of sufficient offtake in the ready position and persistent arrivals undermined the confidence of operators and prices drifted lower to Rs. 152-12 for both forward and ready. During the rest of the year, upto the time of writing, a steady tone prevailed. Prices gained some small ground to Rs. 154-4 for forward delivery on 15th December, when ready was quoted at a discount of As. 6 under forward.

GOLD

The trend of gold prices was similar to the pattern of silver, with the difference that the buoyancy in gold was more pronounced than in silver and proved to be a source of strength to the white metal. The main contributory for this was, as already stated, the marked shrinkage in the arrival of smuggled gold. Opening the year at Rs. 82-7 for forward and at Rs. 82-5 for ready, gold displayed a firm tone throughout January due to good seasonal demand. The reports of confiscation of large quantities of smuggled gold in the middle of the month gave additional flip to the upward trend, which continued up to 17th February. However on 15th February, when forward gold stood at the close of the

day at Rs. 87-13, automatic margin in terms of by-law 33C(1)(a) was enforced on outstanding purchases and on the 17th automatic interm clearing was effected. After touching a high of Rs. 89-3 for forward and Rs. 89-12 for ready, the yellow metal tended to recede for a while, due to reports of large arrivals of smuggled gold and rumours of possible relaxation of existing restrictions on import of gold. As a result, it eased to Rs. 86-2 (forward), on 25th February. Trading continued on a restricted scale upto the middle of March, due to apprehensions of larger arrivals, but the undertone was unaffected, consequent on the good offtake; forward price slowly crept up to touch Rs. 89 on 15th March. From the middle of March, the bullish trend assumed fresh vigour on encouraging demand. The other contributory factors for this buoyancy were strong advices from upcountry centres and other commodity markets, favourable political developments in the French and Portuguese settlements and reported decline in smuggling activity, thanks to the vigilance of the customs authorities. Though the reopening of the London gold market on 22nd March, giving rise to rumours of possible relaxation of restriction on import of gold, affected sentiment to some extent, the fear was short-lived, as witness the further rise in price to the year's peak level of Rs. 95-1 for forward on 10th April and Rs. 96-4 for ready on the 12th. On the 9th, when the days closing price stood at Rs. 94-7, that is more than Rs. 5 above the official starting rate for the settlement, the bulls were obliged to pay a margin on their outstanding purchases in terms of by-law 33C(1)(a).

The uptrend was interrupted on 12th April and prices reacted, owing mainly to reports of large upcountry arrivals, to Rs. 90-11 for forward and Rs. 91-7 for ready on 20th April. The uptrend reasserted itself once again from 21st April, on higher seasonal demand and political developments in Indo-China, forward gold improving to Rs. 93-6 and ready to Rs. 94-3 on 1st May. In the first half of May, a downward trend emerged, due to nervous bull liquidation and bear pressure, induced by apprehensions about a decline in offtake with the approaching end of the busy season and weakness in commodity markets; forward gold slumped to Rs. 87-12 and ready to Rs. 90 on 18th May. A brief spell of steadiness followed, but towards the close of the month the sentiment became weak following the Government of India's announcement providing facilities for receipt of subscriptions to the National Plan Loan in the form of gold and gold ornaments. The weakness became more pronounced during the major part of June, forward gold slumping to Rs. 81-15 and ready to Rs. 83-5 on 21st June, despite the application of automatic margin on 11th June on outstanding sales.

The closing week of June saw a revival of the bullish trend which persisted up to the middle of August. The slowing down of smuggling activity, shortage of floating stocks, the political developments in the foreign possessions in India and spurt in gold prices in Paris on rumours of a possible devaluation of the French franc, were some of the causes for the bullishness. As a result, forward and ready gold hardened to Rs. 90-15 and Rs. 91, respectively, on 17th August, notwithstanding the enforcement on 12th August of automatic margins on outstanding purchases. From 18th August onwards, a quiet tone came to prevail which persisted up to the end of September, on fears that the demand for gold might not be on the usual scale during the ensuing season. Further, during the period arrivals increased and the floating stocks expanded and the yellow metal reacted to Rs. 96-10 for forward delivery and Rs. 86-7 for ready on 29th September.

A feature of the trading in gold during September was the emergence of *Sidha budla* (carry forward charges in favour of sellers) for the first time since April, 1953. From 1st October onwards, a steady tone prevailed during the rest of the year, but movements were confined to a restricted range. After advancing to Rs. 89-1 for forward and Rs. 89-6 for ready on 17th November, gold drifted to Rs. 85-14 for both forward and ready on 1st December, due to profit-taking. The shortage of floating stocks, poor arrivals and revival of demand in the ready position hardened sentiment and prices edged forward and stood at Rs. 87-5 for forward and Rs. 87-11 for ready on 15th December.

BOOM IN TEA PERSISTS REACTION MAY COME IN AUGUST NEXT

CALCUTTA, 8th December

THE year 1954 has been a record one of prosperity for the tea industry. Never has the demand for tea been so strong and such high prices maintained so consistently for such a long period. With consumption throughout the world on the increase and with shortages and high prices of other competitive beverages, especially coffee, tea commanded a very strong market right through the year. While all tea-producing countries made a major bid to increase supplies during the year, it was not possible, particularly in North India, to make any considerable advance over the previous year's crop figure, owing to adverse climatic conditions and extremes of nature. Ceylon, South India and Indonesia, however, are expected to show an increase of over 40 million lbs. East Pakistani crop is the same as 1953.

With the swift movement and disposal of tea in 1953, there was hardly any carry-over for 1954 and the world markets hungrily awaited the arrival of the North Indian crop which began earlier than usual in May. Heavy quantities of manure had been put into the soil in anticipation of a strong demand in 1954 but nature was against a good harvest and the season opened with climatic extremes in the tea districts of North India.

WEATHER FREAKISH

First, most tea districts experienced drought conditions which dried the tea bushes, while, later on, there were exceptional heavy rains, which made it impossible for labourers to go out and pluck the leaf. There were also serious floods in Upper Assam and North Bengal which caused damage to a number of tea estates, though, fortunately, this was not very extensive. There were dislocations in communications in Jalpaiguri, Dooars and Terai, on account of the floods and a number of estates remained inaccessible for some weeks. The Assam Rail Link also suffered considerable damage and, pending restoration of communications, teas from the Dooars had to be diverted to Dhubri for onward transmission by river route to Calcutta. Greater resort was also made to air traffic which ensured the uninterrupted flow of teas from North Bengal.

Both drought and heavy rains had an equally drastic effect on the tea bush and it was not until the end of August that a slight improvement in the North Indian crop was registered. Further advances were made in September but, towards the end of the year, owing to the early onset of the cold weather, the North Indian tea gardens were not expected to make very much more tea during the last quarter of the season as compared with the previous crop averages. On the whole, therefore, it is estimated that the North Indian crop may be ahead of the previous year by some 20 million lbs. and, combined with Ceylon, South India and Indonesia, there should be approximately 60 million lbs. more black tea on the market. It is questionable, however, if this will prove enough to meet the increased world demand, especially because North Indian exports will be limited to only 120 per cent. of the "hard export" without any carry-over of 1953 export licences, unlike previous years.

QUALITY FAIR

Quality of North Indian teas was quite fair, in spite of the unfavourable climatic conditions which were generally experienced, though, towards the end of the year, a good weight of "stalky" teas was seen, denoting harder plucking.

1954 has been a unique year in regard to prices of exportable teas. After the strong closing of 1953 at Rs. 2-6, the season opened in June even stronger at nearly Rs. 3 and these prices were more or less maintained till August although the quality of teas on offer showed a seasonal decline. Vigorous demand continued during August/September and, after the *Puja* recess in October, prices rose even further and "common" tea touched Rs. 3-8 to Rs. 3-9, in spite of an increase in the export duty. The market shows no signs of weakening at the time of writing, this report and the outlook is strong, at least till the opening of the new season in the middle of 1955. This presents a complete contrast to conditions in 1952, when the market slumped and lost over Rs. 1 within three months, bringing the lowest quotation in December 1952 to As. 11 which was several annas below the cost of producing tea and which forced a number of estates to shut down. The pendulum has now swung

in the other direction and, while improvement in the market was inevitable, both 1952 and 1954 saw violent fluctuations which were equally unhealthy and damaging to the long-term interests of the tea industry.

CONSUMPTION UP

Consumption in the U.K. is stated to have gone up by nearly 50 million lbs. in the last two or three years and this has been mainly responsible for the renewed demand for tea in 1953 and 1954. Demand from America has also improved and it is estimated that the consumption in the U.S. has gone up by over 10 per cent. The Iranian market reopened for the first time since the deadlock over the Iranian oil question began and strong buying was made on behalf of this market of suitable qualities at very high prices throughout the year. During the coming years, this market is regarded as potential of considerable expansion. Owing to the shortage of Ceylonese exchange, large Egyptian orders were, at one stage, diverted to India, but these could not be fulfilled, owing to the high price level and non-availability of export quota. In view of the trade agreement recently concluded between Ceylon and Egypt, it now looks hardly possible that India would get any more than her usual share of this market. Eire continued strong buying of North Indian teas throughout the year and was placed as the second largest purchaser of North Indian tea, next only to the U.K. This market also is likely to expand in the coming years. Although the overall shipments to the U.K. and outmarkets were a little shorter than in 1953, all outmarkets strongly competed during the year. The fall in shipments to the U.K. and outmarkets, in spite of the increased quantities which were handled, meant that greater quantities had been absorbed in the internal market, although prices were higher than in recent years.

SOUND POLICY

The Government of India decided, at the beginning of the season, to keep a careful watch on the crop position and to make available only limited releases of export quota, ensuring thereby that necessary supplies would be available for the home market and tea would be reasonably priced throughout the length and breadth of India. Indian consumption is estimated to be 180 million lbs. and the Government of India have to-date only released 450 million lbs. for export against an estimated total Indian crop of 635 million lbs. Keeping within the country a little over the country's requirements. The policy of limited release of export quota brought about a considerable gap between the prices on the export and internal catalogues in Calcutta, where, towards the end of the year, the difference between the price of export tea and tea for consumption in India was nearly Re. 1-14. This again was a record for all time.

It was this sound policy of the Government which was bearing fruit towards the end of the year when internal leaf prices dropped to Re. 1-11 whilst stocks, which satisfy nearly half of the Indian trade, sold at Re. 1-14. The internal price level is not, however, expected to show any further drop. With the improving home market, regulation of exports will be a very important feature of the Government's future policy on tea, while every effort will be made to expand our export markets, care will also have to be taken to conserve and encourage the home market by feeding it fully of its requirements both in quality and quantity.

With the profits of 1953, most companies were able to liquidate their deficits of 1951 and 1952 and, in anticipation of still higher profits for 1954, investors were very strongly attracted to tea shares. Considerable interest was shown throughout the year by investors in tea shares and selected groups went up in value by nearly 100 per cent., as compared with 1952-53. The current values of shares would appear to be fully justifiable and are likely to be maintained as the working of the current season should bring dividends higher than at any other time in the history of the tea industry.

EXPORT DUTY AND CESS

During the year, the Government of India raised the export duty on tea from 4 annas to 7 annas per lb. The increase in the duty was more than fully absorbed by the rise in tea prices which followed the announcement of the increase in duty.

The rate of tea cess payable on all teas exported out of India was also increased.

(Continued on page 169)

STEADY RISE IN DEMAND FOR JUTE GOODS RAW JUTE PRICES WELL MAINTAINED

CALCUTTA, 5th December

A STEADY rise in demand for jute goods, following a progressive reduction in stocks with mills, resumption of working 48 hours a week, maintenance of prices at firm levels, and an acceleration in the face of exports of jute goods were the principal features of the jute markets during 1954. Prices of raw jute too were well maintained, and supplies were satisfactory. However, as the year was drawing to a close, doubts whether sufficient raw jute could be found for the rest of the 1954-55 season had arisen. Floods damaged the crops both in India and Pakistan. In India, the crop over an area of 260,000 acres was destroyed, the loss being estimated at 680,000 bales. Taking into consideration the better yield in Uttar Pradesh, Tripura and Orissa, the Indian crop is now estimated at 3,153,000 bales, to which if the carry-over is added, the total availability of the raw material to mills this year would be of the order of 4.2 million bales. Mills would require about 6 million bales, and if production was to be maintained, the crop so recently revealed in India would require to import about 2 million bales from East Bengal. Whether imports of such magnitude are possible is difficult to say at present, since the official estimate from Dacca after the floods places the crop at 2,708,230 bales. East Bengal had planned for an output of 4.2 million bales, and although the floods there were of a severe nature, they were not believed to be of such a magnitude as to reduce the crop so drastically as by 1.5 million bales. Be that as it may, as from November, raw jute prices have been moving up, and this trend is mirrored in jute goods. Industrial and trade circles know fully well that there is a very real danger of Indian jute goods being priced out of world markets, if the present boom in raw jute prices continued. The year, is therefore, coming to an end with great anxiety for the mills, the market and the trade. From Rs. 26-8 in October, Assam bottoms had moved to Rs. 31 by the end of November. B. twills advancing to as high as Rs. 129-10 from Rs. 117.

The year has demonstrated that Indian jute goods are able to offer competition with the products of the Continental mills. The credit for this goes to the industry, the sole aim of which was to reduce costs by producing more. This was the only way open to jute mills to lower the cost of production, as labour charges were running high and nothing could be done about reducing the same. A newcomer to world markets is the Pakistani mills which, under the industrial trusts, face the problem of rationalisation, because they are equipped with the most modern machinery. Hessian exports from East Bengal to the United States and South Africa have so far been only in token quantities, but time is not far off when mills in East Bengal would offer powerful competition to Indian mills in world markets. The Pakistani industry has one more distinct advantage over its contemporary in India in that Pakistan is self-sufficient in the best quality fibre whereas India is left to depend on imports from East Bengal; transport charges add to production costs in India. Already five mills are in operation in East Bengal, and five more are expected to work soon. In this context, the need for modernising plants and machinery of Indian mills has never been so very imperative and urgent as now. Mills which are in a position to do so have already made a modest beginning, but others are looking to the Government for financial aid. Apart from discussions and draft schemes, the matter has not made any progress. If only this problem is solved, production costs would go down and manufacturers could gain further foothold in foreign markets.

SALES TAX ON RAW JUTE RESENTED

The lot of the jute industry during recent years had been one of continuous struggle to solve problems, one after another. After every test, the industry has come out successful, and those who lead it are expected to get over competition from East Bengal. But the industry expects the Governments to be liberal in taxation. In spite of the Jute Enquiry Commission's disapproval of State levy on raw jute, the West Bengal Government raised the tax on raw jute from As. 2 to As. 4 a maund as from 2nd November, rather than doing away with it. The Assam Government had even much earlier levied a tax of As. 8 a bale on jute transported by road and inland waterways in the State. These levies are

naturally reflected in the increase in costs of jute goods. The market questioned the wisdom of these levies, especially at a time when there was a need for selling more and more Indian jute goods in world markets.

The markets opened in January with a steady note, and within a couple of days ready 40" 10 oz. hessians rose to Rs. 46-8 from Rs. 45-14, and B. twills to Rs. 108 from Rs. 106-8. The news that commercial consumption of burlap in the United States in 1953 at 809 million yards represented a substantial increase of 57 million yards was taken in the market as proof of the ability of jute in ousting substitutes like osanburg, paper and cotton bags. Great Britain also reported a substantial increase in consumption during 1953, and reports that Dundee mills little support was forthcoming from Australia, although depletion of stocks had taken place. Mills rapidly transferred sacking looms to the production of hessians, and this factor, coupled with moderate business, reduced sacking with mills as at the end of March by 10,500 tons to 61,400 tons. Stocks of hessians were, however, much as 29,600 tons, as against 21,900 as at the end of February. In the raw material section, the trend was a mixed one and because raw jute stocks with mills were satisfactory, attempts of stockists to raise prices were checked by the resistance of mills to follow the higher prices.

SUPPORT FROM ARGENTINA

By the beginning of April, Argentina began to show interest in hessians, and subsequently, bought 15,000 tons for June-July shipment. In heavy goods also, moderate export business was done, and B. twills improved further to Rs. 114-12, hessians 40" 10 oz. being steady at Rs. 45-1. This improvement was the result of speculative manipulations following the moderate enquiries from foreign countries. Stocks of sacking at the end of April were only 57,500 tons, showing a fall of 3,900 tons, representing an output of just six weeks. This was the lowest figure touched since August 1952. In order to meet the increased demand for sackings, mills had already begun the re-transfer of some hessian looms to sackings, but, despite this, the stocks of hessians at the end of April were heavier by 2,800 tons at 35,200 tons. Market circles were unanimous in their view that the export duty on hessians needed to be revised, if not abolished, to enable mills to reduce their stocks by exporting more at lower rates.

May was a comparatively quiet month. Rumours that mills would soon resume working 48 hours a week instead of 42 hours affected the sentiment of buyers. Demand in B. twills had equalled to production, but this was not the case in hessians. Mills felt that, even if demand surpassed output, the existing stocks could stand in good stead for a few months more and that the question of increasing production would arise, only after the stocks had run down further. The Jute Enquiry Commission had, of course, recommended an increase in production, and mills had also realised that this was the only method left open to them to reduce output costs. New Delhi's reference of the Commission's report to the West Bengal Government, it was hoped, would provide the latter an opportunity to press for a revision in the export duty on hessians. The market was left in no doubt that only such a course would result in increased sales of hessians which alone would be a justification for mills to resume full working hours.

In June, heavy goods were an active market following good business for export. B. twills improved gradually to Rs. 115-14. In order to meet the shortage, mills diverted some of their sacking looms to the production of specialities. There were signs that demand for heavy goods was surpassing production, and, in fact, ready offers of goods like A. twills and green cees could not be obtained. For hessians also, there was good demand from the United Kingdom and the United States. Argentina bought a

further quantity of hessians, the tonnage so far procured up to the end of June amounting to 43,900. It was expected that Argentina would require a further quantity of 45,000 tons during the year. Demand from the United States was also expected to go up, in view of the need there for packing an increased farms output. The need for mills to raise production was thus coming to the forefront. The industry and the trade were unanimous in the view that if only the export duties were done away with, the export of all constructions could be increased by 10 per cent. immediately. In contrast with conditions in the goods market, raw jute prices were maintained at a low level, and this was due to the cautious buying by mills, as they realised that any rise in raw jute prices would imperil the competitive capacity of the Indian products against the Continental manufactures.

WORKING HOURS RAISED

Although the export duties were not abolished or revised, mills, in an earnest attempt to reduce cost of production and to create confidence in the minds of foreign buyers of the industry's ability to meet the growing demand, began to work 45 hours a week instead of 42 hours, as from 12th July. It was the intention of the mills to resume the full 48 hours a week in stages, in order that there would be no glut in the market and a move from one stage to another could follow, if only there was evidence that increasing production had been absorbing in demand. This announcement by mills imparted an air of chilliness to the market, and although export business was being put through in both hessians and sackings, 40" 10 oz. gave way gradually to Rs. 43-4 and B. twills to Rs. 104-8 as against Rs. 44-10 and Rs. 115-12 in the first week of June. Raw jute was also quiet, Assam bottoms new crop being offered at Rs. 23 per maund. Stockists of the old crop were not prepared to discount their quotations, as they felt that mills would have to buy more jute in view of the increased working hours. Mills did not entertain any anxiety as to the availability of the raw material in the desired quantity at any time. In fact, jute dealers were demanding permission for the export of the inferior quality of raw jute to the extent unwanted by the indigenous industry. The Jute Enquiry Commission did not at all agree to this demand, even as a measure of price support. The Government has accepted this view of the Commission.

Good acceptances from Great Britain and the United States, further purchases by Argentina, and the good statistical position forced ready 40" 10 oz. hessians to rise as high as Rs. 48-6 during August. This rate was incidentally the highest recorded in the year. The trade continued to demand the abolition of the export duty, and the delegation of the Indian Jute

TABLE I
Price Trends of Jute Goods and Raw Jute during 1954

Month	Ready 40" 10 oz. hessians Per 100 yards		Ready B. twills Per 100 bags		Ready Assam bottoms Per maund	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
January ..	Rs. a. 46 8	Rs. a. 45 4	Rs. a. 108 0	Rs. a. 102 14	Rs. a. 28 8	Rs. a. 27 0
February ..	46 12	45 1	107 10	101 14	28 0	25 0
March ..	45 0	41 13	108 12	105 2	25 8	24 8
April ..	45 1	42 5	114 12	106 10	29 0	24 12
May ..	44 7	43 4	113 14	108 8	27 8	25 0
June ..	45 0	44 0	115 14	111 6	25 8	21 8
July ..	45 5	43 4	113 3	104 8	23 0	20 8
August ..	48 6	43 8	119 0	106 8	27 8	22 8
September ..	47 12	45 8	121 0	114 12	27 8	25 8
October ..	45 12	43 4	117 0	112 0	26 8	26 0
November ..	46 4	45 7	129 10	117 4	31 0	27 0
December*	45 15	45 8	130 0	126 4	30 8	30 0

* Up to and including 4th December, 1954.

TABLE II
The Year's Trend at a Glance

Description	Opening on 2-1-1954	Highest	Lowest	Closing on 4-12-1954	Gain (+) Loss (-)
Ready 40" 10 oz. hessian (per 100 yards)	Rs. a. 45 14	Rs. a. 48 6	Rs. a. 41 13	Rs. a. 45 9	+ 0 5
Ready B. twills (per 100 bags)	106 8	130 0	101 14	126 4	+19 12
Ready Assam bottoms (per maund)	28 8	31 0	20 8	30 8	+ 2 0

POST-WAR MONOPOLY OF INDIAN PEPPER ON ITS LAST LEGS

PRICES GIVE WAY UNDER PRESSURE OF COMPETITION

By I. T. Parekh

FOR pepper, the year 1954 was no less eventful than the previous one. As in 1953, so also in 1954, the price chart of pepper showed a downward curve. New low levels of 43 cents for spot at New York, \$125 (Singapore dollars) at Singapore and Rs. 750 at Alleppey were established in June this year. These were nearly 50 per cent. lower than the lowest obtained during the seasonal year 1952-53. No commodities suffered a steeper fall in prices than pepper.

Trading conditions were also much more difficult and competitive than during the years 1953 and 1952. Buyers overseas were more discerning and price-conscious. Lack of timely orders from consuming countries like the U.S. and Europe continued to be a major headache to both growers and exporters in the principal producing countries. The year was, therefore, a tale of continuous fall in prices interspersed with reactionary ups influenced by the manipulations of some of the clever dealers in New York and their counterparts elsewhere.

There were, of course, occasional reversals of trend on speculative purchases and bear coverings stimulated by the belief that lower prices would increase consumption. But they proved no more than a passing phase, since the increase in consumption did not materialise in proportion to the fall in prices. In India, the increase in consumption even at the present level failed to come up, as expected, because the general purchasing power of the people deteriorated.

Indian growers looked to the Government for relief in the export duty but it proved too late and too little. Detention of some parcels of pepper in New York by the Food and Drug Administration and subsequent reconditioning at the cost of the shippers meant further loss to the exporters. Untimely reduction in selling prices by Sarawak and Lampong dealers during the month of May, in anticipation of brighter prospect of their coming crops, made Indian growers nervous, and there were occasions when actually it appeared that a price war had started between India and other producing countries. Economic factors of price adjustments had already begun to operate in other commodities. Pepper could not remain an exception. From the point of value, our export made poor reading. From the point of quantity, it would not have made a favourable impression but for sizable purchases by the U.S.S.R. and China.

Production in Sarawak having reached a figure of 14,000 tons, that of Lampong black 8,000 tons and Muntok white about 5,000 tons, the overall picture of pepper changed from post-war scarcity to an increasing supply. As a consequence, India is losing at a rather faster pace her post-war monopoly in pepper trade the world over.

FIVE-YEAR OLD LOW TOUCHED

In November, 1953, pepper stood at round about Rs. 1,900 per candy of 6 cwt.s, at Alleppey. The commodity looked very much cheaper when compared with the rate of Rs. 3,400 ruling during the same period in the year 1952. A series of growers and dealers, therefore, tried to hold on to their stock in anticipation of better prices. But rates were not able to maintain themselves, because of absence of demand from the U.S. and in view of the proximity of the new season. Bankers who advanced money against pepper demanded margin when prices showed steep fall. Stock holders were forced to liquidate. Prices broke. Export figures for the seasonal year 1952-53 made sorry reading at 10,600 tons as against the total export of 12,800 tons during 1951-52. Shortfall in export made the trade all the more nervous. Prospects of severe competition from Sarawak and Lampong loomed large. Prospects for the new crop looked better. An atmosphere of despondency, therefore, continued to prevail. The market touched Rs. 1,650, the lowest on record for the past five years. Fortunately, New York which had been waiting for a bottom appeared on the scene as buyers. It started buying for nearby shipments. As a result, primary markets which were in the doldrums went up. Pepper was sold at as high as Rs. 2,100, a price, which was about Rs. 450 higher than the lowest ruling some days previously. New York paid as high as \$0.93 for November shipment, while December was also sought after at round about \$0.88.

December witnessed further advance in prices. New York dealers purchased a sizable quantity of afloat and nearby shipments to replace their sales of ready pepper to grinders. Long-shoremen strike was feared when the period of injunction under the "Hartly-Taft Law" ended around Christmas. London and New York buyers who were trying to bear the Indian market by spreading bearish news were caught napping. They were forced to buy afloat at as high as \$0.97, while shipment during the first half of December was paid for at \$0.94. Short-covering by Indian dealers who sold short in expectation of reduction in the export duty proved a sustaining factor. But this state of affairs did not continue long. New arrivals of matured pepper were on the increase. Foreign buying failed to keep pace. Consequently, the market gave in.

The behaviour of the market proved disappointing during January, 1954. Arrivals were increasing, while demand for export was lacking. New York dealers were sitting back anticipating lower prices. Months of January and February are usually considered a period of heavy arrivals as also of competition between two important varieties of pepper, namely, Alleppey and Tellicherry. New York dealers were looking forward to the President's State of the Union message and the budget before fixing their buying programme for the year. Earlier demand from Calcutta and Bombay for light berries showed a decline. Fear of impending dock strike in New York and pressure of arrivals of unsold consignments of Malabar and Sarawak exerted unhealthy influence on the overall price structure of the New York market. The spot quotation there came down from \$1.01 to \$0.90. All pointers indicated further the decline in prices. However, expectation of broadening of enquiries for Malabar pepper from Russia and the Continent acted as supporting factors, Indian prices hovered at about Rs. 1,700. It was generally considered as a respite level. Fair-sized covering by Indian dealers who sold to Russia failed to lift up the prices. New York dealers also seemed to have treated lightly the news of Russian purchase in India as they had sufficient stock. Enquiries from U.S. grinders were far from encouraging.

NARROW VARIATIONS

February saw quiet to steady market. Prices moved within a narrow range of Rs. 1,600 to Rs. 1,650. Though New York remained out of the market, growers were showing resistance at round about these prices, as they thought that the U.S. would need Malabar pepper because Sarawak new crop would not be available before June. New York appeared in the market as expected, after waiting in vain for a concession in prices. Exporters who had sold to Russia stepped in to cover. Representatives of a couple of New York brokers were on a visit to Bombay for their yearly personal contact with their Indian principals. They also tried to circulate their short-range views which appeared bullish. As a consequence, some of the exporters created long positions. They bought ungarbled at Rs. 1,850. The spot quotation, in New York, was commensurate with a good premium over shipment positions. Some of the Indian merchants, therefore, preferred to ship unsold consignments. This policy of shipping consignments by Indian shippers had, no doubt, a steadying effect on the local market, though such consignments, in most cases, exerted pressure on New York prices, as it created competition between New York dealers and Indian shippers.

During March, some of the prominent exporters who sold a sizable quantity to Russia, tried their best to depress the market at Cochín, with a view to knocking out some concession in the export duty which is leviable on the basis of the ruling price at the time of shipment. Even after the budget, demand from New York failed to develop. Growers reduced their price to Rs. 1,650 to attract fresh buying, but without result. The report of sizable purchases of Malabar pepper by China failed to stir up any activity in New York, as Sarawak and Lampong were underselling. Growers, however, tried to maintain the price line at round about Rs. 1,650. Elections in the Travancore-Cochín area brought the Praja-Socialist Party into power which made growers think that the new Ministry would not fail to promulgate relief measures, whenever the prices of any Malabar produce reached an un-

economical level. However, continuous absence of New York buying made growers and dealers at Alleppey and Baliappattam nervous. They sold at as low as Rs. 1,350. At lower prices, New York came in to buy. Some parcels were sold at price ranging from \$0.70 to \$0.72 for shipment during March. This afforded some respite to the slump. Reactionary improvement set in. Small business was done at Rs. 1,500. All these, however, proved a passing phase. Immediately on withdrawal of overseas enquiries, the market slipped back. There were few buyers and more sellers. The trade was surprised at the reappearance of both Sarawak and Lampong as competitive sellers in New York at prices which were much lower than what they were during the peak of their season. Such competitive selling at this time of the season put fright into the minds of Indian growers. They became anxious to sell as much as they could, before competition from those sources set in. Report of further purchases of 500 tons by Russia failed to have any tonic influence, as the morale of the growers stood at a low ebb. The market touched the low price of Rs. 1,300 at Alleppey.

MARKET SHAKY

During April, after the settlement of the month-old longshoremen strike at New York, pepper prices in India were lifted to Rs. 1,500 in expectation of demand from America. But enquiries from the U.S. failed to broaden. The monsoon was fast approaching. At all primary markets, large stocks were hypothecated with banks. When the market became shaky, banks demanded margin on the loan advanced. Several attempts to rig up the market by growers and exporters were made. But only locally they succeeded to a small extent, as they forced some of the weak shorts to cover. Circumstances being far from favourable, their efforts, however, proved abortive. Overbought conditions prevailed. The market, therefore, looked more vulnerable. Various trade bodies of growers and exporters approached the Government, and requested a reduction of export duty, but nothing came out of it. Meantime, news of Sarawak selling in the New York and London markets came as a bolt from the blue. Disquieting news leaked from the Indo-China Conference, however, proved a timely boon. New York appeared in the market to buy for shipment during the first half of May at \$0.69 to \$0.71.

The demand, however, was not sustained. All gains in the prices were erased. Business became thin. Yet growers who were basically bullish, tried to resist any fall in prices from the level of Rs. 1,400. Pepper at this price looked attractive and they expected so heavy a demand for inland consumption that prices could be maintained even with small or no export. However, facts proved otherwise. The report that some Alleppey merchants were in difficulties caused nervousness in Bombay. The outstanding event of the month was the downward revision of export duty for the maximum payable from Rs. 75 to Rs. 65, while 30 per cent. ad valorem at the time of shipment was kept untouched. The reduction being small, no improvement in local prices was noticed. New York dealers put in some buying as Malabar was the cheapest, but there was no follow-up support by the grinders. North Malabar growers continued to liquidate as much as they could before the approach of the monsoon when transport in that area usually becomes difficult. They rather preferred to store more prospective commodities than pepper which seemed to them to have passed the bull period of seven years and entering upon a bear one. Meantime, New York, however, followed closely the day-to-day development of the political situation in Indo-China and revised their buying policy accordingly. Pepper in India lacked backbone. In order to maintain certain level of prices, it needed constant foreign support. Absence of buying, even for a short period, was sufficient to unnerve growers. They were anxious to sell pepper at Rs. 1,100. They were rather prone to liquidate their holdings rather than hold over, as was usual with them during the previous years.

During July, 1954, news came to hand that some of the bulls in New York were setting the stage for a bull squeeze. After Independence Day, the New York market generally picks up and dealers buy to cover against their fall requirements. Small shipments during April, May and June created scarcity of stock. Bulls who were until then creating positions in the spot section and nearby shipments came out in the field. They began to buy all available afloat and nearby positions. Spot price was raised within a week by 15 cents. Cochín and Alleppey also advanced to Rs. 1,200 with sellers reserving. Dealers, both in India and in New York, who created short account in anticipation of lower price under pressure from Sarawak, also came out to cover. Bulls squeeze in July and August delivery in New York became a certainty. Bulls, after establishing full control on the market, began to push up prices in the spot section. This excited New York grinders to action. They became active buyers for spot and nearby shipments. Spot was lifted from \$0.64 to 0.94 within a short interval. Sentiment of the market changed. Garbled at Cochín was quoted at Rs. 300 and ungarbled at Alleppey was quoted at Rs. 1,600. New York bulls to make their corner successful did not leave Sarawak untouched. News of

delay in harvesting in Lampong came in. This made matters worse. The market continued to make headway after temporary technical correction at certain intervals. Shorts in New York were forced to cover with heavy losses. Dealers in New York knew that prices were pushed up to an artificial level by interested bulls and, therefore, they restricted themselves to afloat and nearby shipments only. Forward shipments, though offered at attractive discount, were neglected.

The end of August saw the highest price of \$1.07 for spot pepper in New York. Perhaps this price would remain the highest for years to come. When spot was quoted at \$1.07, there were few buyers for August at \$0.64, while September was neglected even at \$0.55. The difference between the spot and afloat quotations at times was as high as 25 cents. Sarawak reaped the best harvest out of this upheaval. It sold the major part of its crop in Europe and America at about \$0.50. Detention of ships at New York port for reconditioning and delay in the arrival of certain steamers forced shorts in August delivery to cover at as high as \$1.07.

After the expiry of the last due date for August delivery, the undertone of the market turned unhealthy. Under the leadership of bulls who resorted to cornering during July and August, New York bought rather heavily for shipment in these months from all available sources. Subsequent arrivals proved more than sufficient. Spot price was brought down to the small figure of 43 cents within three months, causing losses to all holders whether big or small. Cornering, whether successful or otherwise, always leaves behind it a gloomy tale to tell. Higher prices at New York during the August upheaval induced larger shipments from all sources. The impact of their arrivals brought down the prices with a vengeance which affected the pepper trade in general all over the world. Premium for spot over shipment positions having narrowed down to a minimum, there remained little incentive for replacement buying by dealers and shipments to New York during subsequent months. Business in India also thinned during the period September to December and prices came down from Rs. 1,200 to Rs. 800.

This formed the most depressing period of the year. The after-effect of the "corner" was none too happy. Notable events during these months were sizable purchases of light berries of Malabar pepper by Chinese merchants for shipment to Singapore, possibly for mixing with Sarawak black, either for local consumption or for export to the Middle East, and a representation made by Indian shippers to the American Spice Trade Association with a request to devise ways and means to minimise detention of pepper shipments by the Food and Drug Administration in the interest of all concerned. A suggestion is said to have been made by India that pepper shipments during the monsoon may be accepted on non-advance basis. But as the Food and Drug Administration is an official body and Administration is an official body and is examined by them, it is feared that the American Spice Trade Association can do little in the matter.

SARAWAK

Production of pepper in Sarawak during 1954 is reported to be about 14,000 tons, as against 8,000 tons during 1953. Barring a few speculative sales early in the year, the performance of Sarawak during the year as a whole proved steady. The country was able to market the major portion of its production at round about \$150 (Singapore dollars). Rising prices at New York during July and August proved a supporting factor, as otherwise seasonal pressure during these months would have brought the prices much lower in view of the weak holding capacity of Sarawak growers. Some of the Singapore speculators were reported to have failed to meet their obligations, Sarawak black under shipments was sold in New York at 5 to 7 cents less than the price of Malabar or Lampong, as against 20 to 25 cents less during 1953, while spot Sarawak was selling at a nominal discount of a cent or two. This may be due to the waning of prejudice against the use of Sarawak among New York grinders. Anyway, use of Sarawak black in New York is expanding. Sarawak appears to have slowly but surely established a foothold on European markets and most of its exports is now being taken up by London and the Continental countries in preference to Malabar and Lampong. Shipment figures of Malabar black to Europe are declining. During the 11 months of this year Sarawak exports amounted to 11,645 tons of black and 2,825 tons of white pepper.

NARROW FLUCTUATIONS IN RAYON YARN PRICES

STAPLE FIBRE YARN WEAK

BOMBAY, 15th December

NOTWITHSTANDING a surfeit of rayon yarn supplies, thanks to improvement in indigenous output and enlarged imports, the year 1954 turned out to be one of marked stability for the Bomoay rayon yarn market. Not only did values not register any erratic fluctuations but they also moved within a narrow range. The difference between the highest and the lowest levels touched in the forward section during 1954, for instance, was only 95 points per case of 200 lbs., as against 221 points in 1953, 328 points in 1952 and 1,460 points in 1951. Similarly, price movements in the spot section were confined to a limit of As. 2 to As. 11½ per lb., according to varieties, as against As. 11 to Re. 1-9, Re. 1-6 to Re. 1-14 and Rs. 6 to Rs. 6-11 in the three preceding years, respectively. The stabilised conditions in rayon yarn during the year under review were in the main due to (1) absence of hectic speculative activity, (2) comfortable supply position in rayon yarn, thanks to liberalised import policy, and (3) timely measures adopted by the Yarn Merchants' Association to curb undesirable tendencies. The aggregate quantity of rayon yarn actually available for consumption during the first nine months of 1954 was 35.86 million lbs., which compares favourably with 33.32 million lbs. in the corresponding period last year. Of this quantity, indigenous production accounted for 7.92 million lbs. (7.00 million lbs.) and imports for 27.94 million lbs. (26.32 million lbs.). Under the impetus of considerable buying support induced by the imposition of a ban on imports of double yarn in the first half of 1954, the rayon yarn market opened the year with a firm note. 150 denier forward contract forged ahead from Rs. 723 as on 31st December, 1953, to Rs. 747 on 2nd January. With a view to checking a further rise in prices, as also to preventing any violent price fluctuation, the erstwhile Yarn Merchants' Association fixed ceiling (Rs. 780) and floor (Rs. 680) prices for the January contract. Further business in the February contract was suspended. These measures had the desired effect in narrowing down the variations in prices. Forward trading in rayon yarn was resumed on 8th February, under the auspices of the newly formed Bombay Yarn Merchants' Association and Exchange Ltd. The ceiling and floor prices were fixed at Rs. 850 and Rs. 700, respectively. Bullish advices from the cotton yarn market, good offtake in spot section and scarcity of goods lent much support to the market and the forward contract shot up to Rs. 806 on 13th February.

The upward trend was halted in the subsequent weeks when the market turned distinctly bearish. This was due to the imposition of an excise duty of 18 pies and an additional excise of 3 pies per yard on rayon fabrics. Besides, the bulk purchase agreement signed by the Silk and Art Silk Mills Association (S.A.S.M.A.), Bombay, with an Italian manufacturer, covering Rs. 1.86 crores worth of rayon yarn, also helped the downward trend. The purchases were made at a lower rate of 40d. per lb., as against the average rate of 43d. at which the Italian firm had sold Rs. 1 crore worth of yarn last year. The Government of India removed acetate, bomberg and other non-viscose yarns of 120 and 150 deniers from the scope of the import restrictions for January-June, 1954 period, under which licence-holders were not permitted to utilise more than 5 per cent. of the face value of their licences for the rayon import of 120 and 150 deniers of rayon yarn in bright finishes. A stamped

of selling ensued and values slid down. On 1st March, forward contract was quoted at Rs. 750.

Thereafter, the sentiment of the market improved considerably. Indeed, the market was in the grip of bulls till the end of May. Three bullish factors were responsible for this. First, there was the substantial relief in excise duty on art silk fabrics announced by the Union Finance Minister. The relief was in the form of (1) upper exemption limit from factories employing upto nine looms to those employing upto 24 looms, (2) reduction in the rate of excise duty from one anna per square yard (exclusive of the handloom cess of three pies per yard, to six pies (in addition to the cess of three pies) and (3) option to mills to pay in advance a lump sum of Rs. 22-8 per month per loom, instead of the prescribed rate on their actual production. Secondly, the reported breakdown of negotiations for bulk purchase of yarn between the S.A.S.M.A., and the National Rayon Corporation was confirmed. Thirdly, import quota for the second half-year was curtailed, while imports of 150 deniers were restricted, as before, to 5 per cent. of the face value of licences, those of 120 deniers were reduced from 25 per cent. to 15 per cent. Consequently, enquiries for rayon yarn broadened considerably and values made a swift headway, 150D forward contract touching Rs. 825—the highest level for the year—on 31st May.

The first nine days of the month of June proved to be one of the worst periods for the rayon yarn market, in that they witnessed a sharp fall of 55 points to Rs. 710 in the price of 150D forward contract, for no other reason than continued hammering by bears. This, however, was short-lived and, in the subsequent eight weeks, the market displayed much strength, on account of revival of demand in the spot section, as a result of the Pakistan's Government's decision to allow rayon fabrics imports, and depletion of stocks. Values were, therefore, pulled up, the forward contract touching Rs. 810 on 28th July. At this stage, a downward trend set in and this persisted till the 15th inst. The quotation on that day was Rs. 730. This weakness was due to heavy arrivals of imports, following the liberalisation of the import policy announced by the Government. Having regard to the shortage in supplies of 120 and 150 denier yarns, the Government raised the face values of licences for import of these varieties by 10 per cent. and 5 per cent. to 25 per cent. and 10 per cent., respectively. The other bearish factors were rumours of enlarged import quota for January-June, 1955 period, and reports of unofficial discount offered by foreign suppliers to Indian importers.

STAPLE FIBRE YARN

Distinctly weak conditions prevailed in the staple fibre yarn section during the year under review. The weakness was imparted solely by substantial imports of staple fibre yarn and staple fibre. During the first nine months of 1954, as much as 2.43 million lbs. of yarn were imported, as against 1.47 million lbs. in the same period last year. Imports of fibre also were considerably higher, being 31.15 million lbs., an increase of over 21.95 million lbs. as compared with those a year before. About 129,920 lbs. of fibre were also produced in India. Such a marked rise in staple fibre supplies led to an appreciable improvement in the yarn output. Following this, several mills, especially in South India, were frequently in the market with large offers of yarn. Values of yarn, as a result, were pressed down. Staple

(Continued on page 169)

At one time, when there was a difference of more than 50 cents between the prices of white and black pepper, it was thought probable that Sarawak would produce more white in preference to black, thus leaving the marketing of black pepper in the hands of either India or Lampong. But price difference between black and white pepper having narrowed down, Sarawak produced more black pepper and continued to compete with India in every available market.

INDONESIA

In Indonesia, the production of Lampong black during the year was estimated to be 8,000 tons, while for Muntok white it was estimated to be about 5,000 tons. Production during 1954 was nearly 50 per cent. higher than that of last year. But Lampong black failed to exert its seasonal influence on account of, among other, the following reasons, namely, (1) most of their sales were done on barter basis; (2) greater part of their export was sent to Hongkong and Singapore; and (3) growers preferred to store their pepper rather than convert it into money, as they had no faith in the stability of Indonesian rupias.

After having made this brief survey, let us consider what will be the outlook of pepper in the year 1955. On the whole, the trend is not going to be upward in view of the improved supply position of pepper and successful resistance by consumers. To a large extent the price trend will be governed by that prevailing in the U.S. which, on account of its predominant position as consumer, has the capacity to change the pattern. In view of expanding production in Indonesia and Sarawak and hand-to-mouth buying policy of the U.S. one can safely expect a further decline in prices before prices reach a certain measure of stability, though a potential increase in consumption will be one of the bulwarks against any sharp downward curve. Recession or buoyancy in other commodities will also have their reflections on the future trend of pepper.

World Pepper Position for the year 1954-55*	
	Tons
Estimated carry-over of Malabar from the year 1953-54	2,000
Estimated crop of Malabar black for the year 1954-55	22,000
Estimated carry-over of Lampong black from the year 1954	4,000
Estimated carry-over of Muntok white from the year 1954	2,000
Estimated carry-over of Sarawak from the year 1954	2,000
Estimated production of Lampong black during 1955	9,000
Estimated production of Muntok white during 1955	6,000
Estimated production of Sarawak pepper during 1955	14,000
Total	61,000
Less—	
Estimated yearly requirements of home consumption by producing countries, (India 2,000 tons of Sarawak 1,000 tons, and Indonesia 2,000 tons)	10,000
Estimated requirements of U.S.A.	15,000
Estimated requirements of Europe	15,000
Estimated requirements of Middle East countries	2,000
Estimated requirements of U.S.S.R. and Iron Curtain countries	3,000
Estimated requirements of China and Japan	1,000
Estimated requirements of Canada	2,000
Estimated requirements of Australia and New Zealand	2,000
Total	50,000
Possible surplus to be carried forward to the year 1955-56	11,000
* The above estimates of production and consumption are only informed guess-work. And it should be noted that we have not taken into account, while compiling the figures of production, the possibilities of crop failure due to natural calamities like pepper root-diseases, earthquakes, cyclone and drought, etc. Figures of consumption are based on the presumption that lower prices will expand consumption. Other contingencies like war scare have not been taken into account.	

Notice

THE ELGIN MILLS COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Share Transfer Books of the Company will be closed from 4th to 21st January, 1955, both days inclusive.

By Order of the Board,

Per Pro. BEGG, SUTHERLAND & COMPANY LTD.,
E. C. CALDWELL,
Registrar,
Managing Agents.

KANPUR, U.P. 21st December, 1954.

TREND OF PRICES

Rayon yarn Forward 150 deniers (per case of 200 lbs.)	31-12-1953	Highest	Lowest	15-12-1954
	Rs. a. 723 0	Rs. a. 825 0	Rs. a. 730 0	Rs. a. 780 0
Ready				
120 Japan (per lb.)	4 7	4 14½	4 3	4 8
120 India	4 1	4 10	3 14½	3 14½
120 Italy	3 14	4 0	3 14½	4 0
150 Italy	3 10	4 2½	3 11½	3 12
Staple fibre yarn Forward 40 x 2 (per case of 200 lbs.)	710 0	721 0	592 0	605 0
Runners Silesos (per lb.)	4 9½	4 9	3 11	3 12½
New Great	3 11½	4 5½	3 2	3 2½
Cotton yarn Ready (per bundle of 10 lbs.)				
10s Modern	13 4	13 15	13 2	13 12
20s Soloria	16 8	17 4	16 8	16 8
30s Madras	21 8	22 8	21 14	21 4
40s Meenakshi	24 10	20 12	25 0	23 2
60s Sri Ram	34 6	50 8	41 0	41 0
80s Finlay	67 12	78 0	62 0	77 0

* On 8th February, 1954.

† On 3rd January, 1954.

‡ On 2nd February 1954.

North Indian producers may attempt to make considerably larger crops during the coming season, and, while they may not radically change the actual world supply position statistically, the psychological change may well come by next August and the prospering may be cut short and slump conditions similar to those ruling in 1934 may repeat themselves, though perhaps not to the same extent. It is with this view that most right-thinking producers in North India still insist on some form of crop regulation scheme which was mooted after the 1932 slump to ensure maintenance of a certain economic level. There should be restriction on production during lean years, though presently the demand is strong and the outlook bright.—*All Right Reserved.*

BUMPER FOOD CROPS COARSE GRAINS COMPLETELY DECONTROLLED

HAPUR, 30th November It can be safely said that India's food problem has almost been solved. During the year 1954, there were bumper crops in rice, wheat, gram and some other cereals—beating all previous records. The irksome system of food controls has disappeared and austerity measures have been abandoned after a period of more than 10 years. The improvement in the general food situation is visible in other parts of the world also.

The year 1954 began with a satisfactory stock of foodgrains, amounting to 144 million tons, with the Central and State Governments, of which wheat stocks in hand accounted for 800,000 tons. Thanks to such comfortable supplies, the Government of India announced complete decontrol of coarse grains—*jowar*, *bajra*, barley and other minor millets with effect from 1st January, 1954. There are now no restrictions on inter-State movements of these cereals. Export of coarse grains from Saurashtra, 11 districts of East U.P. and Amreli District of Bombay are, however, still banned. The decision to decontrol wheat was a sequel to a marked improvement in the production of coarse grains in the country, the quantity actually produced during 1952-53 being 17.4 million tons, as against 15.7 million tons in the previous year. This improvement was not only maintained but carried a stage further during 1953-54. The majority of even those States which used to be deficit in coarse grains became self-sufficient. It was also decided to decontrol gram completely with effect from 1st January. Gram production in 1952-53 was 3.77 million tons, as against the previous year's figure of 3.29 million tons.

The Government of India completely decontrolled rice with effect from 10th July. It further decided to abandon rice procurement and all restrictions on the movement of rice were withdrawn. Rice can now move freely from one part of the country to another. The decontrol of rice was rendered possible because of higher output and substantial stocks held by the Central and State Governments.

With this announcement, controls over all foodgrains have been lifted in all States, including Travancore-Cochin, except zonal regulation of wheat. Wheat is allowed to move freely within the two zones, but its export from either zone is not permissible. These two zones, it will be recalled, were constituted in May, 1954. At present, the northern zone comprises the Punjab, P.E.P.S.U., Himachal Pradesh, Delhi, Jammu and Kashmir. The western zone covers Madhya Bharat, Bhopal, Madhya Pradesh, Rajasthan, Kutch, Saurashtra, Bombay (excluding Bombay City proper), Hyderabad and Mysore. In the States outside these zones, ban on inter-State movement of wheat still continues. Under the Wheat Movement Control Order enforced on 26th September, there shall be no prohibition, restriction and control on the movement of wheat by or at the instance of the Central Government from any place in a State to any other place within or outside the State.

The only food control that still remains is the zonal control on movement of wheat. This is not because of any shortage of wheat but because of the need to prevent any loss which the Government may sustain in the disposal of a million tons of wheat it contracted to buy under the International Wheat Agreement. The late Mr. Kidwai had said that these restrictions on movement of wheat could be lifted immediately, as markets were needed to sell the wheat that the Government had to purchase from the International Wheat Board.

1953-54—A YEAR OF RECORD PRODUCTION

The agricultural year ended June, 1954, will go down as a memorable one, as it witnessed several new records in the sphere of food production and distribution of foodgrains in India. The actual production of foodgrains exceeded the target set in the Five-year Plan for 1955-56. According to the Plan, the country was scheduled to produce 61.6 million tons of foodgrains by 1955-56, but, in 1953-54, that is two years before the target year, the output of foodgrains at 66 million tons exceeded the target by 4.4 million tons. This included 56.1 million tons of cereals and 9.9 million tons of pulses.

The year was particularly noticeable for the most remarkable performance of rice. India's No 1 cereal. The production touched an all-time record of 27.1 million tons, which exceeded the 1952-53 crop by 4.6 million tons and the target of 25.6 million tons fixed for

1953-54 in the Plan by 1.5 million tons. This equals more or less the target of 27.2 million tons envisaged for 1955-56 in the Plan. In fact, it was nearing half the total production of cereals (56 million tons) in 1953-54. The rise in rice production was more marked in South India. In this region comprising Andhra, Madras, Hyderabad, Coorg and Mysore, rice production rose by 32 per cent. in the four-year period ended 1953-54, while the increase in acreage was only 5 per cent. In the eastern region which includes Assam, Bihar, Orissa and West Bengal, the output of rice rose by 20 per cent. and the acreage by less than one per cent. It is stated that the average yield per acre rose from 700 lbs. at the beginning of the Plan to 800 lbs. in 1953-54. Apart from favourable weather conditions, there were other factors which contributed to the increase in the per-acre yield, as for example, better seed, increased use of fertilisers, greater irrigation facilities and improved cultural practices.

The adoption of the Japanese method of rice cultivation, thanks to the encouragement given by the Government, constitutes a great improvement over the traditional cultural practices followed in paddy growing in the country. According to reports from 15 States, the average yield of rice per acre under this method was in the neighbourhood of 3,300 lbs. as compared with 700 lbs. or 800 lbs. obtained under the traditional practices. The average per-acre yield in Travancore-Cochin under the Japanese method in 1953-54 was stated to be 5,200 lbs. in Rajasthan 4,800 lbs. and in Madhya Pradesh 4,600 lbs. Indeed, there was a case in which the output reached the spectacular figure of 12,000 lbs. per acre. The Japanese method of rice cultivation was followed in 400,000 acres in almost all the States in 1953-54. It is proposed to bring 2 million acres under this method in 1954-55. Hyderabad and Mysore propose to bring 244,000 acres and 50,000 acres, respectively, under this improved practice of rice cultivation.

The production of 7.8 million tons of wheat in 1953-54 is another record for India and exceeds the calculated target for the year by 300,000 tons. The rise in the production of millets and other minor cereals has been even more spectacular in 1953-54, being about 4.4 million tons higher than the target of 16.8 million tons for 1953-54. It even exceeds the target of 17 million tons to be hit by the end of 1955-56 by about 4 million tons. In the case of gram, production of 4.5 million tons in 1953-54 is still another record.

The year 1953-54 also witnessed a remarkable increase in respect of acreage. In 1949-50, the base year of the Five-year Plan, the total area under cereals was 195.5 million acres and under all foodgrains 245.3 million acres. The Plan provided for an increase, in area under cereals by 1.5 million acres and under all foodgrains by 700,000 acres by the end of 1955-56. This target of 197 million acres in the case of cereals and 246 million acres of foodgrains had been crossed in 1952-53, when the total acreage under foodgrains stood at 252 million. In 1953-54, another 9 million acres were added to foodgrains, so that the total acreage in that area exceeded 261 million acres, the highest that the Indian Union has ever had so far.

WHAT IS HIGHER PRODUCTION DUE TO ?

Although the 1955-56 target of area in the Five-year Plan under foodgrains was exceeded in 1952-53, the second year of the Plan, production in that year remained some 3.5 million tons less than the target for 1955-56. In 1949-50, production of foodgrains was 54 million tons and the Plan envisaged a target of 76 million tons to be reached in 1955-56. Production in 1952-53 stood at 58.1 million tons. The year 1953-54 added another 7.9 million tons to the production of 1952-53, placing the figure at 66 million tons. The 1953-54 production at 66 million tons thus not only exceeded the calculated target for the third year of the Plan by 7.5 million tons but also crossed the 1955-56 target by 4.4 million tons.

The All-India final estimate of cereals—rice, wheat, barley, *jowar*, *bajra*, maize, *ragi* and small millets—for 1953-54 puts the current year's area and production at 210,365,000 acres and 56,119,000 tons as against 203,149,000 acres and 49,093,000 tons, respectively, in the partially revised estimate for 1952-53. This shows an increase of 7,216,000 acres or 3.6 per cent. and 7,026,000 tons or 14 per cent. In production as compared with the previous year.

The total annual production of foodgrains and the net increase or decrease over the base year 1949-50 in the Five-year Plan are given in the following table:

(In million tons)			
Year	Total production of foodgrains	Additional production	
1949-50	54.00		
1951-52	52.30	-1.7	
1952-53	58.40	4.4	
1953-54	66.40	11.4	

It will be seen from the above figures that, as compared with the base year, the production in 1953-54 shows an increase of 11.4 million tons or 21 per cent.

The rise in foodgrains output in 1953-54 cannot be explained merely by increase in acreage. For, as against an increase of 6.4 per cent. in area, the increase in production works out to as much as 22.2 per cent. Clearly, the average yield per acre in 1953-54 was higher than that in 1949-50. Several factors have contributed to this, particularly kind weather and intensive cultivation. The climatic misfortune of 1950-51, when large areas in the north-eastern parts of the country were heavily flooded and were affected by prolonged droughts thereafter, as also the droughty conditions which engulfed the country's north-western parts in 1951-52 were not witnessed in 1952-53 and 1953-54. For five years till 1951-52, South India suffered from the failure of the north-east monsoon; these regions had abundant rains in 1952-53 and 1953-54. Credit must be given to better irrigation facilities and other intensive measures made since the inception of the "grow-more-food" campaign. But, with the setting up of Community Development Projects and extensive centres, the application of these measures has gained considerable momentum.

Hyderabad, Andhra, Madras, Mysore and Coorg together accounted for an area under cereals of 37 million acres in 1949-50 which increased to 43 million acres in 1953-54; production in these States during the period rose from 9 million tons to 12 million tons. The increase in production was thus out of all proportion to the increase in area in South India.

The same is true of the Punjab, Uttar Pradesh, and P.E.P.S.U. States where, during the period, the area increased from 40.2 million acres to 42.6 million acres and production from 11.1 million tons to 12.5 million tons. In Assam, Bihar, Orissa and West Bengal, States, even though there was a slight decrease in area, production increased from 12.7 million tons to 14.6 million tons.

TRENDS IN AGRICULTURAL PRODUCTION

The trends in overall agricultural production during 1949-50 to 1953-54 are given below:

Index Numbers of Agricultural Production (Base—agricultural year 1949-50=100)			
	Food-grains	Non-food-grains	All commodities
1949-50	100.0	100.0	100.0
1950-51	90.5	105.9	95.6
1951-52	91.1	113.9	97.4
1952-53	101.1	108.7	102.0
1953-54	116.1	108.2	113.5

The decline in foodgrain output during 1950-51 and 1951-52 was due mainly to a number of natural calamities such as floods and drought. Crops (other than foodgrains) as a whole, however, showed some increase during these two years.

While the production of foodgrains regained at its normal level in 1952-53, that of non-foodgrains showed a decline, as compared with the previous two years, due mainly to slump in prices prevailing in March-April, 1952 which affected the production of commercial crops adversely. In 1953-54, there was a marked increase in the production of both food and non-food crops, as a result of favourable weather conditions and efforts made under the first Five-year Plan.

The following table indicates the trend in the sub-group indices:

Cereals	1949-50	1950-51	1951-52	1952-53	1953-54
Rice	100.0	87.7	90.4	100.0	118.3
Wheat	100.0	102.0	95.0	107.7	112.1
Total	100.0	90.3	91.2	101.4	117.2
Pulses	100.0	91.7	90.3	99.0	108.9

The above table shows that, even during 1950-51 and 1951-52, the effect of adverse seasonal conditions was more marked on the *khari* crops, because the monsoon, on which the principal *khari* crops are dependent, failed over large parts of the country,

while floods did heavy damage in June-August, 1950. The output of *rabi* cereals was generally better than that of *khari* cereals. During 1953-54, the increase in *khari* cereals was of the order of nearly 18 per cent., as against 12 per cent. in *rabi* cereals.

TREND OF PRICES

Coarse grains.—With the large arrivals of 1953-54 millet crops, the prices of these grains took a downward trend. In fact, they threatened to touch un-economic levels in November-December, 1953. With the removal of inter-State ban on the movement of coarse grains in November, 1953, and later with their decontrol in January, 1954, the prices staged a recovery. In recent months, however, prices have shown a decline again, so that the level in July and August, 1954, was lower than that in January, 1954. The current level was, however, higher than that in November-December, 1953. But since July and August last, the grain prices have been moving within a narrow range and are mostly governed by the local stock positions and supplies available.

Wheat.—Wheat prices took a downward trend after the harvesting of the new crop in April, 1954. The formation of the zones did not lead to a rise in the prices. On the other hand, the undertone of the market continued to be easy. During 1954, prices touched the lowest level. Following the announcement by certain State Governments to step into the market and purchase wheat at Rs. 10 per maund, should the market price fall below that level, there has been a recovery in prices. Currently, the prices are higher than the lowest touched in June last. In June last, prices of *dora* wheat touched the lowest limit at Rs. 10 per maund at Hapur and later the prices improved upto Rs. 13 in August and are presently quoted at Rs. 12-4 and have been moving within a narrow range of Rs. 12 to Rs. 12-8 for the last several weeks.

SALE PRICE CUT

The Government of India reduced the sale price of imported wheat from the Central depots from Rs. 14-8 to Rs. 13-8 per maund with effect from 15th September, 1954. This reduction is the sixth to be made within the last 24 years. The new sale price represents a reduction of Rs. 7 from the peak price of Rs. 20-8 per maund in force as on 1st March, 1952. A year later, that is, on 1st March, 1953, the price was reduced to Rs. 17-8 per maund. Two more reductions were made during the same year, bringing the price down to Rs. 15-8. On 25th June, 1954, the price was reduced to Rs. 14-8 which was further cut by a rupee per maund after September, 1954.

Rice.—In the case of rice, prices declined after the harvesting of the 1953-54 crop, which turned out to be the largest on record. The downward trend was facilitated by the suspension of procurement by some States and the consequent increase in supplies in the market. During June, 1954, prices touched the lowest levels in several important rice-producing States. Following decontrol on 10th July, 1954, there has been a recovery in prices, but with arrivals of new crop in the market by the middle of November, there has again been a fall in prices, the prices now quoted being the lowest for the year. As already stated, the Government of India decontrolled rice completely with effect from 10th July, 1954.

Despite such a satisfactory state of affairs in the rice economy, the import of rice from Burma was arranged in order to build up a central reserve. After building up a comfortable reserve of 1.9 million tons of rice, the Government of India permitted the export of 200,000 tons of rice this year from the ports of Bombay and Calcutta. This was decided in order to establish old contracts disrupted during the period of shortage and also to ensure a market for further surplus production. But there was little of exports and after protracted dullness, rice dealers in Bombay were able to report in the month of November somewhat increased activity in the field of exports.

About 5,000 bags of Patna rice were shipped to the Middle East and this will be followed by modest export by the end of the year when the present policy of rice export may come up for fresh consideration. The overall export performance was poor and the present export duty of 20 per cent. is reported to have acted as a major handicap.

Meanwhile, prices of rice in internal markets have continued to follow a downward trend with short periods of

MIXED TREND IN OILSEEDS CEILING FOR EXPORTS CAUSES CONCERN

BOMBAY, 16th December

GENERALLY speaking, after presenting a mixed trend early in the year under review, the oilseeds market depicted an easy trend during the remaining part. The groundnut section, which ruled strong in the first few months, tended to drift downwards subsequently and, in fact, became bearish as the year approached its end. The linseed section was subject to occasional bouts of buying and selling, while the *kardi* and *niger* seed sections exhibited a somewhat steady trend in the first half of the year, but both declined later to rule easy in sympathy with the groundnut section. The performance of the castorseed section remained unimpressive throughout the year. The closing quotations in all the sections were, on balance, substantially lower than those in January.

PRICE SUPPORT TO AGRICULTURAL COMMODITIES

Explaining the price support policy of the Government to agricultural commodities, the late Mr. Kidwai had said that the Government had been trying to give some price support when necessary. The Food Minister recalled that, last year when the prices of paddy went down in Bengal, the Central Government asked the Bengal Government to procure rice at a slightly lower price than the previous procurement price. It had then succeeded in bringing the price up. The same thing happened this year when the prices of wheat started falling in the U.P. and Punjab below Rs. 10. The Centre then asked these two Governments to purchase wheat at Rs. 10. This was an assurance that some sort of price support would be brought into effect if prices went down precipitately. But, at the same time, prices ought to go down to the extent that an average Indian could afford to take his meals within his income. The Government had to strike a balance between the interests of the consumer and the producer.

IMPORTS FALL

This large production resulted in a drastic reduction in foreign imports. In 1951, India imported 4.7 million tons of foodgrains at a cost of Rs. 216 crores but, in 1952, they came down to 3.9 million tons valued at Rs. 210 crores. In 1953, there was a further reduction to 2 million tons valued at just Rs. 86 crores. During 1954, the total imports upto the week ended 7th November were 616,850 tons comprising 129,450 tons wheat, 487,500 tons rice and 8,100 tons milo.

India has undertaken to buy a million metric tons of wheat if the price reaches the minimum fixed under the International Wheat Agreement. About 500,000 tons of wheat have been purchased from Australia under the Agreement and, although Australia is willing to sell more wheat outside the Agreement, the Government seems to be inclined to buy wheat from the U.S. or Canada.

Imports are expected to be one million tons. At present, there is no intention of importing grains next year, but it will depend on sufficient reserves but and internal production. What the Government has imported this year is intended not so much to meet the requirements of internal consumption as to build up an adequate reserve and safeguard against any violent fluctuations. The programme of importing 900,000 tons of rice from Burma is mainly for this purpose.

Notice

SHAW WALLACE AND COMPANY LIMITED

DIVIDEND ON PREFERENCE SHARES

THE DIRECTORS HAVE DECLARED a second Interim Dividend of 3 per cent. less Income Tax, on the Company's Preference Shares in respect of the year 1954, payable to Members whose names appear in the Preference Share Register on the 15th January, 1955. Warrants will be posted on or after that date to the addresses or in accordance with the instructions, recorded in the Company's books.

The Transfer Register of the Preference Shares will be closed from the 8th to the 15th January, 1955, both days inclusive.

By Order of the Board,

R. H. D. CAMPBELL,
Managing Director.

4, BANKSHALL STREET,
CALCUTTA, 22nd December, 1954.

Trend of Oilseeds and Oils				
	10-12-1954	High	Low	31-12-1953
	Rs. a.	Rs. a.	Rs. a.	Rs. a.
Groundnut (per cwt.)	22 11	37 0	22 10	33 8
Mustard	23 2	38 4	23 0	34 4
Kandesh quality	..	..	..	..
Linseed (per cwt.)	22 6	30 6	21 8	28 8
Mustard	21 14	29 6	20 2	27 0
Small Sunita	..	..	..	..
Castorseed (per candy of 5 cwts.)	17 12	28 4	17 12	25 12
May 1954	..	121 12	100 8	115 4
September 1954	..	126 14	93 6	..
May 1955	..	105 12	89 8	..
Kardi	10 12	25 8	13 10	24 12
Bold	..	..	..	..
Niger	21 8	30 8	15 6	29 0
Mustard quality	..	..	..	..
Oils (per quarter)	11 10	19 0	11 7	17 6
Groundnut oil	12 10	18 14	12 0	16 10
Linseed oil	9 14	15 12	9 10	15 4
Castor oil, First Pressure	9 5	14 10	9 5	14 6
Castor oil, Commercial	..	..	..	..

materialised and weakened the sentiment. The crop position also turned out to be better than that in the previous year. Prices of oilseeds had, therefore, to decline, as stated at the outset. The situation did not show any substantial improvement in spite of the various measures adopted by the Government.

The most notable event of the year was the boost in prices of the groundnut section. Despite the announcement by the Commerce and Industry Minister that the Government would not allow export of groundnut oil, unless the prices declined from the ruling rate of about Rs. 1,350 to below Rs. 1,000, the prices firmed up. This was attributed to the activities of speculative operators who tried to corner the stocks on the prospects of a smaller groundnut crop during 1953-54 which, however, turned out later to be slightly better than the previous year's crop. The output of groundnuts was 3,772,000 tons in 1953-54, as against 2,884,000 tons in 1952-53 and 3,045,000 tons in 1951-52. The announcement of export quota in H.P.S. groundnuts in March, which worked out to about 7,500 tons on the basis of 50 per cent. of the exports in the calendar year of 1951, 1952 or 1953 and the tight supply situation of edible oils and fats in world oil markets also contributed to enthrone the sentiment of the operators. Small wonder, therefore, that Bold ready, which was enquired early in the year at about Rs. 33-14, improved in stages to as high as Rs. 37 on 23rd April and Khondesh quality from about Rs. 34-12 to Rs. 38-4 in the same period.

In the following few weeks, the market staged a decline. This was

attributed to the non-materialisation of the expectation of a short crop in 1953-54 and prospects of a sizable better crop in 1954-55. It is estimated that the 1954-55 crop would be 13 times the 1953-54 crop. There were also fears that the U.S. would dump sizable quantity of edible fats and oils under its programme for the disposal of surplus agricultural commodities. Further, there were prospects of China reappearing in world markets with its groundnut crop. Consequently, the groundnut section declined gradually. Bold ready was as low as Rs. 22-10 on 15th December and Khondesh quality Rs. 23.

LINSEED

Almost throughout the year, the linseed section lacked strength of its own. The trend was determined by that of the groundnut section. The free licensing of exports of linseed oil had little effect on the trend of the market. For, virtually upto the end of the year, world prices were far below those ruling in India. At one time, world prices were as much as £25 per ton lower than prices ruling in India. It was, however, only at the close of the year that the gap between lower world prices and the higher Indian prices was covered, thereby making possible some exports of linseed from India. The fall in world prices of linseed was due to liquidation of linseed oil stocks held by the U.S. Commodity Credit Corporation in the U.K. and the Continent. In the local market, Bold ready, which was at Rs. 26-12 early in January, improved to Rs. 30-6 on 23rd of the same month. Subsequently, it declined to Rs. 23-8 on 1st March. After recovering temporarily to Rs. 27 on 27th April, it resumed the downward trend and touched the lowest for the year at Rs. 21-8 on 4th November. On support at low levels, the rate recovered and finished at Rs. 22-6 on 16th December.

Rs. 17-6 at the end of the previous year. After fluctuating between Rs. 19 and Rs. 11-7, it closed on 16th December at Rs. 11-10, thus registering a loss of Rs. 6 over the year. Linseed oil ready eased from Rs. 16-10 to Rs. 12-5, the highest and the lowest being Rs. 16-14 and Rs. 12 respectively. Castor oil First Pressure declined from Rs. 15 to Rs. 9-14 over the year. The peak for the year was Rs. 15-12 and the bottom Rs. 9-10. Commercial quality eased from Rs. 14-4 to Rs. 9-5, which was the lowest registered during the year, the highest being Rs. 14-10.

The most hotly discussed topic in the market during the year was the Government's policy of fixing a ceiling of 400 tons (subsequently raised to 600 tons in the case of groundnut oil) for the export of groundnut and castor oils, per shipper. While a section of the trade resented this, others, including a number of small interests, welcomed it as a healthy principle. Those who opposed it argued that it would lead to the development of unhealthy practices leading to sale of export quotas by undesirable elements of trade.

A feature of the year was the abolition, in May, 1954, of the export duty on mustard oil, rapeseed oil, linseed oil, *kardi* seed oil, *niger* seed oil and cottonseed oil. The Government also exempted castor oil from so much of the duty as was in excess of Rs. 200 per ton. The Government, however, reimposed a duty of Rs. 150 per ton on *kardi* and *niger* seeds. All these changes are with effect from 12th May, 1954.

Since these measures were inadequate to bring about a change in the weakness of the market, the Government granted, in stages, larger quotas for export of groundnut oil and castor oil. On 30th July, it imposed on groundnut oil a duty of Rs. 350 per ton of 2,240 pounds. Subsequently, as the duty turned out to be very heavy, it reduced it, in two stages to Rs. 100 per ton. At similar relief in export duty was, however, not given to castor oil exports. There was, therefore, a clamour for the reduction, if not abolition, of export duty on castor oil.

The arrivals of groundnut oil seeds from 1st January to 9th December, 1954, in Bombay were 24.4 lakh cwts., as against 21.16 lakh cwts. in the same period of 1953. The arrivals of linseed were 1.12 lakh cwts., as compared with 1.37 lakh cwts., and castorseed 3.64 lakh cwts. as against 7.73 lakh cwts. The arrivals of groundnut oil were 9.25 lakh cwts., as against 6.65 lakh cwts. in 1953, and castor oil as against 55,018 cwts. and castor oil 2.12 lakh cwts. as against 2.48 lakh cwts.

Exports of groundnut oil January to November 1954 were 2,222.9 tons, linseed oil 1,020.1 tons and castor oil 19,015.9 tons. Exports during the corresponding period of 1953 of groundnut oil were 6,190.4 tons, linseed oil 526.45 tons and castor oil 23,494.6 tons. The exports of groundnut from January to November, 1954, were 7,814.9 tons, as compared with 8,469 tons in the same period of 1953.

Futures trading in edible oilseeds, especially groundnuts, is likely to be permitted in the new year. For, following the persistent demand of the oilseeds trade for permission to conduct futures trading in groundnuts, the Forward Markets Commission has surveyed the position and submitted a comprehensive report on the subject. It is said that, as soon as the Government accepts the Commission's recommendations, section 15 of the Forward Markets Regulation Act will be brought into force. The Commission will then invite applications from the various associations for recognition for conducting futures trading in oilseeds. The Commission, it is stated, has given high priority to the question of futures trading in oilseeds, especially in view of a bumper crop in groundnuts this year. However, it seems to favour restricting the number of centres where futures trading would be permitted in order to prevent speculation from being carried on an organised scale with a view to personal profit.

It is difficult, if not impossible to forecast the trend of prices in the oilseeds and oils markets in the new year. For that depends on a number of factors, such as the Government's export policy, the level of world market prices and the crop position at home as well as abroad. All indications are that, with the prospects of groundnut crop of the current season being 13 times that of the last season and of the edible and non-edible crop situation also being good, an easier trend in prices is likely to continue. The price situation is likely to improve, it is said, only if liberal export quotas, especially in groundnut oil, are allowed, and the export duty on castor oil is reduced substantially.



ORIENTAL
GOVT. SECURITY LIFE
ASSURANCE CO. LTD.
(Established in 1874)

First name in Indian
Insurance for the
last 80 years
TRANSACTING
all classes of life assu-
rance and annuities

ORIENTAL
FIRE & GENERAL
INSURANCE CO. LTD.
(Established in 1947)

TRANSACTING
Fire, Marine, Motor,
Accident, also spe-
cializing in Engineer-
ing and Machinery
Erection Insurance

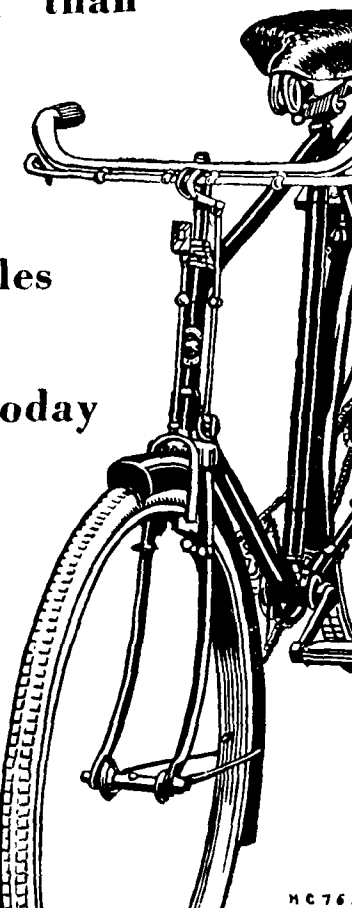
INDIA'S LEADING INSURANCE COMBINE

LIFE BUSINESS IN FORCE - Rs. 207 CRORES
ASSETS EXCEED - Rs. 75 CRORES

It is in the interests of ORIENTAL LIFE POLICYHOLDERS to place all their general business with the ORIENTAL FIRE & GENERAL because all the profits of the latter go to increase the profits of the ORIENTAL LIFE which, in turn, are distributed as increased bonuses.

ORIENTAL GOVERNMENT SECURITY LIFE ASSURANCE CO., LTD.
ORIENTAL FIRE AND GENERAL INSURANCE COMPANY LTD.
Head Office: Oriental Buildings Bombay I.

FIRST NAME IN INSURANCE • LAST WORD IN SECURITY.



There are
more than
700,000
Hind Cycles
on the road today

HIND
built stronger
to last longer

HIND CYCLES LTD.,
250, Worli, BOMBAY 18.

Sole Distributors for
Bombay State, Madhya Bharat, Madhya Pradesh, Saurashtra, Cutch
and South India:

HIND CYCLE SUPPLY SYNDICATE
345, Kalbadevi Road, BOMBAY

Telegram: "SUGARS" Anakapalle Telephone: 270

**THE VIZAGAPATAM SUGARS AND
REFINERY LIMITED**
ANAKAPALLE (Southern Railway)

Authorized Capital - Rs. 15 Lakhs
Subscribed & Paid-up Capital Rs. 7½ Lakhs

★
Manufacturers of:

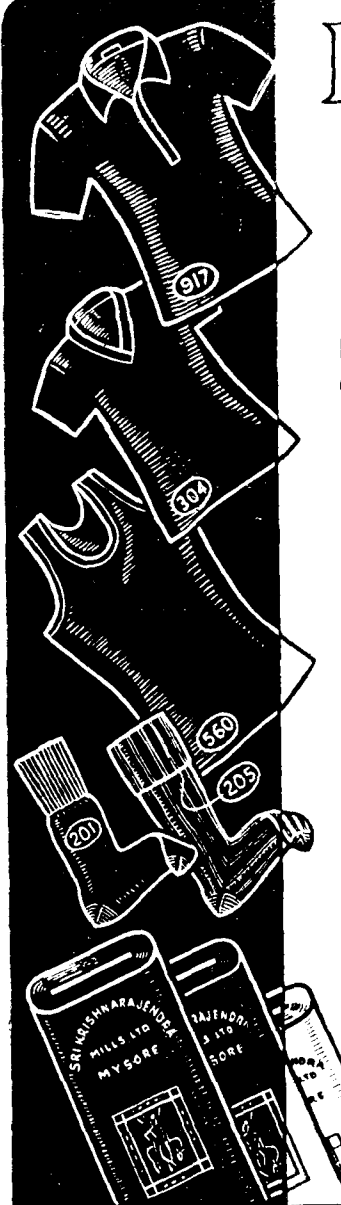
**SUGAR, SPIRITS, TINCTURES, PHARMA-
CEUTICALS, PHENYLE, CO₂ GAS, ETC.**

★
Board of Directors:

SRI KANTILAL NAHALCHAND, Bombay.
SRI TANSUKHRAI M. KARUNDIA, Bombay.
SRI SUMATICHANDRA H. SHETH, Baroda.
SRI D. VARAHA NARASIMHAM, Pedamadaka.
SRI CHINUBHAI K. JASWA, Bombay.
SRI HIMATLAL KANTILAL, Bombay.
SRI K. G. APTE, Phaltan.

★
MANAGING AGENTS:

Messrs. KANTILAL & SHETH LIMITED
14, New Queen's Road
BOMBAY



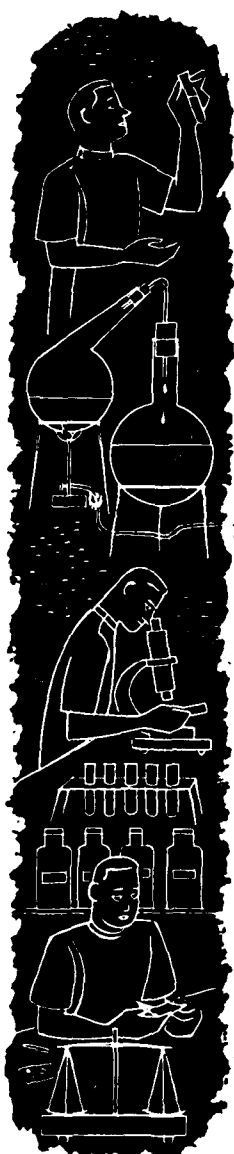
INDIA'S
Finest
HOSIERY
AND
DHOTIES - SHIRTINGS
COATINGS - SILK VESTS
COTTON FABRICS
YARN ETC.



Our manufactures of yarn, cloth
and superfine hosiery are well
known for their moderate price
and durability. We make these
- as they should be made - for
full value and satisfaction.

Manufacturers of
YARN, CLOTH
SUPERFINE
Hosiery

MYSORI



Alembic
among the World's
Best

In India, Alembic pharmaceuticals
rank among the best of the products
available. They have established a
reputation for quality and
integrity for about half a century.
Alembic always exercise strict care
to market the drugs of the highest
standard and purity under a
vigilant supervision and a scientific
control at every stage of manufacture.
Alembic's research and manufacturing staff
consisting of expert scientists and technicians
are ever vigilant to keep pace with the
latest advances in medical science.



ALEMBIC CHEMICAL WORKS CO., LTD., BARODA-3, INDIA



HOLLERITH
Electrical PUNCHED CARD
ACCOUNTING

This brings accuracy to all accounting!

Hollerith electrical punched card methods and machines mechanise
day-to-day accountancy and create statistical records with speed and
economy. Seasonal or incidental analyses, or special fact-finding reports
can be prepared without disturbing normal routine. Hollerith is used
all over the world, in Government Offices and by Local Authorities.
Public Utilities, Commerce and Industry.

HOLLERITH (INDIA) LIMITED
HEAD OFFICE: Liberty House, New Marine Lines, Bombay. 1 (PO Box 516)

DISTRICT OFFICES:

BOMBAY, 1: Fazalbhoy Building, Mahatma Gandhi Road (PO Box 516)
CALCUTTA: 17 Chittaranjan Avenue (PO Box 616) NEW DELHI: 83 N Block,
Connaught Circus (PO Box 76) MADRAS: 38 Mount Road (PO Box 704)

SERVICE BUREAUX: Bombay, New Delhi, Calcutta and Madras



No Resting on oars...

The Thapars have always worked with one
aim at heart—to make India industrially strong
and self-sufficient. Even against heavy odds
they are proud of never having swerved an
inch from their course. Today the Thapars
have succeeded in setting up, all over this sub-continent, a large
group of vital industries, such as, Coal, Paper, Sugar, Textiles,
Starch, Soap, Medicine etc. What they have already done is con-
siderable but they are constantly on the alert to extend their
range of activities as they are determined not to rest content un-
til their one great aim has been realised.

Serving Industry
Serving Progress

**KARAMCHAND
THAPAR & BROS.
LIMITED**
5, ROYAL EXCHANGE PLACE
CALCUTTA-1.

*Thapars' contributions to India's
Industrial Progress include*

COLLIERIES & COAL DISTRIBUTION: Oriental Coal Co. Ltd., Rawanwara Collieries Ltd., Tentulia Khas Collieries Ltd., United Collieries Ltd., Jharla & Ranigunj Collieries Ltd., Kasta & Bihar Collieries Ltd., Eastern Syndicate Ltd., Karam Chand Thapar & Bros. (Coal Sales) Ltd.
SUGAR MILLS: Deoria Sugar Mills Ltd., Mohini Sugar Mills Ltd., New Savan Sugar & Gur Refining Co. Ltd., Shree Sitaram Sugar Co. Ltd., Panipat Sugar Mills Ltd.
PAPER MILLS: Shree Gopal Paper Mills Ltd., The Ballapur Paper & Straw Board Mills Ltd.
MACHINERY & ENGINEERING: Northern India Building & Engineering Co. Ltd., Barakar Foundry & Engineering Works Ltd., Orient Commercial Co. Ltd.
TEXTILE MILLS: Jagtije Cotton Textile Mills Ltd.
STARCH: Bharat Starch & Chemicals Ltd.
RADIOS & ELECTRICALS: Hindustan General Electrical Corporation Ltd.
DISTILLERY: Standard Refinery & Distillery Ltd.
CHEMICALS & PHARMACEUTICALS: Indian Medical Supply Laboratory Ltd.
OTHER CONCERNS: Karam Chand Thapar & Sons Ltd., Indian City Properties Ltd., Produce Exchange Corporation Ltd.,



QUALITY
CRAFTSMANSHIP
GLAMOUR

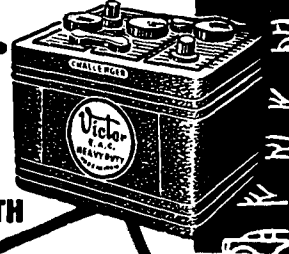
Khatau
VOILES

THE KHATAU MAKANJI SPINNING AND WEAVING COMPANY LTD.

Head Office: 10, Market Street, Bombay. Branch Office: 10, Market Street, Bombay. Branch Office: 10, Market Street, Bombay.

3 in ONE

- LONG LIFE
- QUICK START
- EXTRA STRENGTH



Victor
The dependable
For BATTERY

CARS, TRUCKS, RADIOS & HOUSE LIGHTING Etc.

EASTERN-ACCUMULATOR CO.
3/1, MANGOE LANE, CALCUTTA-1. PHONE-BANK 2879
WORKS: 69A PEARY MOHAN ROY RD, CHÉLLA, CAL-27 PM-ALIPUR 2569

FANTASY
IN
Fashion
with
INDU
fabrics



LET US SELECT YOUR
PAINT

COVERALL
Paint for all

FERRALLS
Prevents corrosion under tropical condition of high temperature and humidity

PROTECTALLS
Will protect corrugated sheets

SILVALLS
Lustre, Decoration & Protection combined in one



Overall's
IDEAL PAINT
WOOD METAL

EAST INDIA PAINT & CHEMICAL WORKS LIMITED
NATIONAL GREEN

FOR COLOUR AND PROTECTION ★ CALCUTTA SILIGURI MADRAS

EAST INDIA PAINT & CHEMICAL WORKS LTD.

FOR COLOUR AND PROTECTION

★ CALCUTTA SILIGURI MADRAS

From times immemorial Oriental Costumes were noted for their finery. Vivid colours, fantastic patterns of tinsel beads and artistic embroidery were exquisitely worked upon cloth of superlative quality. Fashions change. New colours, new patterns appear but the quality of

textiles remains supreme.

India was the home of quality textiles in days gone by and now, the India United Mills produce exquisitely woven, highest quality fabrics that satisfy all tastes and set fashions in sartorial displays.

THE INDIA UNITED MILLS LTD.

MANAGING AGENTS:
MESSRS. AGARWAL & CO.
BALLARD ESTATE, BOMBAY.

SOME VITAL ECONOMIC STATISTICS

CLASSIFICATION OF LAND AREA			
Classification	Area (000's acres)	Percentage to area surveyed	
Total land area	812,670	100	
Total land area surveyed	823,477	101.45	
Cultivated area	327,704	40.33	
Fallow land	59,365	7.31	
Land sown	268,339	33.02	
Land under forests	288,459	35.50	
Land not available for cultivation	99,572	12.25	
Other uncultivated land excluding fallow land	102,665	12.63	
Unclassified	61	0.007	

* Includes irrigated area 47,661,000 acres.

AREA AND POPULATION OF STATES				
States	Area (sq. miles)	Population (in thousands)	Increase (+) or Decrease (-) (in thousands) %	
		1951	1941	
Assam	85,012	9,044	7,593	+ 1,451 19.1
Bihar	70,330	40,226	36,528	+ 3,698 10.1
Bombay	111,434	35,956	29,181	+ 6,775 23.2
Madhya Pradesh	130,272	21,249	19,332	+ 1,916 9.9
Madras	127,790	57,016	49,331	+ 7,685 15.4
Orissa	60,136	14,040	13,768	+ 272 2.0
Rajasthan	130,207	15,231	13,305	+ 1,926 14.5
Uttar Pradesh	113,409	63,216	56,532	+ 6,684 11.8
West Bengal	30,775	24,810	21,837	+ 2,973 13.6
Total Part A States	766,536	278,803	247,609	+ 31,193 12.6
Hyderabad	82,198	18,655	16,327	+ 2,328 14.2
Madhya Bharat	48,478	7,954	7,170	+ 784 10.9
Mysore	29,489	9,075	7,388	+ 1,687 23.7
P.E.P.S.U.	10,078	3,494	3,402	+ 92 2.7
Rajasthan	130,207	15,231	13,305	+ 1,926 14.5
Saurashtra	21,451	4,137	3,561	+ 576 16.2
Travancore-Cochin	9,144	9,280	7,600	+ 1,680 23.7
Total Part B States	329,015	67,887	58,694	+ 9,193 15.8
Almer	2,417	693	584	+ 109 18.6
Bhopal	6,878	836	779	+ 57 7.3
Bilaspur	453	126	110	+ 16 14.5
Coorg	1,588	229	169	+ 60 35.5
Delhi	678	1,744	918	+ 826 90.0
Himachal Pradesh	10,451	983	947	+ 36 3.8
Kutch	16,734	568	512	+ 56 11.8
Manipur	8,028	578	512	+ 66 12.9
Tripura	4,032	639	513	+ 126 24.6
Vindhya Pradesh	23,603	3,675	3,387	+ 288 8.5
Total Part C States	75,350	9,972	8,406	+ 1,566 18.6
Andaman and Nicobar Islands and Sikkim	6,959	169	155	+ 14 9.0
Total Indian Union	1,176,880	356,829	314,766	+ 42,063 13.4

DECENNIAL GROWTH OF POPULATION OF INDIA			
Census year	Population (in millions)	Decennial growth (in millions)	%
1901	238.4	+13.9	+ 5.8
1911	252.3	+0.8	+ 1.0
1921	251.5	+27.7	+ 11.0
1931	279.2	+39.7	+ 14.2
1941	318.9	+42.3	+ 13.3

NOTE.—The above census figures relate to Indian Union only, including Jammu and Kashmir. In 1951, however, no census in Jammu and Kashmir was taken. The figure for 1951, therefore, includes only an estimated population of 4.4 million in respect of that State.

OCCUPATIONAL DIVISION OF POPULATION—1951 CENSUS (in millions)					
Self-supporting persons	Dependents	Total	Percentage to total population		
Earning	Non-earning				
Cultivators of land wholly or mainly owned	45.7	21.5	100.1	167.3	46.9
Cultivators of land wholly or mainly un-owned	8.8	3.9	18.9	31.6	8.8
Cultivating labourers	14.9	5.2	24.7	44.8	12.6
Non-cultivating owners of land and other agricultural rent receivers	1.6	0.4	3.3	5.3	1.5
Total agricultural classes	71.0	31.0	147.0	249.0	69.8
Non-agricultural production	12.2	3.2	22.3	37.7	10.5
Commerce	5.9	0.9	14.5	21.3	6.0
Transport	1.7	0.2	3.7	5.6	1.6
Other services	13.6	2.6	20.8	43.0	12.1
Total non-agricultural classes	33.4	6.9	67.3	107.6	30.2
Total population	104.4	37.9	214.3	356.6	100.0

AGE GROUP OF POPULATION (In thousands)			
Age group	Males	Females	
0	4,867	954	4,781 888
1-4	15,084	2,856	15,150 2,758
5-14	37,749	6,954	35,516 6,472
15-24	24,412	6,260	24,759 5,293
25-34	22,469	5,406	22,439 4,104
35-44	18,116	3,916	16,556 2,972
45-54	13,072	2,647	11,799 2,009
55-64	7,674	1,390	7,341 1,283
65-74	3,305	563	3,420 555
75 and over	1,403	227	1,513 243
Age not stated	96	16	100 17
Total	148,247	31,189	143,374 26,774

INDEX NUMBERS OF COST OF LIVING (WORKING CLASS)			
City or Town	State	Base Period	Average for the Calendar year
			1950 1951 1952 1953
All-India		1949	101 105 103 106
Bombay	Bombay		102 108 110 118
Ahmedabad	"		104 105 104 111
Sholapur	"		97 105 104 108
Kharagpur	West Bengal		100 99 97 101
Kanpur	"		91 94 92 95
Madras	Madras		101 103 102 109
Ernakulam	Travancore-Cochin		102 106 106 107
Nagpur	Madhya Pradesh		103 104 103 108
Jalgaon	"		101 111 99 100
Delhi	"		100 108 108 106
Almer	"		104 111 108 102
Jharia	Bihar		114 116 110 104
Jamshedpur	"		105 110 112 111
Gauhati	Assam		98 110 111 102
Cuttack	Orissa		111 123 109 107
Ludhiana	Punjab		101 102 92 90
Mercara	Coorg		105 106 99 105
Bangalore	Mysore		105 115 115 114
Hyderabad	Hyderabad		105 108 106 115

EMPLOYMENT IN FACTORIES COMING UNDER FACTORIES ACT										
State	Average daily number of workers employed									
	1939	1946	1947	1948	1949	1950	1951	1952	1953†	1953‡
Andhra	52,003†	53,161	56,110	59,563	61,132	61,262	65,186	66,620	66,620	77,965
Bihar	95,988	138,900	130,834	145,208	155,334	180,204	191,724	172,486	190,608	190,608
Bombay	466,040	680,696	702,465	787,480	789,463	773,332	767,704	744,549	733,242	733,242
Madhya Pradesh	54,494	101,855	97,219	101,646	96,273	100,056	100,994	100,842	107,958	107,958
Orissa	197,266	262,292	276,588	288,722	323,950	391,457	417,545	400,379	391,972	391,972
Punjab	5,371	7,442	10,092	12,329	13,559	14,439	17,186	18,038	18,038	18,038
West Bengal	22,468	41,626	37,486	36,625	39,342	50,413	48,175	52,322	49,234	49,234
Almer	159,738	257,140	240,396	242,083	233,837	232,695	202,514	208,832	236,233	236,233
Coorg	532,330	668,067	697,028	687,701	695,038	641,684	694,901	690,632	690,632	690,632
Hyderabad	13,330	15,789	15,964	15,877	15,380	16,697	16,027	15,903	14,667	14,667
Almer	14	53	117	74	82	85	86	86	86	86
Delhi	17,400	33,349	31,320	36,804	38,800	40,286	42,635	39,993	38,993	38,993
Andaman and Nicobar Islands	N.A.	2,065	2,019	2,019	2,019	1,497	1,637	1,264	1,264	1,264
Total	1,826,942	2,555,186	2,274,689	2,360,201	2,431,966	2,504,399	2,536,544	2,536,544	2,536,544	2,536,544

† Figures relate to undivided Province. N.A.—Not Available. ‡ Provisional.

CLASSIFICATION OF DISPUTES BY INDUSTRIES									
Industry	1952 (January-December)			1953 (January-December)			1954 (January-August) (Approximate)		
	No. of disputes	No. of workers involved	No. of man-days lost	No. of disputes	No. of workers involved	No. of man-days lost	No. of disputes	No. of workers involved	No. of man-days lost
Textiles—									
Cotton	227	439,350	1,081,188	121	100,801	574,821	72	59,572	138,002
Jute	33	37,482	106,555	31	44,838	350,907	21	35,902	210,399
Others	62	13,065	61,920	64	21,140	55,972	69	6,675	36,575
Engineering	20	20,559	208,196	79	75,590	393,275	105	33,510	182,187
Minerals and Metals—									
Iron and steel	24	20,831	27,093	16	35,788	449,545	14	1,500	9,385
Others	20	5,000	76,121	34	6,225	14,959	22	3,098	14,919
Food, drink and tobacco	28	22,085	116,008	55	20,018	130,177	37	10,520	93,956
Chemicals and dyes	16	5,442	84,494	15	3,701	10,729	16	8,927	150,287
Wood, stone and glass	15	17,449	85,855	32	18,485	85,855	33	18,936	335,217
Paper and printing	21	6,398	102,936	35	13,117	310,818	23	30,017	670,697
Skins and hides	13	2,200	22,965	5	334	4,296	15	2,018	9,993
Gins and presses	4			1	27	N.A.	—	—	2,131
Mines—									
Coal	42	13,569	271,185	44	22,949	252,222	39	4	16,792
Others	24	19,949	102,182	17	12,740	65,936	4	7,707	109,686
Transport—									
Railways	25	53,968	48,859	20	5,873	6,080	1	10,979	8,737
Others	14	37,389	145,899	31	4,981	76,206	3	3,021	24,601
Ships and ports	31	13,210	40,423	22	20,568	100,243	18	6,538	12,440
Plantations	37	21,119	178,305	22	12,078	80,816	9	3,662	9,811
Municipalities	62	50,054	25	10	3,017	10,121	20	9,537	23,390
Miscellaneous	55	53,717	454,898	131	52,970	326,017	94	23,332	180,932
Total	963	869,242	3,336,961	772	466,697	3,382,808	617	286,132	2,219,926

WORLD COMMODITY SURVEY					
Commodity	Unit	Year begins	World Production	Indian production 1952-53	Indian Production 1953-54
			Pre-war 1950 1951 1952 1953		
Wheat	Million bush.	April	6,025 6,820 6,465 7,295	7,150	268.7
Maize (corn)	Million bush.	April	4,760 5,210 5,280 5,630	5,775	114.2
Oats	Million bush.	April	4,365 4,165 4,190 4,200	4,025	..
Barley	Million bush.	April	2,862 2,425 2,540 2,745	2,745	132.0
Rice (rough)	Million tons	July	149 150 151 159	162	22.5
Fats and oils	000 tons	January	21,240 22,000 23,800 24,300	23,800	102
Sugar	000 tons	September	29,061 35,325 37,066 35,725	38,881	5,019
Tea	Million lbs.	January	882 875 1,000 911	1,030	615
Coffee	Mill. bags (132 lbs.)	July	41.6 30.1 30.2 40.7	40.6	0.80
Cocoa	000 tons	October	706 774 673 743	694	..
Tobacco	Million lbs.	July	6,620 7,140 7,450 7,280	7,388	517
Cotton	Mill. bales (478 lbs.)	August	31.7 28.2 28.7 37.1	37.1	3.11
Wool (apparel)	Million lbs. (clean)	July	1,860 1,871 1,808 2,049	2,050	16.6
Wool (total)	Million lbs. (clean)	July	2,070 2,283 2,351 2,512	2,520	..
Jute	000 tons	July	1,585 1,720 2,040 2,145	2,145	822
Fiscal, Abaca, Hennequen	000 tons	January	527 525 587 600	580	..
Rubber (natural)	000 tons	January	997 1,860 1,885 1,790	1,725	21
Rubber (synthetic)	000 tons	January	.. 535 908 878	936	..
Coal	Million tons	January	1,033 1,157 1,207 1,166	1,140	36.1
Iron ore	Million tons	January	148 190 225 219	245	..
Copper	000 tons	January	2,140 2,455 2,590 2,640	2,680	6
Lead	000 tons	January	1,660 1,665 1,620 1,790	1,695	1
Tin	000 tons	January	184.2 166.5 167.5 170.5	175.5	..
Zinc	000 tons	January	1,330 1,890 1,900 2,210	2,155	..

Many figures included above are rough estimates only. Tons are long tons of 2,240 lbs.; the capacity of the bushel is normally 60 lbs. for wheat, 56 lbs. for maize, 33 lbs. for oats, 48 lbs. for barley.

† Vegetable oils. ‡ Raw sugar.

* Many figures included above are rough estimates only. Tons are long tons of 2,240 lbs.; the capacity of the bushel is normally 60 lbs. for wheat, 56 lbs. for maize, 52 lbs. for oats, 48 lbs. for barley.
† Bales of 392 lbs. each of cotton lank.
* Vegetable oils.
† Raw sugar.

SOME VITAL ECONOMIC STATISTICS—(Continued)

COMPARATIVE BANKING STATISTICS

(In crores of rupees)					
	1st Sept., 1939 (pre-war)	10th Dec. 1954	End of 1953	End of 1952	End of 1951
RESERVE BANK					
Issue Department	172.44	1,212.05	1,125.52	1,092.12	1,141.09
Notes held in Banking Department	35.05	13.45	10.37	20.78	19.21
Foreign Securities	39.50	663.15	578.15	538.15	583.15
Rupee Securities	37.39	417.75	421.38	450.06	468.13
Banking Department					
Deposits of:					
Government of India	14.80	67.80	110.24	174.79	210.49
Other Governments	7.73	18.79	3.55	10.19	10.19
Balances held abroad	10.08	69.40	144.46	167.34	197.94
SCHEDULED BANKS					
Demand Liabilities	134.37	504.81	516.31	530.46	576.06
Time Liabilities	102.84	363.71	331.89	317.06	292.32
Borrowings from Reserve Bank	8.32	2.05	4.54	9.66	...
Borrowings from Imperial Bank	6.71	37.59	32.08	34.95	43.65
Balances with Reserve Bank	25.28	65.92	44.58	43.58	45.86
Excess over statutory limits	15.52	35.51	12.13	10.72	11.20
Balances with other banks in current account in India	11.50	11.02	11.20	14.21	...
Money at call and short notice in India	17.02	12.71	10.70	11.96	...
Investments (at book value)	349.45	336.04	328.20	307.48	...
Advances and bills	105.00	535.94	461.09	468.33	542.62
IMPERIAL BANK					
Deposits	87.76	235.42	207.08	206.15	232.26
Advances	51.09	108.15	97.78	86.97	86.97
Cash	14.69	33.58	20.78	18.23	31.99

† Borrowings from Banks excluding the Reserve Bank and the Imperial Bank.

‡ Borrowings against usance bills and promissory notes.

COMPOSITION OF INDIA'S FOREIGN TRADE
(In crores of rupees)

	1952-53	1953-54	April to September 1954
Imports			
Grain, pulses and flour	153.15	63.73	57.02
Machinery and millwork	87.88	85.84	49.40
Oil—vegetable, mineral and animal	76.07	52.71	33.14
Cotton—raw and waste	30.49	23.70	9.99
Vehicles	24.88	25.76	11.92
Chemicals, drugs and medicines	23.71	23.57	11.72
Iron and steel and manufactures thereof	19.37	14.51	7.60
Other metals and manufactures thereof	16.47	14.82	7.64
Raw jute	14.26	15.01	8.39
Cutlery, hardware, implements, etc.	13.81	13.04	7.74
Electrical goods	12.79	12.74	6.28
Paper, pasteboard and stationery	11.42	15.87	7.06
Dyes and colours	9.31	9.89	4.01
Fruits and vegetables	4.99	3.16	1.39
Cotton yarns and manufactures	6.72	9.59	5.52
Woolen yarns and manufactures	0.51	13.54	7.34
Other yarns and textile fabrics	0.90	0.05	0.04
Raw rubber	2.28	2.08	0.89
Wood and timber	0.71	1.73	0.89
Raw wool	0.67	0.59	0.38
Silk—raw and cocoons	34.58	44.90	20.63
Other imports	...	...	...
Total Imports	635.48	542.20	300.56
Exports			
Jute manufactures	128.92	113.88	55.82
Cotton textiles	69.59	71.83	33.44
Tea	80.20	101.56	41.05
Metallic ores	27.35	32.37	18.37
Oil—vegetable, mineral and animal	25.14	6.14	4.50
Cotton—raw and waste	23.96	19.26	9.14
Spices	20.84	16.63	6.89
Hides and skins (tanned or dressed) and leather	20.85	24.84	11.79
Fruits and vegetables	13.85	11.26	7.81
Tobacco	7.59	4.14	3.98
Coal	...	...	...
Other non-metallic and quarrying products	9.91	9.98	5.13
Raw wool	8.42	5.87	2.52
Gums, resins and lac	5.29	7.47	3.92
Raw hides and skins	5.69	6.08	2.99
Fish (excluding canned fish)	3.87	4.19	1.99
Chemicals, drugs and medicines	4.12	3.35	1.97
Apparel	3.75	3.29	1.69
Oilseeds	4.72	2.28	1.12
Other exports	55.09	52.20	33.29
Total Exports	553.77	515.68	244.65

PRINCIPAL BANK RATES %

Centre	Changed on	From	To
Argentina	1st Mar., 1936	3	3
Austria	3rd June, 1954	4	4
Belgium	20th Oct., 1953	3	2
Bolivia	30th Sept., 1950	5	6
Canada	17th Oct., 1950	1	2
Ceylon	11th June, 1954	4	4
Chile	13th June, 1954	4	4
Colombia	18th Dec., 1953	5	5
Costa Rica	1st Feb., 1950	3	4
Denmark	22nd June, 1954	4	4
Ecuador	13th May, 1954	10	10
Egypt	15th Nov., 1952	3	3
El Salvador	22nd Mar., 1950	4	3
Finland	19th Dec., 1953	5	5
France	2nd Dec., 1954	3	3
Greece	1st Jan., 1954	12	10
India	15th Nov., 1951	3	3
Indonesia	1st April, 1946	4	3
Ireland	25th Mar., 1952	2	3
Italy	6th April, 1950	3	3
Japan	1st Oct., 1951	5.11	5.84
Mexico	4th June, 1942	4	4
Netherlands	7th April, 1953	5	5
New Zealand	26th Nov., 1954	3	4
Norway	9th Jan., 1946	3	2
Peru	1st July, 1948	5	6
Pakistan	13th Nov., 1947	5	6
Portugal	12th Jan., 1944	3	2
South Africa	27th Jan., 1952	3	3
Spain	1st July, 1954	3	2
Sweden	20th Nov., 1953	3	2
Switzerland	26th Feb., 1951	4	1
Turkey	15th May, 1954	3	3
United Kingdom	1st July, 1950	8	8
U.S.A.	16th April, 1954	3	3
West Germany	20th May, 1954	3	3

* Effective in six of the 12 Federal Reserve Districts.

INDUSTRIAL PRODUCTION

Industry	Unit	Installed capacity	For the year ended 31st December					First 8 months of 1954	First 8 months of 1953
			1949	1950	1951	1952	1953		
Mining and Quarrying :									
Coal	Million tons	..	31.5	32.0	34.3	36.2	35.84	23.85	24.09
Food Manufacturing Industries :									
Coffee	Tons	..	22,380	20,532	18,006	21,096	22,572	25,719	20,570
Salt	Million maunds	..	55.6	71.3	74.4	70.9	86.3	67.2	79.7
Sugar	Thousand tons	1,557.2	1,408	979	1,110	1,453	1,237	759	1,058
Tea	Million lbs.	..	585	613	623	603	360	347	347
Vegetable oil products (pansapati)	Thousand tons	..	368	155	172	191	192	160	129
Wheat flour	Do.	..	1,408	418	478	486	512	483	311
Textiles :									
Cotton yarn	Million lbs.	..	1,360	1,175	1,304	1,450	1,506	1,033	998
Cotton cloth	Million yards	..	3,905	3,665	4,076	4,598	4,872	3,392	3,296
Jute—hessian	Thousand tons	..	329	317	322	311	389	253	254
Jute—sacking	Do.	..	562	485	521	607	450	317	309
Jute—other manufactures	Do.	..	32	34	32	34	30	21	20
Woolen manufactures	Million lbs.	20.0	21.0	18.0	17.7	16.6	19.2	11.8	11.0
Belted	Tons	1,218	402	510	676	709	709	548	488
Rubber Products :									
Diaphragm rubber goods	Million dozens	46.9	6.8	10.6	11.0	13.8	12.5	7.1	7.3
Blonite	Thousand lbs.	1,128	48	161	299	558	432	346	240
Fan belt	Thousand pairs	40.5	17.8	16.6	22.0	22.8	24.0	19.5	15.6
Footwear rubber	Thousand pairs	474	101	206	321	155	140	90	108
Hoses—various	Thousand ft.	9,918	1,855	2,820	3,474	3,850	4,422	3,145	2,970
Hoses—Other types	Thousand ft.	1,126	450	432	472	640	496	619	310
Latex foam sponge	Thousand lbs.	925	686	638	870	721	768	577	503
Automobiles	Nos.	6,000	..	..	2,472	684	1,296	1,090	877
Motor cycles	Thousand ft.	1,404	4,612	3,325	2,474	684	1,296	1,090	877
Cycle	Thousand	4,571	4,612	3,325	2,474	684	1,296	1,090	877
Tractor	Nos.	5,400	..	..	3,852	9,612	11,450	4,909	4,909
Automobiles	Thousand	925	701	698	821	661	659	525	455
Nos.	5,700	..	..	..	996	984	1,090	877	877
Thousand	3,128	4,207	4,397	4,106	4,601	3,132	2,928	2,825	2,825
Tractor	Nos.	6,000	..	..	3,454	8,136	9,846	4,384	4,384
Chemicals and Chemical Products :									
Ammonium sulphate	Thousand tons	427	459	473	627	220	205	212	212
Bakelite moulding powder	Thousand lbs.	1,800	..	..	460	607	838	651	651
Bichromates	Tons	5,916	1,716	1,980	3,276	1,464	2,089	1,422	1,422
Bleaching powder	Thousand tons	7,800	2,472	3,312	3,588	3,112	1,944	1,098	1,127
Caustic soda	Do.	38,112	6,300	10,848	14,724	17,004	22,908	18,794	13,000
Chlorine liquid	Do.	18,348	2,652	3,972	5,208	6,240	8,136	6,135	4,871
Copper anodes	Do.	1,950	450	432	504	336	516	467	260
Glycerine (refined)	Do.	3,516	1,740	2,004	2,424	2,220	2,609	1,423	1,423
Glu	Do.	1,074	601	672	708	732	558	614	614
Liver extract	Do.	..	..	..	..	..	..	..	..
Injection	Million c.c.	59.7	7.3	11.1	10.7	10.4	10.1	9.1	5.4
Oral	Thousand lbs.	3,557	181	301	311	284	290	166	166
Matches	Thousand cases	6,006	527	577	608	590	337	410	410
Paints and varnishes	Thousand tons	65	31	28	33	32	32	23	20
Rayon	Tons	4,560	71	73	2,040	4,358	3,112	2,774	2,774
Snap	Thousand tons	194	18	44	38	44	57	37	37
Soda ash	Do.	61	18	44	38	44	57	37	37
Sulphuric acid	Do.	197	99	102	107	96	72	72	72
Superphosphates	Do.	211	47	52	61	47	48	32	32
Welding gases	Million c. ft.	435	..	..	175	193	225	174	140
Basic Metal Industries :									
Pig iron and ferro alloys	Thousand tons	2,221	1,610	1,679	1,825	1,855	1,777	1,287	1,158
Finished steel	Do.	1,729	990	1,004	1,076	1,103	1,018	814	635
Semi-finished steel	Do.	1,302	1,105	1,142	1,240	1,308	1,230	949	793
Steel ingots and metal for castings	Do.	1,342	1,352	1,438	1,500	1,578	1,507	1,107	976
Steel tubes	Tons	20,700	470	427	456	215	209	126	126
Aluminium	Do.	7,008	3,490	3,548	3,568	3,720	2,226	2,226	2,226
Antimony	Do.	700	100	376	323	181	131	277	58
Copper	Do.	..	..	..	..	..	..	..	..
Virgin metal	Do.	7,200	6,390	6,114	7,084	6,079	4,920	4,629	2,387
Pipes and tubes	Do.	3,300	58	10	11	35	44	11	33
Sheets and circles	Do.	..	..	..	6,204	4,400	864	1,128	1,059
Lead	Do.	6,000	594	628	859	1,132	1,094	1,176	998
Virgin metal	Do.	4,900	299	312	227	332	311	541	198
Pipes and tubes	Do.	..	..	..	..	..	..	..	..
Brass	Do.	360	4	10	11	4	2	3	3
Pipes and tubes	Do.	..	19,416	11,232	8,288	10,068	9,083	6,411	6,411
Sheets and circles	Do.	..	164	109	225	223	194	152	152
Gold	Thousand ozs.	..	..	..	..	..	..	..	..
Metal Products :									
Duplicators	Nos.	4,800	552	756	1,560	1,020	924	701	549
Expanded metal	Thousand pieces	30.0	8.1	8.1	8.1	7.7	9.4	5.7	5.7
Expanded metal	Do.	2,940	300	2,148	1,896	2,016	1,636	1,641	1,073
Hurricane lanterns	Thousand	4,553	1,728	2,807	3,977	3,523	4,313	3,426	2,887
Oil pressure lamps	Do.	211	31	31	31	31	31	31	31
Razor blades	Millions	272	7.6	10.7	22.9	10.8	23.2	69.0	12.0
Screws	Thousand gross	444	88	160	127	148	168	146	112
Machine	Do.	4,464	344	703	797	1,330	2,652	3,208	1,538
Wood	..	..	..	..	..	..	..	..	..
Non-metallic Mineral Products :									
Abrasive	Reams	80,400	25,200	31,200	37,200	55,200	39,600	46,000	37,100
Asbestos (cement sheets)	Thousand tons	132	86	86	83	83	76	64	49
Cement	Do.	4,188	2,102	2,612	3,106	3,538	3,750	2,897	2,435
Ceramics	Thousand dozens	870	92	31	31	346	374	242	234
Glazed tiles	Thousand	5,822	2,376	1,453	1,077	3,403	2,252	1,505	1,505
Insulators	Thousand	2,209	2,209	2,209	2,209	2,209	2,209	2,209	2,209
Refractories	Tons	2,100	1,608	1,783	648	432	648	862	108
Sanitary-ware	Do.	22,600	22,600	24,400	30,900	33,600	33,600	25,700	25,700
Stone-ware	Do.	16,572	3,732	6,090	11,92	9,060	10,440	6,649	5,327
White-ware	Do.	..	..	..	..	..	..	..	..
Glass	Thousand sq. ft.	76.3	3.5	9.6	11.1	9.1	22.8	14.9	12.8
Sheet	Thousand	1,384	2,160	1,384	1,384	1,384	977	977	977
Laboratory	Thousand	27.3	9.1	13.0	13.4	16.7	16.9	12.6	11.7
Shells	Thousand tons	202	64	72	90	85	72	60	45
Other glassware	Thousand tons	..	..	..	..	..	..	..	..
Machinery :									
Carding engines (revolving flat cards)	Nos.	600	..	..	108	192	265	87	87
Complete ring spinning frames	Do.	306	..	..	276	388	304	206	144
Diesel engines	Do.	13,164	2,076	4,596	7,245	4,248	3,720	5,373	1,907
Grinding wheels	Thousand lbs.	1,200	707	500	780	865	808	719	560
Machine tools	Value (lakhs Rs.)	47,511	26.60	40	43	44	44.07	3,346	29.10
Plain calico looms	Do.	4,320	201	201	2,280	1,344	1,812	960	1,859
Power-driven pumps	Thousand	60	14	30	43	32	25	174	14
Sewing machines	Do.	12	31	44	18	33	33	65	39
Twist drills	Do.	1,482	401	445	1,018	775	335	316	224
Electrical Goods :									
Bare copper conductors	Tons	19,092	5,724	5,676	3,000	5,928	7,368	3,431	5,673
Conduit pipes	Thousand ft.	9,960	2,948	2,966	3,970	3,695	3,715	4,129	2,493
Domestic refrigerators	Nos.	3,990	..	..	143	600	1,140	930	768
Dry cells	Do.	222	152	139	139	100	148	108	96
Electric fans	Thousand	304	178	193	212	196	208	152	140
Electric lamps	Do.	28,300	13,644	14,304	15,510	20,880	19,768	15,030	13,239
Electric motors	Thousand H.P.	28,300	13,644	14,304	15,510	20,880	19,768	15,030	13,239
House service meters	Thousand	166	69	82	143	157	168	120	91
Power transformers	Thousand K.V.A.	323	109	172	172	215	308	232	200
Radio receivers	Thousand	12	37	44	18	33	33	42	37
Storage batteries	Do.	290	200	160	152	200	176	120	115
Transport Equipment :									
Automobiles	..	..	..	..	..	..	..	..	..
Cars	Nos.	..	..	..	..	..	..	..	..
Trucks	Do.	..	15,132	8,016	9,888	8,340	8,888	5,046	5,757
Complete cycles	Do.	437,496	80,028	103,552	114,276	198,956	264,168	224,421	157,716
Spare parts and accessories	Value (lakhs Rs.)	..	18	65	95	82	102	83	66
Other Industries									
Alcohol	..	..	..	..	..	..	..	..	..
Power	Thousand bulk galls.	13,812	4,230	4,498	5,809	7,742	8,120	6,076	5,554
Industrial	Do.	11,640	3,966	4,913	6,977	8,600	6,870	5,173	3,800
Chromium plated hides	Thousand	229	581	498	880	652	701	467	467
Cigarettes	Millions	24,250	21,800	23,029	21,800	21,800	21,800	21,800	21,800
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6,173	5,552	3,725	3,670
Footwear (leather)	Thousand pairs	5,858	4,983	4,983	5,714	6			

SOME VITAL ECONOMIC STATISTICS—(Concluded)

TRANSPORT AND COMMUNICATIONS IN INDIA				
Total road mileage (excluding Municipal) .. .	237,222			
Of which :				
Metalled .. .	95,285			
Non-metalled .. .	141,937			
Waterways				
Approximate main waterways navigable by steamers and large country boats (in miles) .. .	5,158			
Shipping				
Total gross registered tonnage owned .. .	467,171			
Of which tonnage on :				
Overseas trade .. .	178,108			
Coastal trade .. .	287,073			
Total gross registered tonnage chartered .. .	65,517			
Of which tonnage on :				
Overseas trade .. .	20,128			
Coastal trade .. .	45,389			
Railways				
Total route mileage .. .	34,275			
Capital outlay (in crores of rupees) .. .	883.21			
Aviation				
Total unduplicated route mileage on scheduled services (in miles) .. .	27,000			
Average number of miles flown on scheduled services per month .. .	1,600,000			
Average number of passengers flown on scheduled services per month .. .	34,000			
Average amount of freight carried on scheduled services per month (in lbs.) .. .	7,100,000			
Average amount of mail carried on scheduled services per month (in lbs.) .. .	737,000			
Number of aerodromes owned by the Government of India .. .	186			
Number of aerodromes owned by State Governments .. .	105			
Number of aerodromes owned by Private Agencies .. .	14			
Automobiles				
Total number .. .	333,219			
Of which :				
Private cars .. .	156,154			
Taxis .. .	18,201			
Buses run on diesel .. .	8,524			
Buses run on other fuels .. .	35,925			
Goods vehicles run on diesel .. .	1,561			
Goods vehicles run on other fuels .. .	85,514			
Motor cycles .. .	20,124			
Miscellaneous run on diesel .. .	4,754			
Miscellaneous run on other fuels .. .	12			
Total number of Assembling and Manufacturing Units .. .	5			
Of which those having manufacturing programmes .. .				
Aggregate assembling capacity of the 12 units (in numbers) .. .	84,000			
Total number of cars and commercial vehicles assembled per year .. .	14,870			
Posts, Telegraphs and Tele-communications				
Number of post offices .. .	43,203			
Of which :				
Rural .. .	37,434			
Urban .. .	5,769			
Number of telegraph offices including railway and canal offices .. .	8,408			
Total number of telephones .. .	218,653			
Total number of wireless stations (excluding those run by defence services) .. .	1,484			
Total number of broadcast receiver licences .. .	740,000			
Total number of wireless messages sent per year .. .	674,400			

INDEX NUMBERS OF WHOLESALE PRICES				
	For the year ended			For ten months ended
	1951	1952	1953	31st October
Food Articles .. .	409.8	359.8	381.1	385.3
Rice .. .	546.9	527.4	514.1	479.2
Wheat .. .	549.5	533.8	566.4	565.3
Jowar .. .	207.8	216.5	212.5	193.7
Bajra .. .	245.0	245.0	234.0	237.5
Pulses .. .	506.0	498.0	497.4	437.5
Tea .. .	409.9	246.3	377.0	583.3
Coffee .. .	567.3	680.0	620.3	645.2
Sugar .. .	207.0	204.1	272.2	300.1
Gur .. .	305.0	176.6	268.7	267.5
Industrial Raw Materials .. .	608.2	453.8	480.1	449.1
Raw cotton .. .	501.0	426.0	455.5	463.4
Raw jute .. .	809.3	613.0	578.3	598.4
Groundnut .. .	768.5	561.3	712.7	641.8
Lime .. .	613.3	426.0	415.4	410.1
Coal .. .	357.0	357.0	357.0	357.0
Semi-manufactures .. .	377.5	348.5	356.3	356.9
Leather .. .	433.0	345.0	410.3	377.3
Mineral oils .. .	197.0	221.0	224.2	221.0
Vegetable oils .. .	079.0	459.0	526.8	475.7
Cotton yarn .. .	433.0	405.0	441.4	454.0
Metals .. .	197.0	211.0	226.4	233.7
Offshores .. .	500.0	440.0	430.8	422.0
Others .. .	350.0	273.0	263.7	304.0
Manufactures .. .	395.5	377.5	387.0	375.4
Jute .. .	817.5	515.8	381.5	434.7
Cotton .. .	400.4	401.0	407.0	408.4
Rayon and silk .. .	611.0	485.0	437.0	475.0
Woollen .. .	378.0	346.0	309.7	311.4
Iron and steel .. .	226.0	228.2	267.8	272.8
Miscellaneous .. .	729.8	635.6	683.5	659.3
All Commodities .. .	439.3	386.9	393.9	389.7

NATIONAL INCOME*				
Country	Year	Population (in millions)	National income (in millions)	Per capita income (Rs.)
India†	1951-52	359.33	9,900	274.5
Pakistan	1949	75.04	1,671	223
Burma	1952	18.86	8,556	450
Ceylon	1953	8.16	442	541
Japan	1952	85.50	5,282,400	7,014
Philippines	1953	21.02	1,753	834
New Zealand	1953	2.05	727	354
Australia	1952	9.13	3,821	418
U.K.	1953	50.85	10,025	1,972
U.S.A.	1953	159.63	305,000	1,906
Canada	1953	14.78	10,043	673
France	1953	42.55	14,019	3,291
W. Germany	1953	48.99	11,705	2,389
Italy	1953	47.02	8,967,000	1,882
Norway	1953	3.36	1,332	3,959
Sweden	1953	7.17	3,957	5,517
Netherlands	1953	10.49	10,380	2,451
Denmark	1953	4.37	2,484	5,682
Switzerland	1953	4.88	2,226	4,654

* National income at factor cost—the aggregate of all incomes earned in the production of goods and services in the course of a year including net income from abroad.
Source: United Nations Monthly Bulletin of Statistics, September, 1954.
† Estimates are based on the first issue of the annual paper on national income issued by the Central Statistical Organisation.

FINANCIAL POSITION OF INDIA
(In crores of rupees)

	1949-50	1950-51	1951-52	1952-53	1953-54 Budget	1953-54 Revised	1954-55 Budget
GOVERNMENT OF INDIA							
Revenue Account :							
Revenue—							
Customs	124.71	157.15	231.69	173.75	170.00	160.00	175.00
Excise	67.85	67.54	85.78	66.20*	77.51*	78.00*	88.16*
Estate Duty	0.00	0.22	0.17	0.17	0.17	0.17	0.25
Corporation tax	39.53	40.49	47.41	43.80	36.62	36.40	35.35
Other taxes on income	121.59	132.73	146.19	84.45	123.38	69.81	70.67
Currency and Mint	11.32	12.27	11.30	10.17	15.69	15.41	20.42
Contribution from Railways	7.00	6.50	6.93	7.11	7.65	7.50	7.37
Contribution from Posts and Telegraphs	2.38	3.98	3.43	1.87	2.30	2.02	1.50
Total revenue	350.39	410.66	515.36	418.28	439.26	354.37	374.68
Expenditure—							
Defence (net)	148.86	164.13	170.96	179.52	199.84	199.68	205.62
Direct demands	18.00	12.50	16.23	13.56	32.49	15.37	15.90
Irrigation	0.08	0.22	0.17	0.17	0.17	0.17	0.17
Debt services	39.43	37.36	39.00	36.50	37.17	38.55	40.00
Civil administration	39.50	48.80	53.67	51.71	71.27	68.57	80.08
Currency and Mint	2.08	2.45	2.51	2.56	2.57	2.56	2.68
Civil works, etc.	6.53	10.38	11.36	13.11	15.06	14.75	15.54
Miscellaneous	52.44	52.88	65.14	48.86	29.37	33.01	23.42
Adjustments between Union and States	2.90	15.69	17.31	22.80	29.37	26.86	32.48
Extraordinary items	11.54	7.03	10.91	10.15	24.48	15.76	23.97
Total expenditure	317.12	351.44	387.27	379.35	438.81	415.10	450.80
Net revenue position	+33.27	+59.22	+128.09	+38.93	+0.45	-16.96	-14.21
Capital Account :							
Receipts (net)—							
Permanent debt	124.14	50.00	23.26	27.76	161.23	186.77	25.26
Other debt	—	—	—	2.19	—	—	831.15
Total	124.14	50.00	23.26	29.95	161.23	186.77	356.41
Disbursements (net)—							
Railways	34.25	25.41	23.21	7.05	18.97	17.78	33.93
Civil works	N.A.	7.72	10.15	10.51	17.81	13.08	25.05
Defence capital outlay	1.05	4.19	10.17	5.96	15.00	10.36	17.75
Posts and Telegraphs	N.A.	7.07	4.96	6.53	7.60	7.72	11.49
Industrial development	9.18	8.90	8.34	0.40	6.75	7.43	24.10
Multi-purpose projects	N.A.	2.50	3.77	3.07	3.50	4.38	3.94
State trading	N.A.	—	—	—	3.52	0.13	—
Civil aviation	N.A.	1.52	1.51	0.88	3.25	2.65	6.31
Ports	N.A.	0.70	0.90	0.58	—	—	—
Sterling pensions	—	—	—	—	—	—	—
Special development fund	—	—	—	—	—	—	—
Other heads	—	—	—	—	—	—	—
Redemption of permanent debt	—	—	—	—	—	—	—
Grants, loans and advances	—	—	—	—	—	—	—
Total	282.06	182.59	293.43	164.01	348.08	357.46	439.50
Net position	-86.05	-62.04	-124.39	-94.24	-30.57	-32.82	+26.45
Miscellaneous	+2.98	+15.25	-2.79	-8.23	+1.97	+1.49	-0.12
Overall surplus (+) or deficit (—)	-43.80	+12.44	+0.91	-83.54	-28.15	-48.29	-12.12
Cash balance—							
Opening	93.28	149.50	161.78	162.68	79.84	99.14	50.85
Closing	149.48	161.94	162.69	99.14	51.69	80.55	62.97
Public debt (at the end of the year):							
Interest-bearing obligations—							
Loans	1,452.15	1,438.46	1,402.10	1,405.58	1,389.58	1,366.05	1,391.23
Treasury Bills, ways and means advances and TDR's	361.48	373.20	335.01	319.19	429.04	454.87	500.10
Small savings	233.80	326.25	372.57	417.64	402.57	454.87	500.10
Depreciation and reserve fund	126.15	155.56	171.47	170.13	159.40	171.96	157.86
Others	222.75	207.26	198.02	189.14	194.13	155.68	168.44
In England	39.83	36.17	33.48	30.22	28.00	28.07	27.37
Dollar loans	16.77	24.60	112.04	113.74	112.76	111.80	113.36
Total	2,612.93	2,561.50	2,619.69	2,645.70	2,776.37	2,694.62	3,013.71
Interest-yielding assets—							
Capital advanced to—							
Railways	723.80	614.13	833.63	864.23	883.20	875.16	909.14
Other commercial departments	68.97	90.11	112.95	377.47	473.79	482.78	667.00
State and other interest-bearing loans	158.22	166.97	341.39	348.15	348.15	348.15	348.15
Debt due from Burma and Pakistan	13.29	10.96	8.53	5.44	4.33	4.33	3.18
Deposits with U.K. Government for redemption of railway annuities	208.26	200.89	193.58	186.32	179.16	178.03	170.98
Purchase of annuities for sterling pensions	—	—	—	—	—	—	—
Total	1,521.39	1,681.21	1,838.23	1,882.86	1,978.97	2,003.83	2,251.84
Cash and securities held on Treasury account	172.99	141.97	198.70	136.18	106.63	70.44	70.71
Balance of total interest-bearing obligations not covered by the above	818.55	738.32	582.76	644.66	688.87	620.35	601.16
PARTS "A" AND "B" STATES							
Revenue Account :							
Revenue—							
"A" States	291.31	294.37	306.81	329.22	344.89	357.49	366.77
"B" States	93.38	106.50	108.12	113.53	113.53	112.21	121.76
Total	384.69	400.87	414.93	442.75	458.42	469.70	488.53
Expenditure—							
"A" States	287.29	293.08	309.11	329.36	362.93	371.64	400.88
"B" States	91.93	100.53	100.53	104.87	118.62	116.84	127.64
Total	385.01	400.64	409.64	434.23	481.55	487.48	628.52
Net revenue position—							
"A" States	+4.02	-1.29	-2.30	-0.14	-19.04	-14.15	-34.11
"B" States	—	+1.45	+5.97	+3.25	-5.09	-3.63	-5.88
Total	..	+0.10	+3.67	+3.11	-23.13	-17.78	-39.81
Capital Account :							
Receipts							
"A" States	—	59.43	106.46	140.45	143.51	142.03	202.49
"B" States	—	20.79	31.55	18.02	41.50	39.89	58.11
Total	—	80.22	138.01	158.47	185.01	181.92	260.60
Disbursements—							
"A" States	52.60	61.49	146.92	127.47	161.08	150.44	196.61
"B" States	—	22.76	42.55	23.61	45.97	44.81	50.83
Total	..	84.25	189.47	150.98	207.05	197.25	256.44
Net position—							
"A" States	..	-2.06	-40.46	+12.98	-17.57	-8.41	+5.89
"B" States	..	-1.97	-11.00	-6.49	-4.47	-6.92	-1.72
Total	..	-4.03	-51.46	+7.49	-22.04	-15.33	+4.16
Overall surplus (+) or deficit (—)							
"A" States	..	-5.21	-42.76	+12.84	-35.61	-22.56	-23.23
"B" States	..	-0.62	-5.03	-2.24	-9.56	-10.55	-7.60
Total	..	-5.73	-47.79	+10.60	-45.17	-33.11	-36.83
Reserves—							
"A" States	..	-14.34	-21.51	-21.55	-4.47	-0.37	-0.61
"B" States	..	—	-0.20	—	-1.76	-0.81	-1.44
Total	..	-14.34	-21.71	-21.55	-6.23	-1.21	-2.05
Cash balance—							
"A" States	..	+4.26	-9.24	+12.86	-21.04	-22.56	-28.29
"B" States	..	+6.88	-1.51	-2.24	-6.33	-10.55	-7.60
Total	..	+11.14	-10.55	+10.61	-27.37	-33.11	-36.93
Cash balance investment account—							
"A" States	..	+4.87	-12.01	-6.65	-10.10	+8.42	-15.63
"B" States	..	-7.40	-8.52	-3.31	-1.47	-0.39	-0.86
Total	..	-2.53	-15.53	-9.96	-11.57	+8.03	-16.49
* Exclusive of States' share. † Includes budget proposals.							

The Responsibility is ours...

To supply our CUSTOMERS with the finest
quality cement at an economical price.

To pay our EMPLOYEES high wages
commensurate with their work and to provide
them with the amenities necessary for a good life.

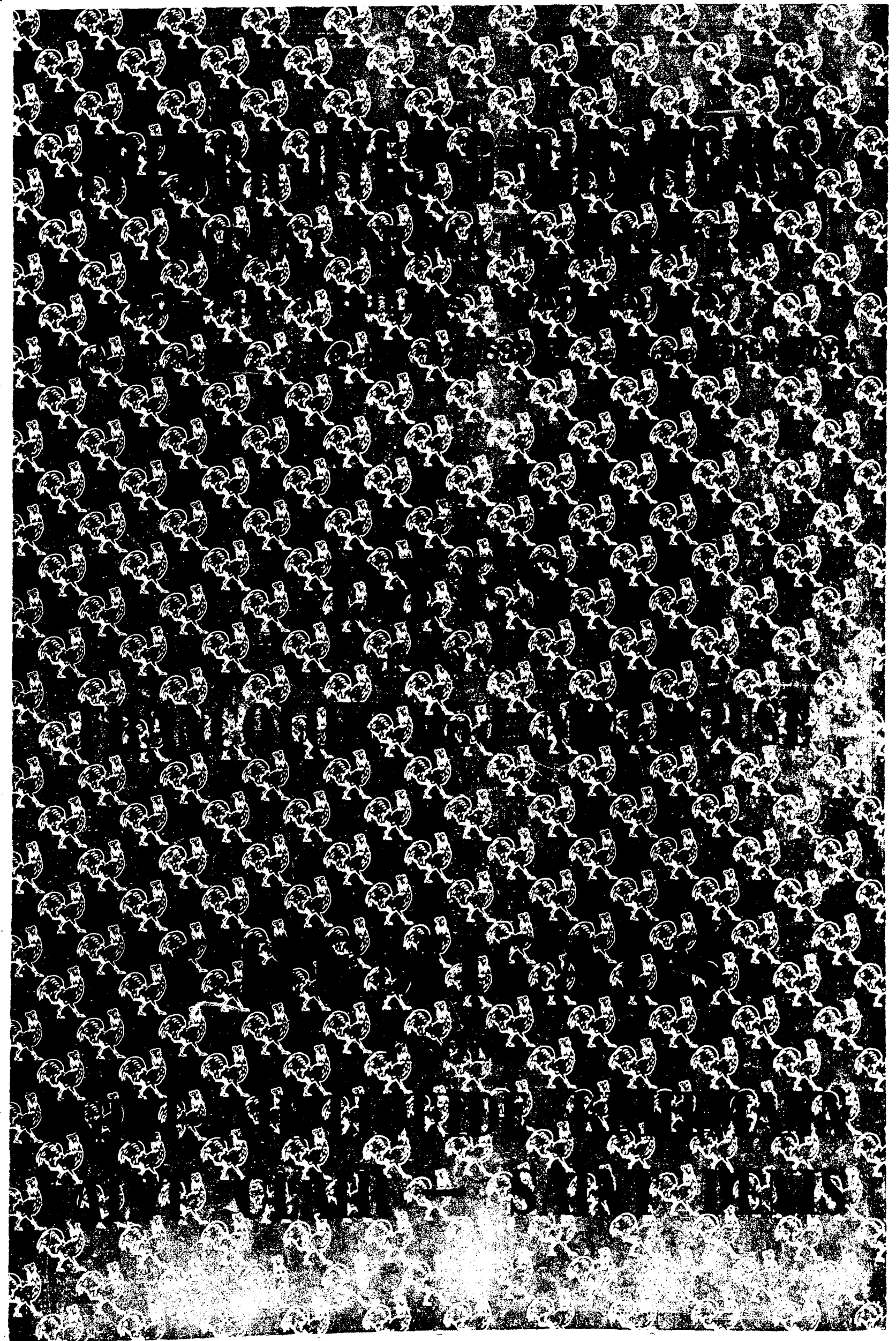
To pay our INVESTORS a fair return on the
funds they have provided.

To conduct ourselves as GOOD CITIZENS.

It is our firm and sincere belief that these
responsibilities can be best fulfilled
under the system of Free Enterprise.

THE ASSOCIATED CEMENT COMPANIES LIMITED
The Cement Marketing Co. of India Private Limited

ACC



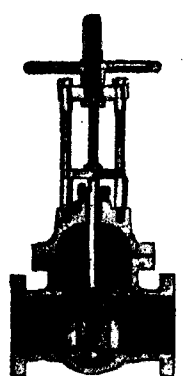
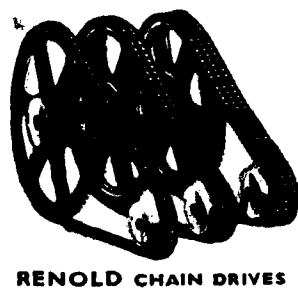
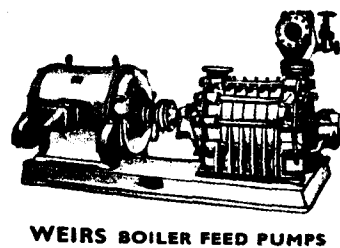
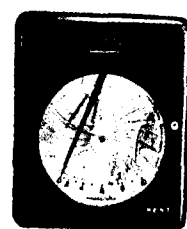
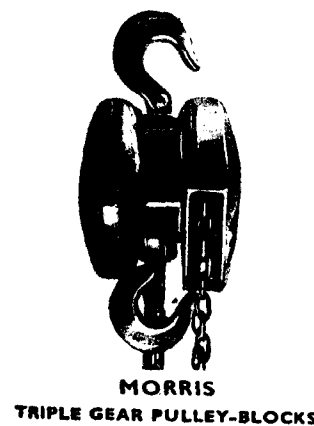
BRAD

W.H. BRADY & CO., LTD.

INCORPORATED IN INDIA

MERCHANTS • ENGINEERS • MACHINERY DEALERS
MILL AGENTS • IMPORTERS & EXPORTERS

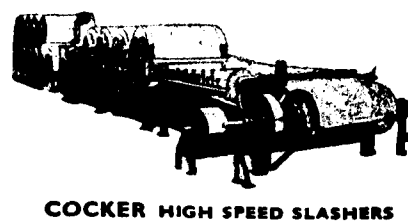
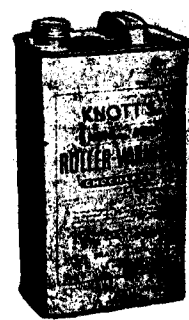
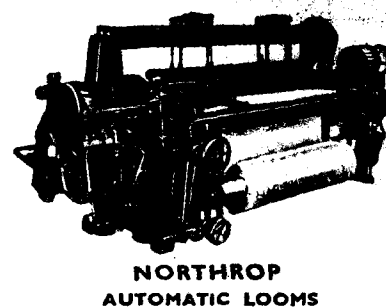
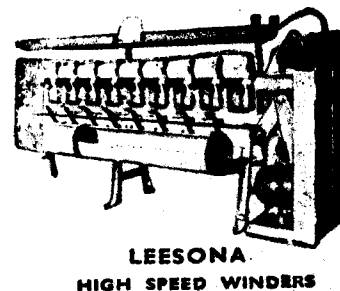
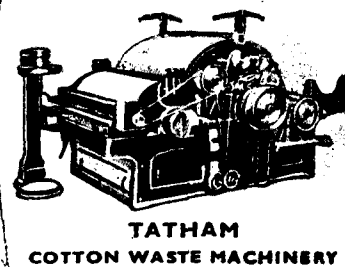
Operating in India since 1895, our intimate association with the Nation's industrial development has enabled us to acquire unique knowledge and experience, which we are always happy to place at your disposal in a true spirit of service.



Specialists in:
LIFTING, CONVEYING AND TRANSPORTING GEAR
HIGH PRESSURE STEAM VALVES AND FITTINGS
INDUSTRIAL CHAIN DRIVES
STEAM, WATER AND OIL METERS
REFRIGERATING PLANTS
PACKINGS AND JOINTINGS
SUNDRY ENGINEERING STORES

YARN PREPARATORY MACHINERY FOR WINDING,
WARPING AND SIZING, PIRN WINDING
AND DYE PACKAGE WINDING, ETC.

AUTOMATIC LOOMS
HIGH SPEED KNITTING MACHINES
ALL CLASSES OF STORES AND SUNDRIES FOR
SPINNING AND WEAVING
WOOLLEN CARDING, SPINNING AND FINISHING
MACHINERY



HEAD OFFICE

BRADY HOUSE
VEER NARIMAN ROAD, FORT, BOMBAY 1

CALCUTTA
MERCANTILE
BUILDING

MADRAS
POPHAM'S
BROADWAY

KANPUR
MAHATMA GANDHI
ROAD

BRANCHES
AHMEDABAD
REID ROAD

COIMBATORE
JAIL ROAD

MANCHESTER
16, JOHN DALTON
STREET

We can solve your transport problems

WITH OUR EVER READY
TRANSPORT SERVICES

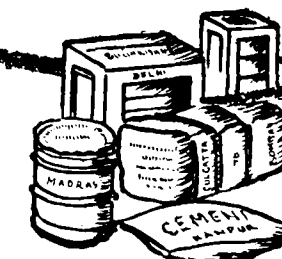


YOU CAN COUNT ON US
TO PROVIDE YOU WITH
COMPLETE TRANSPORT
SERVICE IN A
PROMPT AND EFFICIENT
MANNER

NO WAITING - NO DELAY - PROMPT DESPATCH

INDUSTRIAL DEMAND IN INDIA is growing day by day. In order to get raw materials and to push the finished products, the industry is encountering very great difficulties since transport position in India is not well organised. It is, therefore, very essential that everybody should plan well in advance for one's requirements. That is the only solution to obtain adequate and timely transport service facilities at competitive rates. To save Time, unnecessary Expenditure & unnecessary detention, to ensure proper Delivery of your Cargo, use MAHALAXMI TRANSPORT.

TRANSPORT
UNDERTAKEN FOR ALL
TOWNS IN INDIA



BRANCHES & ASSOCIATE OFFICES

Poona • Belgaum • Hubli • Devangere • Bangalore • Mysore • Salem
Coimbatore • Madurai • Erode • Trichy • Trichur • Cochin • Madras • Pondicherry
Trivandrum • Sholapur • Hyderabad • Secundrabad • Bezwada • Ujjain
Bhopal • Gwalior • Indore • Shivpuri • Agra • Delhi • Amritsar • Jhansi • Tinnevely
Tanjore • Lucknow • Kanpur • Hindupur • Canannore • Jodhpur • Jaipur etc.

TELE: No. 28612

TELEGRAM "BESTPOLICY"



THE MAHALAXMI TRANSPORT CO., PRIVATE LTD.

H. O. 50, MOHAMADALI ROAD, BOMBAY 3

MPS

SUGAR



The PIONEER Sugar Factory in the Deccan with a daily crushing capacity of 1,000 TONS of CANE, all of which is grown under skilled supervision on the Company's Estate.

THE BELAPUR CO. LTD.

Managing Agents:

W. H. BRADY & COMPANY, LIMITED, BOMBAY

Toshiba

Contributing toward better living

TOSHIBA Steam Turbine Generator, 160,000 kVA

Thermal Power Plant at Chiba, Japan.

TOSHIBA 160,000 kVA Power Transformer.
Two 200,000 kVA Transformers now under construction

Tokyo Electric Power Company's installation at Chiba is a thermal power plant, one of the nation's major projects to increase the overall power supply in the fastest, most economical way. The master plan calls for an additional capacity of 1,200,000 kVA when the Chiba Power Station goes into full operation.

TOSHIBA, Japan's foremost manufacturer of heavy-duty electric equipment, is under contract to build and deliver a 160,000 kVA Steam Turbine Generator, four power transformers of 160,000 kVA (two units) and 200,000 kVA (two units), and many other items.

More than three-quarters of a century of active participation in the design, manufacture and sale of everything electrical, from giant generators to the tiny transistor, backs TOSHIBA'S contribution toward better living for all. Whether about generation, transmission, distribution or utilization of electric power, TOSHIBA welcomes foreign enquiries in the sure knowledge of being able to guarantee complete satisfaction.

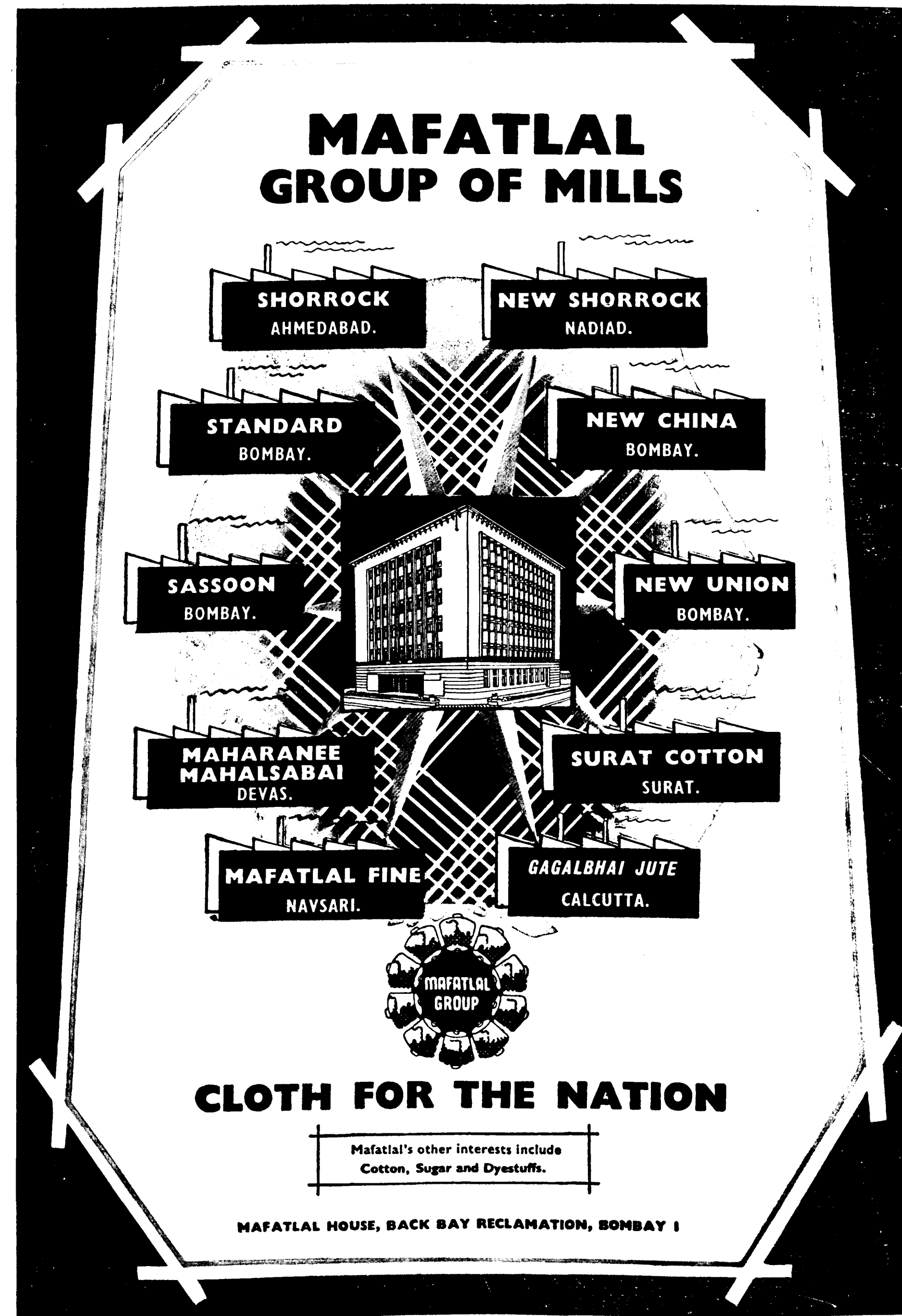
TOKYO SHIBAURA ELECTRIC CO., LTD.
2, Ginza Nishi 5 Chome, Chuo-ku, Tokyo, Japan Cable: TOSHIBA TOKYO



PRINTERS
SINCE 1876 TO
LEADING BUSINESS &
INDUSTRIAL CONCERNS

From the day our press was established we have been keeping pace with the times and have been in the forefront of printing in India. The name Claridge has become synonymous with high-class printing, incomparable for quality throughout the years. We have some of the latest machinery and equipment and our service is backed by over 80 years of experience to give you the last word in letterpress and photo offset printing. We specialise in security printing for Banks and Insurance and our printing for publicity and packaging covers a very wide range.

G. CLARIDGE & COMPANY LTD.
FRERE ROAD, BOMBAY 1
TELEPHONE No. 263201 — 263202
Managing Agents: W. H. BRADY & CO. LTD., BOMBAY.



MAFATLAL GROUP OF MILLS

SHORROCK
AHMEDABAD.

NEW SHORROCK
NADIAD.

STANDARD
BOMBAY.

NEW CHINA
BOMBAY.

SASSOON
BOMBAY.

NEW UNION
BOMBAY.

MAHARANE MAHALSABAI
DEVAS.

SURAT COTTON
SURAT.

MAFATLAL FINE
NAVSARI.

GAGALBHAI JUTE
CALCUTTA.

MAFATLAL GROUP

CLOTH FOR THE NATION

Mafatlal's other interests include
Cotton, Sugar and Dyestuffs.

MAFATLAL HOUSE, BACK BAY RECLAMATION, BOMBAY 1

	Page		Page
A. C. E. C. India Private Ltd. - - - -	129	Hindustan Aircraft (Private) Ltd. - - - -	90
Advani & Company Private Ltd., J. B. -	190	Hindustan Construction Co., Ltd. - - -	193
Advani-Oerlikon Electrodes Private Ltd., J. B. -	124	Hindustan Lever Ltd. - - - -	27
Air India International - - - -	73	Hindustan Machine Tools (Private) Ltd. -	193
Alcemic Chemical Works Co., Ltd. - - -	174	Hindustan Motors Ltd. - - - -	89
Alex Private Ltd. - - - -	214	Hindustan General Insurance Society Ltd. -	75
Aluminium Industries Ltd. - - - -	212	Hindustan Mercantile Bank Ltd. - - - -	131
Amalgamated Electricity Co., Ltd. - - -	215	Hollerith (India) (Private) Ltd. - - - -	35
Anderson Wright Ltd. - - - -	183	Hongkong and Shanghai Banking Corporation	62
Andhra Bank Ltd. - - - -	101	Hope Prudhomme and Company Private Ltd. -	171
Anglo-French Textiles Ltd. - - - -	88	Hukumchand Jute Mills Ltd. - - - -	180
Ardeshir B. Cursetjee & Sons (Private) Ltd. -	107	Hyderabad Allwyn Metal Works Ltd. - - -	91
Asea Electric India Private Ltd. - - - -	111	Ibcon Private Ltd. - - - -	103
Asher Textiles Ltd. - - - -	107	Imperial Chemical Industries (India) Private Ltd. -	135
Ashok Leyland Ltd. - - - -	51	Imperial Tobacco Company of India Ltd. -	158
Ashoka Hotels Ltd. - - - -	193	India Brushware - - - -	168
Associated Electrical Industries (India) Private Ltd. -	31	India Cements Ltd. - - - -	210
Atlas Works Private Ltd. - - - -	14	India Cycle Manufacturing Co., Ltd. - - -	60
Atul Products Ltd. - - - -	Back Cover	India Paper Pulp Company Ltd. - - - -	95
Balmer Lawrie & Co., Ltd. - - - -	75	India Pistons (Private) Ltd. - - - -	161
Bank of Bankura Ltd. - - - -	162	India Machinery Co., Ltd. - - - -	45
Bank of Baroda Ltd. - - - -	133	India Steamship Co., Ltd. - - - -	191
Bank of India Ltd. - - - -	163	India Sugars and Refineries Ltd. - - - -	108
Bank of Indore Ltd. - - - -	88	Indian Airlines Corporation - - - -	105
Bank of Madras Ltd. - - - -	153	Indian Bank Ltd. - - - -	191
Bank of Maharashtra Ltd. - - - -	187	Indian Cable Co., Ltd. - - - -	165
Bank of Mysore Ltd. - - - -	169	Indian Copper Corporation Ltd. - - - -	42
Bank of New South Wales - - - -	64	Indian Overseas Bank Ltd. - - - -	76
Bank of Tokyo Ltd. - - - -	158	Indian Malleable Castings Ltd. - - - -	179
Bata Shoe Company Private Ltd. - - - -	154	Indian Textile Engineers Private Ltd. - - -	103
Bathgate & Co., Ltd. - - - -	14	Indian Trade and General Insurance Co., Ltd. -	Front Cover
Batliboi & Co. - - - -	172	Indian Tube Company (1953) Ltd. - - - -	21
Behar Firebricks and Potteries Ltd. - - -	43	Indian Wild-Barfield Company Private Ltd. -	109
Belapur Company Ltd. - - - -	4	Indore Malwa United Mills Ltd. - - - -	142
Bengal Coal Co., Ltd. - - - -	127	Industrial and Engineering Apparatus Company	213
Bhalla and Son Private Ltd., H. R. - - -	151	Private Ltd. - - - -	213
Bhopal Sugar Industries Ltd. - - - -	62	James Finlay & Co., Ltd. - - - -	167
Binny and Company (Madras) Ltd. - - - -	121	Jay Engineering Works Ltd. - - - -	69
Bird & Company (Private) Ltd. - - - -	125	Jeewanlal (1929) Ltd. - - - -	143
Bombay Dyeing and Manufacturing Co., Ltd. -	79	Jivanlal and Company Private Ltd., N. - - -	138
Bombay Fire and General Insurance Co., Ltd. -	129	J. K. Industries Ltd. - - - -	73
Bombay State Co-operative Bank Ltd. - - -	154	Kalinga Tubes Ltd. - - - -	213
Bombay State Road Transport Corporation -	162	Kamani Engineering Corporation Ltd. - - -	133
Brady & Co., Ltd., W. H. - - - -	2	Karamchand Thapar and Brothers Private Ltd. -	215
British India General Insurance Co., Ltd. -	167	K. C. P. Ltd. - - - -	184
Burmah-Shell - - - -	17	Kemp & Co., Ltd. - - - -	213
Calcutta Chemical Co., Ltd. - - - -	193	Keserishih Vallabhdas - - - -	186
Caledonian Insurance Co., Ltd. - - - -	184	Khatu Makani Spinning and Weaving Co., Ltd. -	188
Calico Mills - - - -	138	Khemka & Company (Agents) Private Ltd. -	209
Canara Industrial and Banking Syndicate Ltd. -	115	Kilburn & Company Private Ltd. - - - -	82
Cement Marketing Company of India - - -	Front Inside Cover	Killick Industries Ltd. - - - -	62
Central Bank of India Ltd. - - - -	161	Kirloskar Electric Company Ltd. - - - -	168
Central Railway - - - -	104	Kirloskar Oil Engines Ltd. - - - -	93
Chartered Bank - - - -	75	Kothandaraman & Company (Private) Ltd., K. R. -	184
Chimanlal Paper Company - - - -	38	Kothari & Sons - - - -	113
Chloride and Exide Batteries (Eastern) Private Ltd. -	59	Lakshmi Vilas Bank Ltd. - - - -	216
Claridge & Co., Ltd., G. - - - -	6	Lallubhai Amichand Private Ltd. - - - -	87
Clegg, Cruickshank & Company Private Ltd. -	165	Laxmi Bank Ltd. - - - -	177
Coir Board - - - -	94	Life Insurance Corporation of India - - -	99
Concord of India Insurance Co., Ltd. - - -	143	Lipton Ltd. - - - -	162
Consolidated Coffee Estates (1943) Ltd. - - -	34	Lloyds Bank Ltd. - - - -	20
Cotton Agents Private Ltd. - - - -	69	Machinery Manufacturers Corporation Ltd. -	167
Dadabhai Hormusjee & Company - - - -	97	Macneill and Barry Ltd. - - - -	Back Inside Cover
Daiwa Bank Ltd. - - - -	211	Madura Mills Co., Ltd. - - - -	29
Dalmia Cement (Bharat) Ltd. - - - -	88	Mafatlal Gagalbhai and Company Private Ltd. -	7
Dastur & Company Private Ltd., M. N. - - -	47	Mahalaxmi Transport Co., Ltd. - - - -	3
Davangere Cotton Mills Ltd. - - - -	85	Maharashtra Sugar Works Ltd. - - - -	38
Devidayal Stainless Steel Industries Private Ltd. -	171	Martin Burn Ltd. - - - -	25
Devkaran Nanjee Banking Co., Ltd. - - -	151	Maya Engineering Works Private Ltd. - - -	188
Diamelin Research Laboratory - - - -	168	McLeod & Co., Ltd. - - - -	147
Diamond Products Ltd. - - - -	111	Mercantile Bank of India Ltd. - - - -	85
Dunlop Rubber Company (India) Ltd. - - - -	19	Metal Box Company of India Ltd. - - - -	41
Eastern Accumulator Co. - - - -	216	Mettur Chemical and Industrial Corporation Ltd. -	213
Eastern Railway - - - -	209	Mitsui Bank Ltd. - - - -	138
Eastern Shipping Corporation Ltd. - - - -	174	Mogurt Hungarian Trading Company for Motor	57
Employers' Liability Assurance Corporation Ltd. -	145	Yehicles - - - -	57
English Electric Company Ltd. - - - -	49	Mohini Mills Ltd. - - - -	180
Engineering Export Promotion Council - - -	174	Monsant Kesai Chemical Company Ltd. - - -	211
Express Block and Engraving Studios Private Ltd. -	191	Morarjee Goculdas Spinning and Weaving Co., Ltd. -	95
Fakhruddin & Company - - - -	147	Mysore Chemical Manufactures Ltd. - - -	153
French Dyes and Chemicals (India) Private Ltd. -	1	Mysore Lamp Works Ltd. - - - -	130
Garlick and Company Private Ltd. - - - -	138	Narotam and Company, C. - - - -	123
Gladstone Lyall and Company Ltd. - - - -	162	National Bank of India Ltd. - - - -	70
Godrej and Boyce Manufacturing Co., Ltd. - - -	99	National Carbon Company (India) Ltd. - - -	55
Gordon Woodroffe and Company (Madras) Private	123	National Insulated Cable Company of India Ltd. -	210
Ltd. - - - -	123	National Rayon Corporation Ltd. - - - -	119
Government of Bombay - - - -	188	National Rubber Manufacturers Ltd. - - -	209
Great Eastern Shipping Co., Ltd. - - - -	179	National Small Industries Corporation (Private)	131
Greaves Cotton and Crompton Parkinson Private	121	Ltd. - - - -	131
Ltd. - - - -	121	Netherlands Trading Society - - - -	145
Habib Bank Ltd. - - - -	125	New India Assurance Co., Ltd. - - - -	140
Hercules Insurance Co., Ltd. - - - -	158	New Swadeshi Mills of Ahmedabad Ltd. - - -	158
Hind Bank Ltd. - - - -	188	North British and Mercantile Insurance Co., Ltd. -	70
		Nursing and Co., Ltd. - - - -	38

	Page		Page
Orient General Industries Ltd. - - - -	135	Pakistan International Airlines - - - -	198
Orient Paper Mills Ltd. - - - -	69	Palai Central Bank Ltd. - - - -	146
Orient Textile Engineers Ltd. - - - -	210	Palazzini, L. - - - -	187
Oriental Fire and General Insurance Co., Ltd. -	120	Parry & Co., Ltd. - - - -	82
Oriental Gas Co., Ltd. - - - -	149	Peirce Leslie & Co., Ltd. - - - -	133
Oriental Metal Industries (Private) Ltd. - - -	81	Phaltan Sugar Works Ltd. - - - -	154
Orissa Cement Ltd. - - - -	153	Philips India Ltd. - - - -	37
Osmanshahi Mills Ltd. - - - -	216	Plywood Products Ltd. - - - -	84
		Podar Mills Ltd. - - - -	187
		Powers-Samas Accounting Machines (Sales) Ltd. -	145
		Praga Tools Corporation Ltd. - - - -	212
		Premier Automobiles Ltd. - - - -	91
		Punjab National Bank Ltd. - - - -	82
		Rallis India Ltd. - - - -	119
		Ram Kumar Agarwala and Brothers - - - -	151
		Ravalaseema Mills Ltd. - - - -	140
		Ravalgaon Sugar Farm Ltd. - - - -	135
		Reserve Bank of India - - - -	194
		Ruby Rubber Works Ltd. - - - -	122
		Sahu Jain Ltd. - - - -	61
		Saraya Sugar Mills Private Ltd. - - - -	149
		Scindia Steam Navigation Co., Ltd. - - - -	149
		Sen Raleigh Industries of India Ltd. - - - -	191
		Shallimar Paint, Colour and Varnish Co., Ltd. -	65
		Sidhpur Mills Co., Ltd. - - - -	97
		Simpson & Co., Ltd. - - - -	183
		Singareni Collieries Co., Ltd. - - - -	157
		Sirsilk Ltd. - - - -	101
		SKF Ball Bearing Company Private Ltd. - - -	15
		South British Insurance Co., Ltd. - - - -	125
		South India Insurance Co., Ltd. - - - -	131
		South Indian Bank Ltd. - - - -	184
		Spencer & Co., Ltd. - - - -	161
		Sree Meenakshi Mills Ltd. - - - -	212
		Sree Ram Mills Ltd. - - - -	115
		Sri Digvijaya Woollen Mills Ltd. - - - -	76
		Sri Krishnarajendra Mills Ltd. - - - -	215
		Sri Ramirth Yogashram - - - -	74
		Standard Motor Products of India Ltd. - - -	81
		Standard-Vacuum Oil Company - - - -	33
		State Bank of Hyderabad - - - -	129
		State Commercial Bank - - - -	179
		State Trading Corporation of India (Private) Ltd. -	93
		Stoneware Pipes (Madras) Ltd. - - - -	212
		Structural Engineering Works Ltd. - - - -	8
		Sulekha Works Ltd. - - - -	180
		Sumitomo Bank - - - -	211
		Sundaram Motors Private Ltd. - - - -	67
		Swadeshi Cotton Mills Co., Ltd. - - - -	177
		Tata Industries Private Ltd. - - - -	87
		Tata Locomotive and Engineering Co., Ltd. - - -	23
		Textile Machinery Corporation Ltd. - - - -	53
		Thackersey Mooljee & Co., Ltd. - - - -	117
		Thomas & Co., Ltd., A. V. - - - -	76
		T. I. Cycles of India Ltd. - - - -	109
		Ticaghar Paper Mills Co., Ltd. - - - -	52
		Tokyo Shibaura Electric Co., Ltd. - - - -	5
		Trade Representation of the U.S.S.R. in India -	112
		Trans World Airlines - - - -	123
		Travancore Bank Ltd. - - - -	136
		Union Bank of India Ltd. - - - -	165
		United Bank of India Ltd. - - - -	180
		United Commercial Bank Ltd. - - - -	171
		United India Fire and General Insurance Co., Ltd. -	137
		United Provinces Commercial Corporation - - -	79
		United Steel Companies (India) Private Ltd. - - -	143
		Vasanta Mills Ltd. - - - -	174
		Vikrama Engineering Company - - - -	154
		Vithal Purshotam and Sons Private Ltd. - - -	187
		Vizagapatam Sugars and Refinery Ltd. - - -	156
		Vysya Bank Ltd. - - - -	147
		Volts Ltd. - - - -	177
		Walchandnagar Industries Ltd. - - - -	70
		Western India Match Co., Ltd. - - - -	105
		Western India Tanneries Ltd. - - - -	214
		Williamson Magor Co., Ltd. - - - -	168

1957 In Retrospect

ANOTHER year of the Christian Era, 1957, has now become part of history and the world remains divided as it was. One should be thankful to Providence that, though tension was high in international politics and though twice during the year the world was on the brink of a mighty clash, there was no bloodshed. In this respect, the year that has just passed was more peaceful than its predecessor. But the peace that prevailed was an uneasy one. Indeed, the world celebrated the 1957 Christmas with more deadly weapons stored in the arsenals of the West and the East alike. The gulf that divides the Western and the Soviet philosophies of life is deeper and wider than before. There is more fear and more misunderstanding between the two formidable groups of military powers.

Sputniks

A.D. 1957 was a year of triumph for science and engineering. It had the distinction of being a geophysical year, when man makes a concentrated attempt to probe the mysteries of nature. And man did achieve something startlingly new that has secured for 1957 a conspicuous place in history. And that was an invention which has given rise to hopes that man can safely fly into the outer space and reach the moon and Mars in the not distant future. This victory of man over nature, symbolised in the Russian-made Sputniks I and II, as well as in ballistic missiles, has, however, given more headaches to world politicians and aggravated the fear complex, because most of these achievements have been confined to the Soviet side. It seems to have, for the present at any rate, reduced the chances of early understanding between the two power blocs, torpedoed the disarmament talks and forced the Western powers to spend more on armaments, because they feel that they cannot afford to allow a situation to arise in which the Russians could believe that an attack could be made on the West without inviting a retaliation that would be fatal to them. It is not known at the time of writing how much more money is going to be spent on defence and security, but, according to an estimate from Paris on the eve of Christmas, the N.A.T.O. powers alone have planned to incur an expenditure of £21,094 million in 1957-58, which is equivalent to the huge sum of Rs. 28,125 crores. Of this total, the share of the U.S. is £15,807 million (Rs. 21,076 crores), that of the U.K. and France being £1,609 million (Rs. 2,145 crores) and £1,245 million (Rs. 1,660 crores), respectively. These are colossal sums and equally heavy amounts are being expended by Russia and its satellites also. Sputniks have thus only added to the misery of mankind, though it remains to be seen whether they will ultimately prove beneficial, as has been the case with scientific discoveries and inventions in the past.

Aid for the Poor

An outcome of the intensification of the cold war and the birth of the Sputniks, however, is the better realisation among the Western powers of the urgency of helping the unaligned underdeveloped areas in Asia. At one time, the feeling was gaining ground among these powers that economic aid should be given primarily to those underdeveloped countries which were ready to participate in their defence pacts. If anything, they were prepared to give only a low priority to economic aid

to the unaligned countries. Today, however, they appreciate the necessity to give a somewhat higher priority to this question, as is evident from the emphasis laid on it at the latest Paris Conference of the N.A.T.O. powers. It was stressed at this meeting that the free underdeveloped countries that were trying to raise their living standards through democratic means should be helped to realise their goal, lest any failure on their part should undermine democratic forces and pave the way for the entry of Communist forces. This is a welcome development for India, in particular, but much depends on the extent to, and the speed with, which this appreciation is translated into action. A drawback here is that the West European countries think that this is primarily the responsibility of the U.S., as they themselves have, according to them, little money to spare for implementing this policy. Be that as it may, if the unaligned areas in Asia are to benefit by the perceptible change in the outlook of Western countries, their Governments should take care not to follow policies susceptible to strengthen Communist forces and weaken democratic ideas and institutions in their own territories.

World Economy

In the economic sphere, 1957 witnessed contrasting trends, in that it entered under inflationary conditions, but has left the scene under disinflationary conditions. In many parts of the world, buoyancy in economic activity noted at the beginning of the year has yielded place to recession of a moderate nature. The investment boom has slowed down, employment position has become a little soft, price levels have retreated, profits have shrunk and money has become scarce. Many economic commentators in Europe seem to be haunted by the fear of the 1949 recession repeating itself and there are even some who are suffering from the vision of the 1929 crash in Wall Street. These fears are only of recent origin, for almost right up to the end of September 1957, it was inflation that held the field. When viewed as a whole, however, it would appear that the contrasting trends merely represent the transition of world economy

from an admittedly unhealthy to a relatively healthy state of affairs. While it is, of course, true that the pendulum should not be allowed to swing to either extreme, it is a moot point yet whether it has gone too far to the deflationary extreme.

World economic trends in 1957 fall into two broad divisions. In the first four or five months of 1957, activity was at a high level. The adverse effects of the Suez crisis were soon got over and world industrial production and world trade reached new heights. In Western Europe, production, which had levelled out in the latter half of 1956, rose again in the first half of 1957. In the U.S. and many other parts of the world, the trend was continuously upward. The development needs of India, Japan and other non-European countries gave a great stimulus to economic activity in Western Europe. The second half of 1957, however, was marked by a downward trend. Full employment, continued capital investments, heavy defence expenditure, failure of exports to expand in keeping with imports, falling foreign exchange reserves, rising domestic prices and high cost of living and the consequent persistent demand for more wages, all these interacted on one another and caused a situation that called for swift action by the Governments of most of the countries in the world. They had to take steps deliberately designed to check the growth of economic activity. All the Western countries, with the exception of France, resorted only to monetary measures to correct the situation. They raised their interest rates and placed restrictions on bank credit. Britain took the drastic step of forcing up its Bank rate to 7 per cent. in addition to placing a strict limit on the level of investments. France administered a large dose of devaluation and import restrictions, besides monetary and, later, certain fiscal restraints. As a result of all these measures, there has been a fall in the level of economic activity, more especially towards the close of the year, and the investment boom has come to an end.

The trend of world agricultural and food production continued to be upward during the year under review. Production, increased by a further 3 per cent. in the 1956-57 agricultural season, the bulk of which fell within the calendar year 1957. A heartening feature, according to the latest F.A.O. Survey, is that, over the last few years, agricultural production as a whole, as

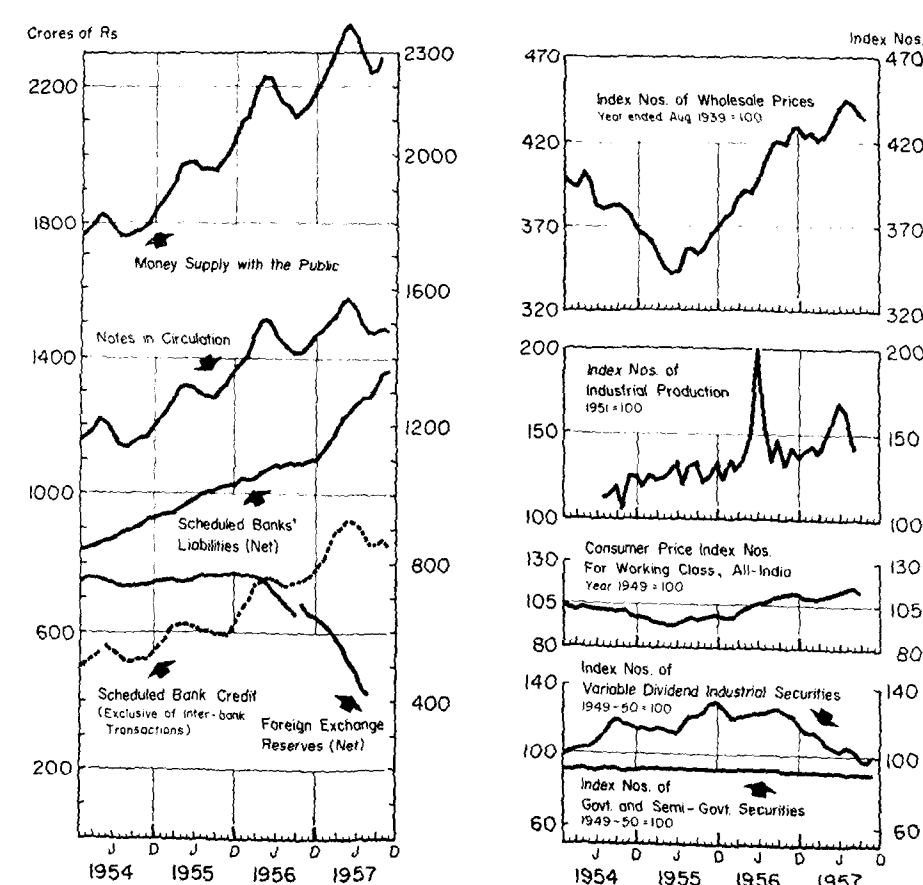
also food production, has increased at the rate of about 3 per cent. per annum, which is a little (estimated at one-third) faster than the growth of world population. Preliminary estimates for the 1957-58 season, which is now nearly half-way through, show that world agricultural production will be higher again by approximately the same rate as in the past few years, despite a possible slight fall in the U.S., on account of Soil Bank Programme, as also in certain parts of the world due to drought. Since stocks of foodgrains have not grown in proportion to the rise in production, it is assumed that there must have been a small improvement in food consumption levels. Another happy feature of the trend of agricultural production in recent years is that output of food in the less developed regions has increased rather more quickly than in the rest of the world. This is in refreshing contrast to the early post-war trends. Thus, as compared with the average for 1948-52, the estimates of output in 1956-57 reveal a rise of 20 per cent. in net food output for the less developed areas and a 15 per cent. rise for the more developed regions. But as the population growth in the former areas is faster than in the latter regions, this development is not something from which the less developed areas can draw complete satisfaction. The progress they have made is negligible and the distance yet to be covered for reaching a reasonable level of nutritional standards is long and difficult.

World Trade

Movements in world trade in 1957 were in keeping with the trend of industrial and agricultural production. There was a slight fall in the volume and value of trade early in 1957. This was actually a continuation of the downward trend caused by the Suez crisis in the last quarter of 1956. Although the Suez Canal remained closed for traffic almost right upto the end of April, world trade picked up in the first quarter of 1957 itself and gathered further momentum in the second quarter. All available shipping in the world was pressed into service, notwithstanding the mounting freight rates, and the movement of trade was kept up at record high levels. The quantum of trade in the second quarter of 1957 was approximately 40 per cent. higher than the peak of 1953. There was a greater movement of coal and oil from the U.S. to Europe to offset the losses caused by the Suez crisis. The U.S. programme for the disposal of its surplus farm production also induced a larger volume of world trade. The heavy imports of developing economies, particularly India, were another factor that strengthened the buoyancy of world trade and helped neutralise the effect of a slowing down in the imports of many European countries in the second quarter of 1957. From \$83.53 billion in 1956, the value of world export trade, for instance, rose to an annual rate of \$100.65 billion in the second quarter of 1957. Similarly, world import trade grew, but at a faster rate, from \$97.9 billion to \$109.45 billion. Figures for the subsequent months of 1957 are not yet available, but all available economic indicators suggest that there must have been a perceptible shrinkage.

A feature of world economy in 1957 was the large degree of diversity in the balance of payments situation. While a few countries had a highly favourable balance, many suffered a large drain on their reserves. The U.K., France, the Netherlands, India, Japan, Pakistan, Mexico and Brazil were some of the major countries which encountered heavy balance of payments difficulties, but the U.S., West Germany,

MAIN ECONOMIC INDICATORS



Australia, Venezuela and Canada enjoyed comfortable payments position, though Australia became a little uncomfortable towards the close of the year. Unlike in the four previous years, when gold and dollars moved out of the U.S. at the rate of 1,500 million to 2,000 million dollars, the year under review witnessed a net inflow into the U.S. While up-to-date figures of the net transfers to the U.S. from the rest of the world are not available at the time of writing, it is significant that stocks of gold with the U.S. as on 18th December 1957 at \$22,700 million reveal a net increase of \$850 million over the year. This figure may be taken as an approximate indication of the net flow of gold and dollars into the U.S. during 1957. It shows that the dollar gap, which had ceased to be of any significance during the previous four years and had just begun to re-emerge in the closing months of 1956, became very pronounced in the year under review, reflecting the rather global character of foreign trade deficits.

Basic Cause

The basic cause of foreign exchange difficulties of most of the countries in 1957 was the Suez crisis and the continued adventures of France in Africa. The Suez episode was followed by heavy inflationary pressures in Britain and France. The difficulties of the latter were accentuated by its losses on the Algerian entanglement. As a result, both the pound sterling and the French franc became suspect, leading to flight of capital and speculative movement of funds from which Britain suffered more than France. A secondary cause was the unsustainably rapid expansion in India which led to an unprecedentedly large drain on the reserves of the sterling area as a whole as well as on its own reserves. Another cause was the marked fall in the price of primary commodities, as a result of which export earnings fell. Whatever the cause, the countries affected took prompt measures to correct the balance of payments position. The creditor countries, too, reversed their anti-inflationary policies to some extent. As a result, the closing months of 1957 witnessed a slight improvement in the balance of payments position. Britain has once again started adding to its reserves, while India has succeeded in slowing down the rate of drain on its sterling reserves.

Commodity Prices

The contraction in the investment boom, which had gone on almost unchecked during the past five years, has brought about a pronounced fall in commodity prices and equity values all over the world. From about 90 a year ago, the *Financial Times* commodity price index (1st July 1952 = 100) has retreated to about 81 at the time of writing. Similarly, Mody's staple commodity index (31st December 1939 = 100) has fallen from 441 to 393. To take some specific commodities, non-ferrous metals (copper, lead, and zinc) have dropped by 30 per cent. over the year, raw wool by 15 per cent., raw cotton to a slightly greater extent, raw rubber by 30 per cent., pepper by 20 per cent., tea by 45 per cent., sugar by about 30 per cent., jute goods by 12 per cent., groundnut oil by 25 per cent. and linseed oil by 22 per cent. The worst sufferers of this large fall in commodity prices are mainly the underdeveloped countries in Asia, Africa and South America. They suffer doubly, because the terms of trade also have been running heavily against them; that is, while their exports are earning less, they have to pay more for their imports of finished goods, especially plant and machinery and vehicles. It is, of course, possible that,

sooner or later, prices of these goods, too, will come down but this trend has not yet commenced on any significant scale. It is unfortunate that the underdeveloped countries should experience such an unfavourable development at a time when they need more foreign exchange for carrying out their plans for raising their living standards, but it is an inevitable phase of world economic trends and has to be endured, as there is no easy or quick solution to it. It is, of course, the fashion of the day to say that the industrialised countries owe a duty to the less developed nations by coming to their rescue. But this is more easily said than done, though the logic or justice behind it cannot be denied. It must be remembered, in this connection, that the fall in commodity prices is the cumulative result of both a shrinkage in economic activity and an increase in supplies resulting from past investments.

India

In broad outlines, economic trends in India were similar to those in the rest of the world described in the preceding paragraphs. Thus, inflation dominated the scene in the first part of the year, though perhaps for a little longer than elsewhere in the world. In the second part of the year, however, it was sufficiently under control, with prices of several commodities and manufactured goods coming down. The investment boom, in both the public and private sectors, was subdued. The volume and the value of foreign trade were bigger, with imports being heavier than exports. There was a sharp deterioration in the balance of payments situation, despite larger borrowings from the World Bank and the I.M.F. As in the rest of the world, so also in India defence expenditure mounted up, stock exchanges slumped, and money was scarce as well as costlier. Skilled and trained workers were aggressive in their demand for more wages and better amenities, as were their confreres in the Western countries, and industrial relations suffered a setback. Here, the similarity with world trends ends and the contrast begins. Most of the leading countries in the world, with the exception of France and Japan, perhaps, had budget surpluses and could give substantial relief in taxation. But in India, the budget deficits widened and taxation was stepped up steeply. The rate of genuine savings fell, in distressing contrast to a great number of other countries where it actually rose. Again, though money and credit were scarcer and dearer than in 1956, interest rates were nevertheless lower than in most parts of the world, excepting perhaps in the U.S. Another important respect in which conditions in India differed from those in other parts of the free world pertained to business sentiment. Nowhere else did entrepreneurs and investors suffer from such a heavy feeling of depression and oppression as in this country. Nor did the public sector gain in dominance to as great an extent as in India.

While world events contributed to the economic difficulties of India to some extent, the primary cause was the failure of the public sector to take correct decisions and follow realistic policies. Indeed, the biggest event of the year in India was not the General Elections nor the coming to power of the communist party in Kerala, but the clear exposure of the amateurishness of the Indian planners and policy-makers. This is evident from the fact that, within 18 months of its launching, the Second Plan has lost its shape and none knows even now what will be its exact size and form and how long it will take to implement even

those projects that are to be carried on. If there can be a planless plan, it is India's Second Plan. That is hardly surprising, for most of the laborious work on the Second Plan was based on hopes unrelated to facts and reasonable forecast. It is often said that India's economic crisis is a crisis of development. This is a misnomer, though a clever one designed to explain away the serious bunglings of the powers-that-be on the economic front. It has passed unchallenged, because the country lacks powerful rightist opposition. The only effective opposition that exists, namely, the communists, is bent upon pushing the ruling party along the wrong roads with the ulterior motive of attaining its objectives.

It is hard to calculate the cost of economic mistakes and miscalculations. In one respect, however, it is quite discernible. And that is on the foreign exchange front. Over the year, India has depleted its foreign exchange resources to the tune of Rs. 325 crores. Coming as it does on top of a fall of about Rs. 200 crores in 1956, this depletion has brought the foreign balances to about Rs. 300 crores, a level which is insufficient to cover even the outstanding commitments which have already been concluded. It is this aspect of India's financial position, coupled with the fact that only a part of the foreign exchange expended is represented by productive assets, as a good part of it has gone into consumption and defence, that is a source of serious concern about the future. No doubt efforts are being made to get the assistance of other countries and there are signs that they may succeed to a substantial extent. But to the extent that suppliers' credits are obtained to bridge the gap, that is, credits which are repayable within a period of five to seven years, the problem is not being solved; it is only being deferred and that too at a considerable price which inflates the capital cost of the projects.

Deficit Financing

The heavy depletion in foreign exchange reserves has, however, helped neutralise the adverse effects on the internal economy of the large deficit financing incurred during the year. The quantum of additions to the rupee securities held by the Reserve Bank gives an approximate idea of deficit financing in the public sector. During the year ended November 1957, this portfolio of the Bank rose by Rs. 417 crores, as against only Rs. 221 crores in 1956. On this basis, one may draw the inference that deficit financing by the public sector during the year was nearly twice as much as in 1956. There was deficit financing by the private sector, too, but this was relatively smaller as compared with 1956. This is evident, in some measure, from the fact that bank credit during the twelve months ended November last showed a net increase of Rs. 74 crores only, as against Rs. 165 crores in the corresponding period of the previous year. The small increase in bank credit reflects partly the drastic restrictions on imports in the second half of the year and partly the stringent control exercised by the central banking institution. It also reflects the slow-down in economic activity that came to be witnessed from the beginning of the last quarter of the year under review.

Despite such heavy deficit financing, the general price levels have not gone up over the year. In fact, they are slightly lower. Thus, the index number for all commodities (Base: 1952-53=100) for the week ended 7th December 1957 stands at 107.8, as compared with 108.2 a year before. Contrary to popular belief,

even the price index for food articles shows a fractional fall at 105.5, as against 105.9 for the first week of December 1956. Similarly, the indices for raw materials and manufactures also are lower, the former at 115.7 and the latter at 107.7, as against 118 and 108.7, respectively, a year before. These changes over the year, of course, do not disclose the variations during the year. There were sharp increases in price levels between March and September and it was only in the last quarter of the year that they began to retreat. A peculiar feature of the price movements is that the trend was markedly upward, when the 1956-57 season agricultural production which was higher in almost all cases than in 1955-56 was marketed and came in for absorption, and that it is downward even after it is well known that, as a result of a big drought in several parts of the country, output of food and certain commercial crops in the 1957-58 season has fallen. This contradictory behaviour of price trends is, however, not inexplicable. It is the cumulative result of (1) increase in industrial production in the first nine months of the year, (2) imposition of heavy taxation on consumption and consequent accumulation of stocks of manufactured goods, (3) monetary and physical controls, (4) downward trend in exports, (5) drop in world commodity prices, (6) expectations of a fall in production of certain manufactured goods, especially textiles, and (7) a large import surplus, which, in effect, means that a considerable part of the resources raised through deficit financing was expended in foreign countries.

Passing Phase?

One, however, should not be misled by this lull on the price front. It undoubtedly suggests that the internal economic situation has been brought under control, but it may turn out to be a purely short-lived affair, even if the public sector goes ahead with only the core of the Plan. The cushion of foreign exchange reserves, which enabled the country to rely on created money for development to a large extent up to now, has shrunk beyond recognition. Whether it can be inflated to a comfortable level is a question that depends on the availability of foreign exchange, which in turn is dependent upon the diplomatic skill of our politicians and the extent to which they are prepared to modify the dubious economic policies followed hitherto. Agricultural production is lower and no amount of controls can be a real substitute for an adequate supply of food and raw materials. Similarly, in an economy with a plan for rapid expansion, excessive taxation cannot keep inflation under check for long, for, ultimately, it invokes the law of diminishing returns and brings about a fall in production and employment in the private sector. This trend has already begun in some industries, more particularly in cotton textiles. Further, the costly error of overpaying for the work done is allowed to continue. The crux of the problem is that the country does not possess, nor is in a position to command, enough real resources to fulfil the great tasks it has undertaken. It has no alternative but to reduce its targets and pitch them at lower levels. Economic growth must be healthy, if it is to be sustained. "We must have growth that does not endanger stability; we must have stability that does not throttle growth," thus said President Eisenhower in one of his recent public addresses. This should be the keynote of our policies and plans for the future.

Make It A Happy New Year!

By M. A. SREENIVASAN

a cobra in the backyard of his house, promptly amputated the limbs of all the villagers to save them from death by snake-bite

This unhappy condition of affairs is partly the result of the fanciful thinking and ostrich-like self-deception resorted to by the majority of the men in charge of the country's destiny. Self-deception, devotedly practised over a period of years, works like a potent type of Coueism or auto-suggestion and converts even sane and normal persons into firm believers in the delusion. And the fanaticism and fierce proselytising zeal of the convert is well known.

Confusion gets worse confounded when the nation's leaders indulge in loud thinking, made louder by microphones and amplifiers, before vast and unlearned audiences. On the one side, the leaders are frightfully hard-pressed, and called upon to make public appearances and speeches almost every day, with little time to ponder calmly and deeply the many intricate practical questions they touch upon; on the other side, most of the listeners are unable to follow and appreciate the exact implications of what is said.

When, for example, the Prime Minister tells a vast crowd that he admires or is fascinated by the Communist ideology but disapproves of the Communist method, not many who hear or read the speech realise that far from advocating Communism, he is only being generous to the creed of an Opposition party. The very few who happen to have learnt that the Communist ideology is inseparable from the Communist technique and that they both are parts of the same gospel are left to wonder whether it was not like someone saying that he admired the tiger for his beautiful striped coat but objected to his non-vegetarian habits.

Trigger-happy Haste

Another potent cause of confusion and uncertainty is the trigger-happy haste of inexperienced men who suddenly find themselves elevated to high office.

Even more potent is the intoxication of power, which can be worse than alcohol, and against which there is no Prohibition.

I have lived and served in the regimes of autocratic maharajas and viceroys, and known at close range the exercise of power by white and brown bureaucrats. I think it is true to say that no viceroy or maharaja had such unbridled power as the heads of the Central and State Governments hold in their hands today.

Rulers and the Ruled

Taken by itself, there is nothing wrong in this. What is disturbing and of grave portent is the effect this power has produced on the rulers, on one side, and the ruled, on the other. There is, among those now in authority, a cocksureness, a frowning impatience and intolerance, and an unhealthy superiority complex that seeks release, erupts and spouts in long sanctimonious, platitudinous sermonising on all

occasions and at all places uninhibited by considerations of propriety and relevance. Under the sway of such power, people are led to habits of idolatry and kowtowing and the number of men and women that dare, or even feel inclined to oppose or to criticise, rapidly diminishes.

Perhaps it is also true to say that at no time has there been so wide a distance—not gulf, not cleavage, but distance—between the Government and the governed. With rare and cherished exceptions, ministers, and even many of the ruling politicians have tended to be a race apart, smug, and self-convinced, tailored and clad to catch the vote of the unthinking masses and, by and large, isolated from and impervious to the ideas, aspirations and protestations of the country's intelligentsia.

One reason for this is that the Government has taken too much upon itself, and is further taking on more and more each day, and ministers, many of whom are new to the job, are not only hard-pressed and overworked but are also insecure, worried and distracted by the wrangling, manœuvring and undermining that incessantly goes on.

Congress Success

What I have said about the distance that now divides the people and the rulers may sound strange, and one may ask, "Look at the resounding victory of the ruling party and its leaders in the elections. How do you explain that?"

The answer is twofold. First, Mahatma Gandhi and Jawaharlal Nehru are names to conjure with, names that attract crores of votes. Secondly, many hundreds and thousands that voted for Congress did so, not because of their love of the Congress but because of their dislike of the other parties that range, in varying shades of pink, from the Congress to the Communists.

Indeed it is the opinion of many competent observers that the people of Kerala decided to gulp the aforesaid dislike and take a chance.

Now, if there is one thing upon which people of all sections of our vast country, poor and rich, workers and employers, consumers, traders, politicians, professional men, are united, it is in the wish and the resolve that the appallingly low standard of living of the masses of our people should be urgently improved and their real income increased. All are agreed on that. But it is as to the way and the pace in which this result should be achieved that there is honest and wide divergence of opinion.

Many men and women are puzzled as to why, when we have before our eyes the shining examples of free and friendly democratic countries like the U.S.A.—which the Prime Minister recently described as being largely socialist—and the U.K., and Canada, and Sweden and West Germany who have all attained conspicuous success in raising the standard of living of their people, we seem to seek inspiration and guidance on this subject from places like Belgrade and Peking. The arguments made in support of this new trend

have seemed less logical than pathological—rather like the present-day taste for cubist paintings, and the meaningless shapes called sculpture.

Soon after the second Five-year Plan was made public, many eminent men of knowledge and experience in matters of finance and economics warned that the devices thought of for financing the Plan were impracticable, and that the large volume of deficit financing and spending proposed would generate inflationary pressures that may prove dangerous and difficult to control. This warning fell on deaf ears. It is now well known, if not fully admitted, that the Plan is unrealistic and needs to be modified. Interesting expressions such as "the core of the Plan," and "the hard core of the Plan" serve to veil an ugly shape which nobody, not even the Government, seems able to identify.

Meanwhile, prices have gone up and up, and the rise in the cost of living has given birth to crying demands for more wages and ugly strike threats.

Creeping inflation and the decline in the purchasing power of the rupee do not affect the rich to the extent they hurt the poor from whom they invisibly filch, like a thief in the night, the real content not only of their earnings but of their hard-earned savings as well.

In heroic efforts to check inflation and to restore stability to the economy, the country has been led from crisis to crisis, and the people have been asked to subject themselves to new restrictions and oppressive tax burdens.

Comic Relief

A measure of comic relief in this tense situation was afforded by the austerity drive, and the gestures of maharajas and governors, ministers and speakers in imposing upon themselves voluntary cuts in their salaries or allowances—which reminds one of a story told of Lord Buddha whose two thousand five hundredth anniversary we celebrated not long ago.

The Lord Buddha was journeying on foot with his favourite disciples. They came to the bank of a river. The river was in flood, and the Master and his disciples were halted on the river bank. As they waited, they saw a frail, bearded ascetic coming towards the river. His head was bent in meditation and his emaciated body was covered with ashes. Without pausing he walked straight into the swollen waters, and safely reached the other side. Struck with wonder, a disciple asked the Buddha, "Did you see, O Master, and yet you tell us that austerity is of little value?" Smiling, the Buddha asked the disciple, "What do you think it is worth?" The disciple said, "I ask you, Master." The Buddha replied, "I shall tell you presently." As they spoke, they saw a boatman approaching the river bank where they stood. The Buddha and his disciples got into the boat and were rowed across the river. Asked what the fare was, the boatman said, "Four coppers, sire." Turning to the questioning disciple, Lord Buddha said, "That is what it is worth."

No one knows whether the new taxes will really bring in the money needed for even the hard core of

the Plan in terms of additional purchasing power, and whether the pile of controls, bans and squeezes will hold inflation in check. What everyone knows, and keenly feels, is the magnitude of avoidable privation and hardship and the abridgement of personal liberty that all these measures impose on the citizens of a free nation proudly celebrating its newly gained freedom.

It is no good saying that an underdeveloped nation must make up for lost years, and cannot afford the time to grow as others did; and that the pace should therefore be forced. That is like trying to make Derek Ibbotsons of all citizens and forcing them all to run the famous four-minute mile. It is the surest way of having the entire track littered with heart-cases and cripples.

Dos and Don'ts

Now, one may well ask, "What can be done? How can the New Year be made happy?" Here are a few suggestions I would respectfully urge the Government to consider.

1. Give up the thirst for more and more power and authority, and resist the temptation to encroach farther and farther into the liberties and rights and the legitimate field of activities and responsibilities of the citizens—and of the courts.

Decentralise, and adopt policies that hearten the people to work, and stimulate and harness their individual initiatives, talents and energies to raise their own and the nation's income and standard of

living, under strict and helpful controls and regulations—like the control and regulation of traffic in cities and on highways that do not block or impede free movement but actually help to make the traffic flow more smoothly, safely and speedily.

There is nothing original in this suggestion. It is the advice of the greatest political thinkers and sages, including Mahatma Gandhi.

Increasing State control and State interference in activities and responsibilities that belong to the people plant thorny restrictions and entanglements that create, not a welfare State, but a State Forest, in which the scared citizen confusedly stumbles along, and is lost, or withers away.

Mind Our Business

2. Stop talking and telling the world how to behave, and let us mind our own business for a while.

It is time to consider the virtues of a vow of silence. There is really far too much speech-making. A substantial reduction of the quantity should make for an improvement in quality and value.

Let us stop bothering our and other people's heads about Korea and Syria and Viet Nam—or even about Egypt or China...or wherever-on-earth else.

There is still a great deal of goodwill in the world for India; and there is a danger that, in trying to please everybody, we may win less friends than we lose.

People in many lands are impressed by the vast resources and potential of our country and the intelligence of our people. If we develop these resources and this potential by following sober, realistic policies and well-proved methods and build up our economic strength, the countries of the world will come to our doorstep to seek our advice if we wish to offer it, and to invest in our country, if we welcome it.

Utopias happen to be oversold in our market.

An Anachronism

End the present domination of politics over economics, administration, and all else, in the country. It was fully justified during the years of the political struggle for independence. Today, it is an anachronism, a too-protracted hangover. Let this domination cease; and let qualified, trained and experienced men be given the opportunity and the freedom to attend seriously to the serious business of administering the country, for the job of government is also in the nature of a technical job that demands long and intensive study, years of training and practical experience.

3. Slash the colossal defence budget. It does seem odd that our nation that is the proud architect of Panch Shila and exhorts the world to shed the fear complex and stop the mad armament race, should spend disproportionately huge and increasing sums on military expenditure, especially at a time when it is itself so

hard-pressed for funds for plans to abolish poverty, unemployment, illiteracy and ill-health.

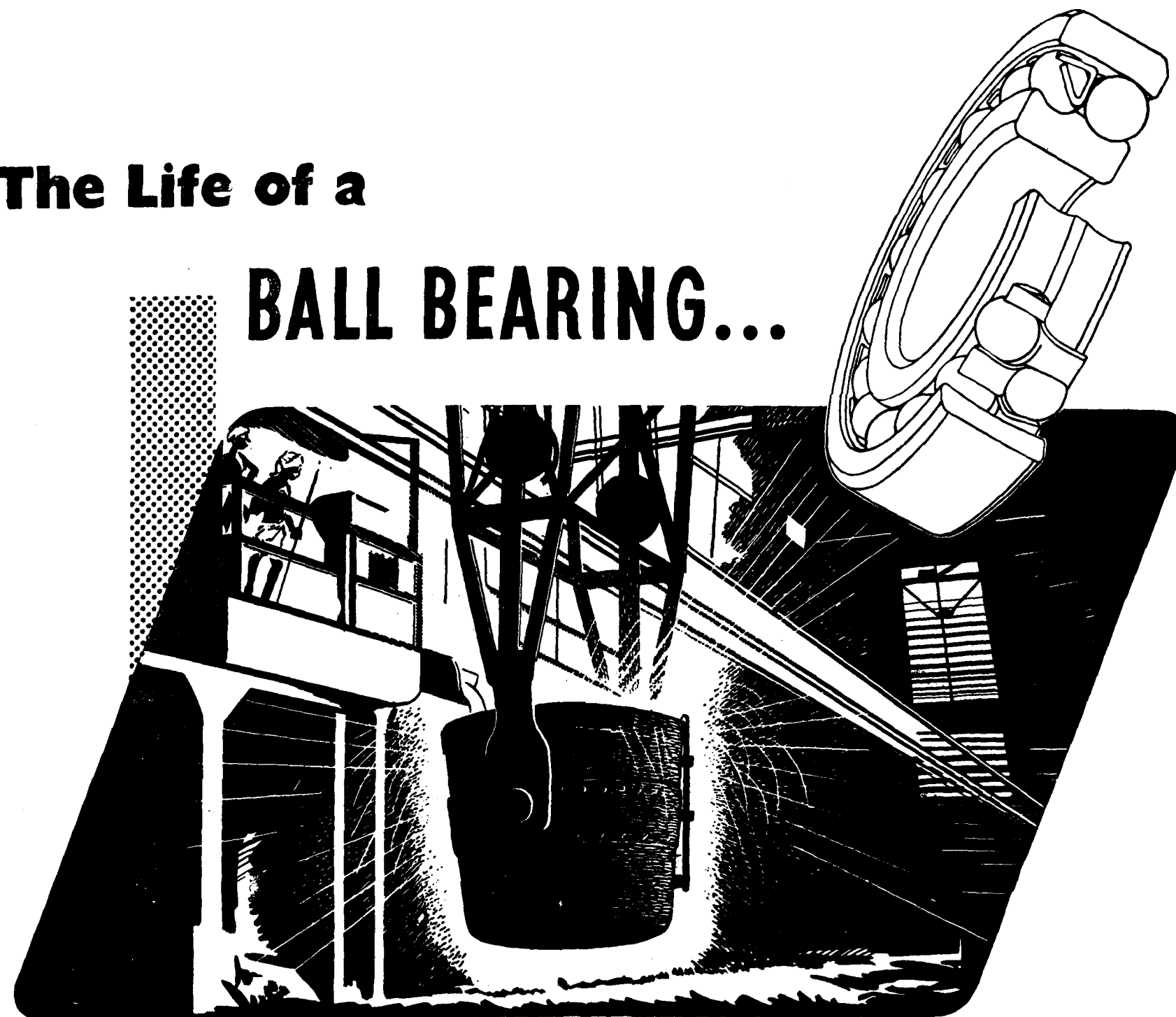
4. Scrap Prohibition, and stop chasing ideological will-o'-the-wisps, till the nation can afford the pastime. After all, India's citizens, too, are grown up men and women. There are worse things one can do, within the pale of the law, than drink.

Prohibition is a failure anyhow, and an extravagant failure. The nation can ill-afford, particularly at this juncture, to neglect the hundreds of crores lost every year in revenue, and in expenditure on enforcement.

Consider also the corruption and the evasion, the indiscipline and disrespect for law that excessive taxation, on the one hand, and Prohibition, on the other, have bred and continue to breed all over the land. We have barely got over the indiscipline and disrespect for authority that was the inevitable hangover of Civil Disobedience and the nation's struggle for freedom. Taboos like Prohibition do not help to inculcate habits of obedience and discipline or to restore the people's respect for the law. On the contrary, they tend to make a grotesque "scarecrow of the law."

5. Lastly, don't overdo it. It is said that "Too little and too late" led to the undoing of the British Empire. Let it not be said that "Too much and too soon" came in the way of Independent India's progress and happiness.—All Rights Reserved.

The Life of a BALL BEARING...



... and the material used

The life of a ball bearing depends mainly on the material from which it is made. To ensure the supply of raw material and obtain control over the steel production, **SKF** acquired Hofors Bruk with its mines and forests, in 1916. Under **SKF's** management, this 300-year-old works has developed into a modern steel works with an annual output exceeding 150,000 tons of steel ingots. The special ball-bearing steel produced at Hofors Bruk has shown itself to be unequalled.

SKF

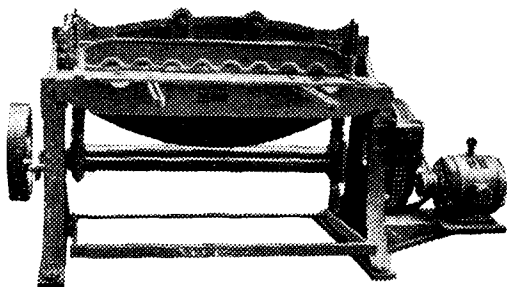
THE RIGHT BEARING IN THE RIGHT PLACE

THE **SKF** BALL BEARING CO. PRIVATE LTD

CALCUTTA P.O. BOX 588 • BOMBAY P.O. BOX 71 • MADRAS P.O. BOX 6

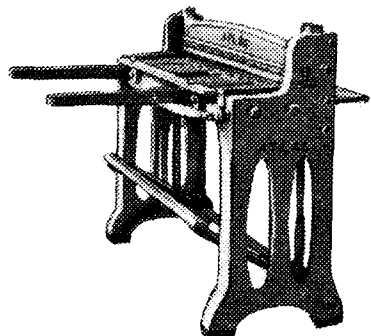
Pride of the Nation . . .

'ATLAS' High Grade
INDUSTRIAL
MACHINERY



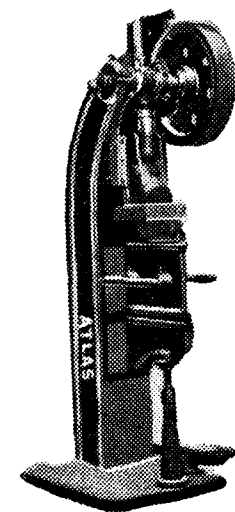
'ATLAS' Treadle
Guillotine Shears,
36"

'ATLAS' High Speed
Power 48" Guillotine
Machine

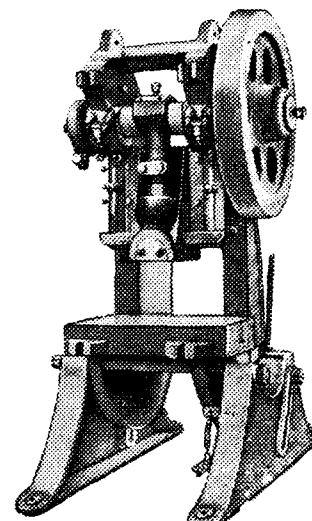


'ATLAS' Honing or
Grooving Press

'ATLAS' (Inclinable)
Power Press 40 Tons



Made in India
from the finest
materials, to
rigid specifications and guaranteed to equal the finest in Efficiency and Durability.



ATLAS WORKS PRIVATE LTD.
119, RIPON STREET, CALCUTTA-16

Phones: 44-5767 & 5768

Tele: SHEETMETAL

RULE YOUR UNRULY HAIR



WITH
Bathgate's
CASTOR OIL

BATHGATE & CO LTD
CALCUTTA-1



WHY HAS SECOND PLAN GONE WRONG?

By CASSANDRA

THIS article is an exercise in fault-finding on the currently fashionable subject of discussing what is wrong with the second Plan of India. Since most of us have the habit of thinking that any disagreement is disagreeable, the apology has to be offered that this exercise is taken up with no intention of re-priming or of attributing blame, but purely as an effort to suggest a perspective for consideration of some of the basic issues involved in economic planning.

The second Plan has run into grave problems so early in its career. The foreign exchange resources have almost run dry; a couple of hundred million dollars that we borrowed from the International Monetary Fund have all been dissipated; and, slowly and imperceptibly, we are building up a structure of medium-term credits which have become an improvident drag on so many economies elsewhere in the world. The internal price situation is worsening, and the naya paisa is becoming less of a paisa from quarter to quarter. Internal revenue resources are apparently on the decline and the response to public debt and small savings is running far below Plan expectations and well below the level of performance in previous years. Foreign aid prospects are just no better than they were when the Plan was put on the bench. While foreign investment is coming in, in a slow trickle, the coordination of the Plan itself in its public and private sector relationships has become uncertain, in that the private sector is booming beyond Plan expectations, while the public sector is investing considerable quantities of non-existent capital. (The fashionable phrase is deficit finance!) What, then, has gone so wrong with planning in our country that, within the first two years of its operation, so many problems should have developed?

Over-ambition Provoked

At the outset, it seems necessary that we admit the charge of over-ambition to which the second Plan had been widely subjected. There was some justifiable room for optimism at the end of the first Five-year Plan, but the practical question for the planners was: Just how much optimism? We have evidently become overgeared in our enthusiasm. The people who criticised the first Plan for being too niggardly and inadequate and too much tied down to the apron strings of the finance boys, apparently are now having their day, and what a day, goodness knows!

These are chaps who call themselves the real resource planners. They keep on telling everyone week after week that since we have plenty of resources our plans can never break down, and by squeezing people hard enough and for the rest by squeezing a central bank for paper capital, funds can be found for all the potential development. To them the lack of capital imposes no limitations, for, do we not have the real resources? There is an approach which concentrates too much on what could be done and too little on how it could be done (or financed) and they have registered very successfully in the make-up of the second Plan.

These are chaps who concentrate all too much on the roses and too little on the thorns beneath them. They are the usual stargazers whose feet get caught in the brush! They brush aside the problem of mobilising foreign exchange resources and domestic resources as an insignificant

and subsidiary matter and take the line that, if you have resources and projects that could be launched successfully, money is no problem and the targets could be achieved. Today, when, in financial terms, the Plan is foundering, the physical resource pundits are maintaining a dignified and significant silence. They have left to others the job of getting the oxygen for their foundering baby!

Too Late

If the second Plan had, however, been drawn up with a careful eye to the financial prospect and the coat cut according to the cloth, after making, no doubt, some practical and careful assessments of other bits and pieces which we could beg or borrow from abroad, we would have made a more successful job of the Plan, as we have done of the first. In any case, it should be obvious to everyone that it is too late to go about in search of resources two years after the Plan is put on the bench, as we are now doing in our search for foreign exchange resources.

Having postulated a deficit in foreign exchange resources several times larger than in the first Five-year Plan, we did not start our search for resources until the deficits came home to roost at the end of the very first year; and, having gone in search of external assistance, the Finance Minister and the Industrial Delegation were able to come back to report that they have successfully cleared some misunderstandings! In our desperate search for foreign exchange, we even went to impecunious Britain that was obtaining waivers on its own external obligations and was borrowing billions to maintain her equilibrium, asking her for a loan of £200 million which she was obviously unable to provide to anyone, and least of all to India. There could be hardly a better example of financial ineptness than this one. Our negotiations for external assistance have been neither steady nor systematic.

A Government that has no tradition for cultivating public relations, is content to believe that sending an official or an official delegation once in a while is all that is needed to open up the reservoirs of other people's wealth, while in the very countries which have this wealth to spare for us, avid intellectuals, financiers and public servants who want to inform themselves and understand our plans and programmes, turn around from pillar to post trying to find out where they can buy our Government publications on the Plan! Hardly possible to name a better example of travesty.

Foreign Policy

Having regard to the broad lines of our foreign policy and the way in which we cherish our ambitions for independence in a world of alignments for cold war conflicts, it was unrealistic on our part to have expected that the popular bias in the other country would be to pour its millions or billions into our Plan to provide an insurance against our departure into communism. There is little evidence to indicate that the makers of our foreign policy weigh in their minds carefully the economic consequences of their external policy. It may be that they are quite right in the pursuit of those policies; but, surely, either they or those who plan for them should be able to envisage that such a policy is not calculated to bring us billion dollar gifts or soft loans for our

economic plans. If we could not jettison our external policies for good reasons or bad, we should have at least realised that our ambitions for external assistance should have been moderated and the size of the gap provided in the Plan reduced to realistic proportions of external assistance which could be regarded as possible in these circumstances.

We have also failed to realise that, although an increase in the tempo of the Plan is all very well to talk of, when it comes to extracting the financial resources and tightening the belt necessary for it, it would be no easy job to accomplish. The wealth and expenditure taxes are good symbols for a society on the socialist pattern, but they do not produce the resources for a large measure of quick tempo planning. In a country as poor as India, anyone will agree who has watched the long queues that are building up outside the food shops in all the towns that inflation sets in a little too soon and sets the limits even on deficit financing. In this dilemma, the least we could have done was to be ready in time with a structure of controls and allocations long before these situations developed. The essence of planning lies as much in diagnosing the situation as in providing for it by the time it becomes necessary. Knowing full well that we were undertaking a stupendous effort and that our resources may be under a strain and that our demand curves may soon shoot up into the empty skies, we had found ourselves unready with the controls that such a situation calls for without mercy.

States Default

In terms of resources, while the Centre has done at least some symbolic gestures, the States continue to drag their feet. They are unable to make up their minds between the temptation to impose heroic measures of taxation to provide the resources and the fear of political mortification which this may bring in its trail. All in all, the only thing that is likely to be increasing beyond expectations and beyond the Plan targets is the deficit on our internal resources and the only thing which remains cheap is money. It is a good time, therefore, to ask of the champions of real resource planning to square up the model they have created with so much ballyhoo in terms of its financial consequences that are now emerging.

Monetary Policy

On the side of monetary policy, our failure is equally striking. By changing the Bank rate in 1951 in time for the first Five-year Plan, an appropriate climate was set in terms of monetary policy for the Plan development in the first phase. In a country where incomes and savings are as low as in India and the needs of capital formation are as high as at present, we are maintaining a Bank rate and an interest rate structure that is lower than in most of the high-income, high-saving, industrial communities. It is understandable that a Government, launching big and costly schemes of development programmes, with a large industrial structure of its own and having an eye on the savings of the public, might not wish to borrow at high rates of interest; but a structure of low interest rates has only helped indirectly to stimulate to an unusual degree of buoyancy in non-essential or unplanned investments in the private sector, clashing head on with capital for-

mation in the public sector as well as in the planned part of the private sector.

In an environment in which every other country went in for higher rates of interest, we, with vast programmes of development, small incomes and little savings have clung on to a structure of low interest rates, coupled with some pathetic exercises in selective credit controls. In this respect and from the point of view of the Plan requirements, the behaviour of the authorities has not been very different from that of the Chinese farmer who burnt his neighbour's hut to roast his little pig. It is true the Government has made a symbolic gesture of pulling the Bank rate up to 4 per cent, but that was only another classic example of doing too little when it was too late.

Our attitudes were equally optimistic in regard to the cost estimates on projects. The costs of various projects, including their foreign exchange components, have been registering increase periodically. Admittedly, this is not all our fault, since other countries also have been raising their prices. Still it does indicate that, in our project building, we had left no margins for eventualities of this kind. It was quite clear, when we were embarking on the second Plan, that interest rates were going high and capital valuations were on the increase. In that environment, a 10 or 15 per cent. margin on costs would have been allowed for by any private business man making his plans. In other words, all this experience with the second Plan is pointing to is that, if we had aimed lower, we would have made our targets or even slightly bettered them, but, by aiming too optimistically and without the due measure of financial caution and conservatism, we have landed ourselves in situations where, like an inexperienced individual grappling with his slender resources, we are discovering the lack of relationship between the bills due for payment and the meagre balance in the box.

Agriculture

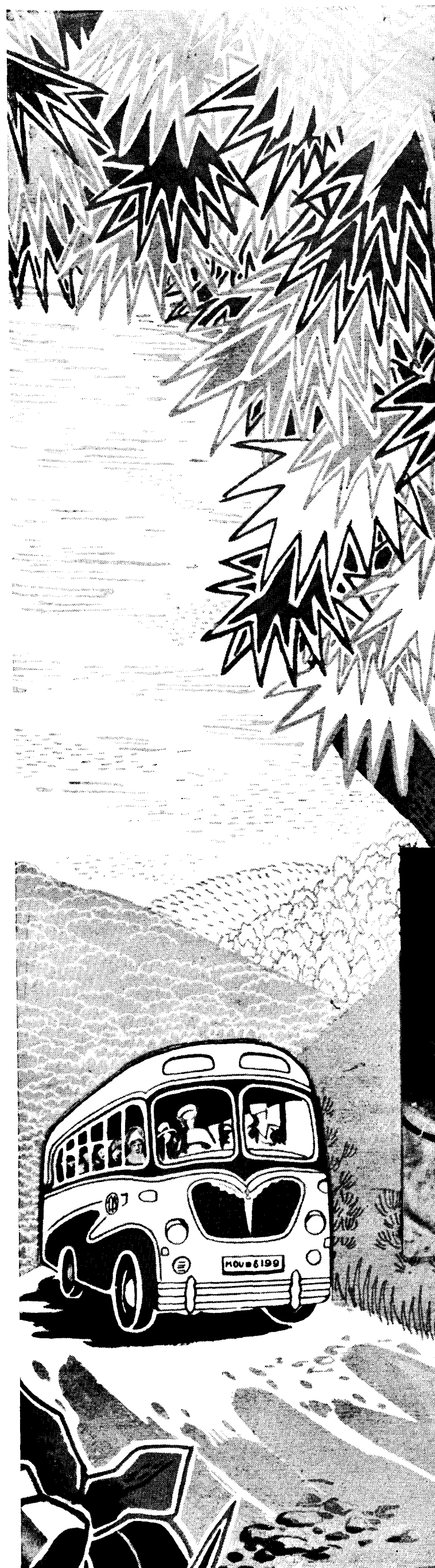
Our agricultural and food policy is equally a pointer to the general attitudes of overoptimism. The revival of food shortage, especially in urban areas, is enough indication that we acted somewhat hastily on the food front. Ignoring the element of luck in the comfortable food situation as it emerged at the end of 1953, we reduced our imports of food and slackened on the food production front. In a country where so great a number depend so heavily on cereal foods and where scarcities could be created in crisis proportion by one bad drought, or by a one-ounce per capita increase in the consumption of food or by the farmers withholding one bag of foodgrains each, it should have been the endeavour of policy to create and maintain through the years 10 per cent. of a year's consumption in reserve stock position for foodgrains. This would not have been an impossible task, especially in the context in which countries like the U.S. were willing to give soft loans or accept local currencies for sales of such products during the last few years. We have, no doubt, made a P.L. 480 loan last year, but we could have done this and adopted other measures during the earlier years as well in an endeavour to build stocks. Such a pursuit would have had the double blessing of providing a foreign exchange cushion as well as a food

(Continued on page 100)

Here comes the 7-15...!

People in the South say: "Set your watch by the TVS buses—they are always exactly on time". Building a reputation like this for punctuality and efficiency is no easy matter...it takes a lot of supervision, skilful planning and technical experience.

Behind the scenes are the TVS workshops, where the largest private transport fleet in the South is regularly serviced and maintained. On converting their fleet from Petrol to Diesel engines, a heavy duty crankcase oil was needed. Shell Rimula Oil 30—an oil with a high additive content—has been chosen for this job, and TVS tell us that they are very pleased with its performance.



T. V. Sundram Iyengar & Sons in Madras State is one of the many Industrial undertakings—large and small—which have come to rely on lubricants bearing the Shell or B.O.C. name and trade mark.

BURMAH-SHELL FOR PLANNED LUBRICATION

INDUSTRIAL INDIA FORGES AHEAD

An Appraisal of Progress Since Independence

By MANUBHAI SHAH

MINISTER FOR INDUSTRY, GOVERNMENT OF INDIA

LIVING in 1957 is indeed a stimulating experience for every Indian, for when one looks back to 1947, one is astonished at the great transformation that has taken place in India's economy since the dawn of independence. Behind this transformation is the story of a great effort on the part of the people of India. Thus, the first decade of freedom will go down in the annals of India as a significant period in her industrial and commercial development. The good progress that her industries have achieved during recent years bears testimony to the fact that our country is capable of a big industrial revolution, if proper, all-round fiscal and industrial techniques continue to be applied with care over a long period. The tiding over of initial difficulties, the fulfilment of the first Five-year Plan and the performance of the organised industry during the period have all engendered a sense of confidence enabling us to look with courage and faith to the future success that we may yet achieve. The emergence of an Industrial India, humming with activity with its steel mills, heavy machinery factories, locomotive works, big fertilisers and synthetic drugs industry, power projects and various kinds of industrial plants dotted all over the country will not be a mere dream by all available tokens but an accomplished fact with the passage of time—say within the next two decades.

After the attainment of independence, India was faced with some serious economic problems. These problems were to some extent due to the dislocation caused during the war and were more or less common to most of the countries of the world in the post-war period. But there were other problems which were rather peculiar to India and they were due, first, to the economic effects of partition, secondly, to the migration of large numbers of displaced persons from Pakistan to India and, thirdly, due to neglected economy over a thousand-year period. Partition deprived India of about one-third or more of the irrigated land and some of our best agricultural regions in Sind, West Punjab and East Bengal. Apart from the difficulty for foodgrains, we were immediately faced with the problem of adequate supply of cotton and jute. As a result, not only did our export capacity suffer but we had to depend on large imports of these very raw materials. Food supply position was already rather acute during war years; and due to partition it became further aggravated. Agriculture, forests and soil conservation had been neglected over a long, long period.

Industrial Policy

Free India had to solve these problems and make a fresh start. The national Government set to itself the task of building a new India and recognised that a dynamic national policy should be formulated to increase production and to secure its equitable distribution. It was on 6th April 1948 that the Government promulgated, for the first time, the "fundamental aspects of its industrial policy," with the confidence that "a joint and intensive effort will be made by labour, capital and the general public, which will pave the way for the rapid industrialisation of the country." It was stressed that the State must play a "progressive active role" in the development of industries. The type of economic

system that was to be followed by the country was what is now termed as "mixed economy"—under which the two sectors, public and private, were called upon to work jointly as equal partners in the great adventure of building up Industrial India. Guided by economic objectives and in unison with the new ideology of "socialist pattern of society," the Government enunciated its new Industrial Policy on 30th April 1956. The new policy charted a fresh course and made fundamental departures from the traditional grooves, permitting a freedom of development in the private sector, but with checks and balances to prevent a detrimental concentration of economic power and wealth. The new policy affirmed:

"The State will progressively assume a predominant and direct responsibility for setting up new industrial undertakings... with a view to reducing economic inequalities and concentration of economic power and monopolisation."

It contains two schedules of industries—one consisting of 17 industries, the future development of which was to be the exclusive responsibility of the State, and the other of 12 industries of great social import which were to be progressively State-owned. All the other industries have been left to the initiative and enterprise of the private sector, although it is open to the State to enter any field, as necessary.

Role of Planning

The striking feature in the Indian economy during the decade that has passed is the extent and magnitude of the development itself which took place within the framework of the industrial policies and planning. It is true that, before the country became independent, some industrial development had already taken place. We had industries like cotton textiles, jute, sugar and iron and steel; but the level of production, even in some of these industries, was far below the level of our requirements. There were, besides, big and vital gaps in development.

It was with the launching of the first Five-year Plan that industrialisation in the real sense made a beginning. Indeed 1950 (in which year the Planning Commission was set up) was a turning point in the country's history when the seeds were sown on a receptive and fertile soil for the plant to grow and emerge into a mighty banyan tree, so that the country could make full use of her vast natural, material and human resources.

The economic situation at the commencement of the first Plan was far from satisfactory. Besides acute shortages of food and raw materials, there were the difficulties of a severely rundown transport system, below capacity industrial production, obsolete, unmodernised, unrenovated industrial machinery, particularly overworked without adequate repairs and maintenance during the long period of war, rehabilitation of large numbers of displaced persons, inflationary pressure within the economy and a chronic adverse balance of payments position. Various development projects which had been commenced in the post-war period were faced with financial difficulties. There was, for instance, little co-ordination between programmes of economic development both at the Centre and in the States. The first Five-year Plan, which was a step in a new direction—a step which

involved greater direct responsibility for the State in promoting development—was, therefore, a measure which provided developmental activity in all economic sectors and at all levels.

The central objective of India's first Plan was to strengthen the economy at the base and to impart to it a measure of strength and stability. This objective has been substantially achieved and, in some cases, the targets contemplated have even been exceeded. Taking the period of the Plan as a whole, the total production of capital goods increased by about 70 per cent., and that of intermediate goods, mainly industrial raw materials, by about 34 per cent. Similarly, the production of consumer goods went up by 34 per cent. Taking into consideration the varying degrees of importance assigned to these three groups of industries in the index of industrial production (capital goods: 7.64; intermediate goods: 43.81; consumer goods: 48.73), the overall increase in industrial production in the first Plan period amounted to 38 per cent.

New Levels Established

We have moved over the first step of our journey and are now in the midst of the second Plan. While the first Plan has laid the foundations of the tasks of development, the second Plan, with its emphasis on basic industries, builds on the achievements of the first and seeks to carry them forward, giving further strength and stability to our economy.

Thus, with the rapid and planned development of industries, an overall increase of more than 60 per cent. in industrial production has been recorded during the past 10 years. The index of industrial production (base 1951: 100), rose steadily from 103.6 in 1952 to 105.6 in 1953, 112.9 in 1954, 122.1 in 1955 and 133.0 in 1956. The rising trend has been maintained in the current year also, and the index number of industrial production touched the figure of 155.9 in May 1957. The larger availability of raw materials, the utilisation of capacity hitherto unutilised, fresh investments on a very significant scale, all this contributed to the general increase in output. The production of mill-made cotton textiles has increased from 3,760 million yards in 1947 to the rate of 5,500 million yards in 1957. The output of sugar has gone up from 1,075 million tons in 1947 to about 2 million tons, of vanaspathi from 95,000 tons to 320,000 tons, of bicycles from 49,000 to 695,000, and of sewing machines from a mere 6,000 to 166,000. The following table is illustrative of these trends in industrial production:

	Unit	Production, 1947	Rate of production in 1957
Textiles	Mill. yds.	3,760	5,500
Vanaspathi	Tons	95,000	320,000
Sugar	Mill. tons	1,075	2,000
Salt	"	1,100	1,500
Sulphuric acid	Tons	60,000	165,000
Caustic soda	"	3,000	43,000
Soda ash	"	14,000	93,000
Ammonium sulphate	"	21,000	365,000
Superphosphate	"	5,000	125,000
Radioes	Nos.	8,000	150,000
Sewing machines	"	6,000	166,000
Bicycles	"	49,000	695,000
Automobiles	"	211	35,000
Diesel engines	"	700	18,000
Power-driven pumps	"	6,000	58,000
Electric motors	"	38,000	500,000
Electric fans	Nos.	160,000	466,000
Electric lamps	Mill. Nos.	7.6	33
Transformers	KVA	32,000	1,300,000
Rubber cables	Mill. core yds.	22	100
Storage batteries	Nos.	70,000	320,000
Coal	Mill. tons	30	44
Steel	Lakh tons	0.85	1.34
Cement	"	1.4	6.1
Machinery	Rs. crores	Nil	85

To this large increase in industrial output, the growth of new important industries in the engineering and chemical fields has made a significant contribution. This growth constitutes another vital feature of industrial progress since 1947. The industries in this group include the two locomotive works—the Government-owned Chittaranjan and the Telco Works in the private sector—the automobile industry, the Sindri fertiliser factory, the modern oil refineries, a large number of steel structural works, the Railway Coach factory at Perambur and a number of privately-owned wagon-building plants, the Hindustan Shipyard and the Hindustan Machine Tools Works, a number of units manufacturing industrial machinery, electric motors and diesel engines and units manufacturing basic chemicals.

The output of machinery in 1957 is estimated to be of the value of Rs. 35 crores. In 1947, the production in this field was practically nil—almost negligible. The production of diesel engines has gone up from 700 in 1947 to about 18,000 in 1957, of power-driven pumps from 6,000 to over 58,000 and of electric motors from 38,000 h.p. to 500,000 h.p.

In the chemical group, the output of sulphuric acid has increased from 60,000 tons to 165,000 tons, caustic soda from 3,000 tons to 43,000 tons, soda ash from 14,000 tons to 93,000 tons, ammonium sulphate from 21,000 tons to 365,000 tons and superphosphate from 5,000 tons to 125,000 tons.

Increase in the production of coal and steel, though of a modest nature, is also considerable. Against 30 million tons mined in 1947, 43 to 44 million tons of coal are expected to be produced in 1957. Steel output during the same period increased from 0.85 million tons to 1.34 million tons. Cement output increased spectacularly by over 300 per cent.—from 1.4 million tons to 6.1 million tons.

Technological Progress

An interesting point about the development of engineering and chemical industries is the technological progress which the country has made in the process of building up these industries. With the exception of a few foreign experts here and there, these industries are entirely manned and operated by Indian technicians. With this progress and the high demand both for consumer goods and industrial equipment, which this development has generated, it has been possible for the country to plan a much higher rate of development in the second Plan and to envisage a still higher development in the third. Thus, our steel output is to be increased nearly fourfold during the second Plan period and a target of 15 million tons during the third Plan is already in the process of thinking.

Indeed more interesting from the point of view of technological advancement is yet another venture on which the country is about to launch—the development of heavy machinery building referred to above.

The confidence which we have gained in the course of the past 10 years has enabled us to take in hand planning of these projects: (1) A heavy machine building plant to produce machinery for steel works, heavy chemical plants, cement machinery, and other heavy industries, (2) a foundry forge shop to supply heavy parts of machinery required by the first project and all other industries, (3) a heavy machine tools plant, (4) a plant to manufacture heavier items of mining equipment, (5) a heavy structural works and (6) a plate and vessel shop. A heavy electrical project for turbines and electrical equipment is already being established at Bhopal.

power for the little man

THERE is a village in Mysore which lives by weaving silk sarees. Some years ago when electricity came to the village it was met with scorn. Not for long, however. First one weaver, and then another thought of buying a loom driven by power. Improvement was immediate. Other weavers followed and soon looms were being worked with power in nearly 400 homes. Each family's production went up and so did income.

Rural electrification and aid to small scale industry are prominent in the Second Plan. In this period,

10,600 more villages and small towns will be fed with power, and machines will be made available for small producers so that they may raise their earnings by using better techniques.

Walk into a small jari factory at Surat, a weaver's home in Mysore, or a village miller's shed in Bihar, and you will see the name Dunlop... for Dunlop belting serves not only giant industries, it will also be found in remote corners of India where electric power and machinery are helping to better the lot of the little man.

The Dunlop
Sahaganj factory
completes 21 years



The Dunlop Rubber Co. (India) Ltd.

DC: 496

Similarly in the chemical field, technical investigation for the manufacture of basic materials like intermediates for drugs and dyestuffs and synthetic rubber has been completed and, before long, the implementation of these projects will be taken in hand. The State basic drug industry is about to be established.

After 1947, for the first time several new products, e.g., type-writers, cycles, sewing machines, alternators, penicillin, etc., were manufactured in the country, and a number of new and important industries like petroleum refining, ship-building, manufacture of aircraft, railway wagons, cables and machine tools, ammonium chloride and D.D.T. were established. Other items included electric drills, shock absorbers, clutch discs, brake lining, hydrogen peroxide, capstan lathes half-inch capacity, salicylic acid, fade green vat dyes and zinc strips for dry batteries.

Village and Small-scale Industries

In order to secure a balanced development of industries, so as to subserve the higher purposes of the welfare of India's millions, great emphasis has been given to the growth of village and small-scale industries—the traditional crafts of the villages, the artistic handicrafts, the ancient handloom industry as well as the mechanised and power-using modern industries run on a small-scale. This constitutes yet another feature of industrial development.

The object of decentralised industrial development is to provide gainful employment, while stepping up production, as well as to spread prosperity over a wide area. While it is now commonly known that the State has extended, in large measure, financial, technical and marketing assistance as well as assistance in the form of reservation of fields of production, what is not so well known is the fact that, even in these traditional sectors of industry, a minor technological revolution has taken place in a peaceful manner. For example, the output of the traditional handloom, even without the use of power, has been raised by nearly a half by the use of simple attachments. Instead of the traditional *charkha*, a new spinning device—Ambar Charkha—is being extensively put into operation to produce three to four times as much as the traditional spinning wheel. Similarly, the efficiency of the village potter, the oil presser, the cobbler as well as of the toy-maker and engraver and carver is being increasingly improved, so that he can produce not only more pots and plates, oil, shoes and toys but also better pots and toys with better tools.

Emphasis on Progressive Manufacture of Goods

As stated above, the State has taken upon itself the responsibility of helping and accelerating the process of industrial growth. Institutions for providing financial assistance to industries have been set up. Loans for rehabilitation and modernisation have been given to several industries. A large number of industries has received protection to withstand imports from industrially advanced countries. This has had a beneficial effect, in that many of these industries have improved the quality of their products and cut their costs, while some have reached a stage where protection has been found no longer necessary. Industries are also being helped in the procurement of raw materials, technical guidance and in chalking out lines of progress. Under constant guidance by the Government, the emphasis has now shifted from mere assembling or processing to progressive phased manufacture of

the entire range of heavy engineering machines and goods in India.

Impact of Industrialisation on Foreign Trade

Developments in the field of industry mould the very structure of a country's foreign trade and trade policies.

The industrialisation of India's economy manifested itself in an upward trend of her foreign trade. The history of imports and exports of India since 1947 might well be termed as the history of the attempt of a country to find its feet in the sea of international trade. It is interesting to note that, during the last decade, the value of total trade expanded by almost 100 per cent.

Developments in trade position may be divided into three periods: (i) from 1947-48 to 1951-52, characterised by inflationary pressures and shortages; (ii) from 1952-53 to 1953-54, a period of mild recession, and (iii) from 1954-55 to 1956-57 which was marked by accelerated economic development at home and boom conditions abroad.

In the first period, exports rose continuously reaching a record level in 1951-52 following the devaluation in September 1949 and the Korean War boom. The level of imports showed large swings from year to year as a result of a variety of factors emanating from the disequilibrium in the economy. The adverse trade balance diminished rapidly during the three years 1948-49 to 1950-51 but shot up in the last year.

With the Korean boom giving way to an inevitable slackening in the pace of economic activity

abroad, and the onset of recession in the U.S. in the summer of 1953, exports declined during the second period as compared to the first. However, the fall in imports was greater still as a result of several factors, namely, the impact on economic activity at home, of the recessionary tendencies abroad, overstocking during the Korean boom, official measures to counteract inflation at home and the change-over from a liberal to restrictive import policy during the second half of 1952.

Economic expansion in the U.S. and elsewhere, coupled with rising levels of economic activity at home and abroad, accounted for substantial increases in exports as well as imports during the third period. The rise in imports, following high levels of development expenditure in the public sector and of investment in the private sector, as well as a progressive but controlled relaxation of import restrictions in conformity with the needs of development, was greater than that in exports.

The following table gives a broad picture during the period:

India's Foreign Trade 1947-48 to 1956-57
(In crores of rupees)

Years	Total imports	Total exports (including re-exports)	Balance of trade
1947-48	456	408	-48
1948-49	644	459	-185
1949-50	648	506	-142
1950-51	650	601	-49
1951-52	970	733	-237
1952-53	667	577	-90
1953-54	597	531	-66
1954-55	656	594	-62
1955-56	705	609	-96
1956-57	840	603	-237

The break up of the imports since 1951-52 in categories (i) consumer

goods, (ii) producer goods and (iii) capital goods is as under:—

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Consumer goods	362	256	178	218	144	149
Producer goods	470	313	297	336	385	446
Capital goods	113	102	97	102	150	253
Total	945	670	572	656	679	848

* Figures are provisional.

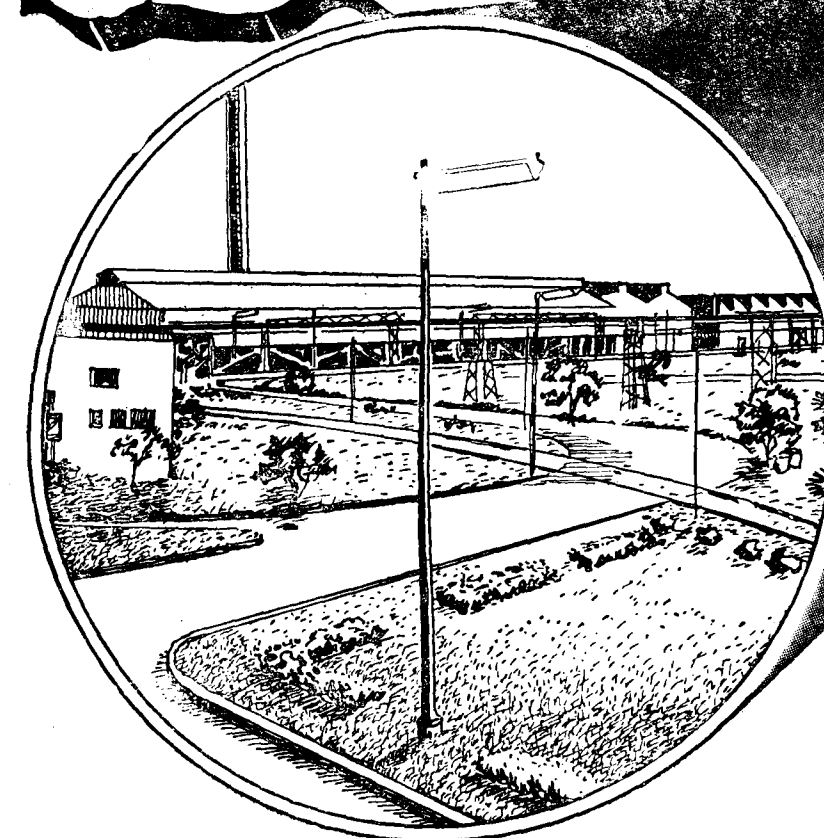
The above table shows that, since 1951-52, we have reduced the imports of consumer goods in 1956-57 by 58 per cent. (Rs. 362 crores in 1951-52, Rs. 149 crores in 1956-57) and increased the imports of capital and producer goods by 20 per cent. (Rs. 583 crores in 1951-52 to Rs. 699 crores in 1956-57).

This policy has been implemented with a view to reducing the burden of consumer goods on our balance of trade and giving acceleration to the industrial development programmes by increasing imports of capital and producer goods.—All Rights Reserved.

An order for diesel marine engines has been placed with F. Perkins Ltd. of Peterborough, England, by the India Supply Mission in Washington. Achieved in the face of world competition, the order is worth \$80,000. The engines, fitted with stern gear and controls, are required by the Central Water Commission in India. Perkins won the contract in competition with tenders submitted by U.S. Swedish and other British manufacturers.

British makers of rails, sleepers and fishplates are to supply Indian Railways with equipment worth £2,250,000 during 1958. It will consist of 30,000 tons of rails, 15,000 tons of steel sleepers and 1,000 tons of fishplates.

Saved for the nation

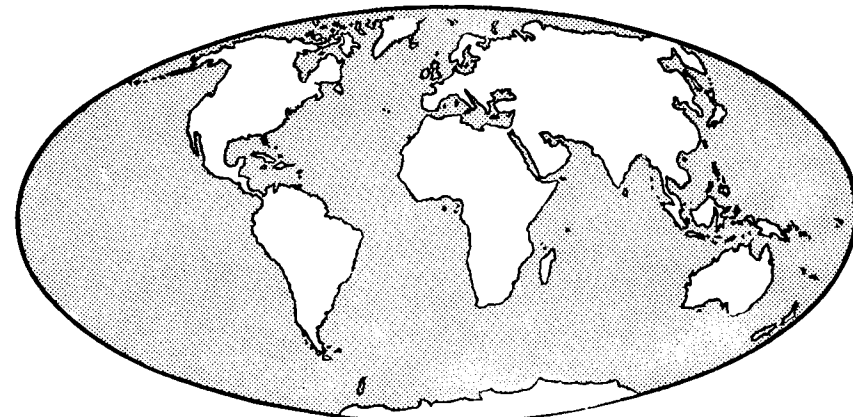


by this factory in 14 weeks this year
-Rs. 1 crore in Foreign Exchange.

Our second mill has now gone into production and we are installing further plant to meet the whole national demand for steel tubes up to 6.5/8" outside diameter.

Indian Tube

The Indian Tube Company (1953) Limited
A Tata-Stewarts & Lloyds Enterprise
41, Chowringhee Road, Calcutta-16



Worldwide . . .

Wherever you seek to do business or to travel, Lloyds Bank can provide you with banking services through its branches, subsidiary companies, associated banks, correspondent banks and agents.

Over 1750 offices in England and Wales. Representatives in New York, U. S.

Subsidiary Companies:

Lloyds Bank (Foreign) Limited
Branches in France, Monaco, Switzerland and—through Lloyds Bank (Belgium) S.A.—in Belgium.

The National Bank of Scotland Limited

Associated Banks:

The National Bank of New Zealand Limited

Bank of London and South America Limited

Bank of West Africa Limited

Correspondent Banks and Agents in all parts of the World.

Branches in the East:

Amritsar, Bombay (2 Branches), Calcutta (2 Branches), Chittagong, Darjeeling, Delhi, Karachi (3 Branches), Khulna, Lahore, Madras, New Delhi, Rangoon, Rawalpindi, Srinagar.



Lloyds Bank Limited

(Incorporated in England)

IRRIGATION AND POWER DEVELOPMENT

An Economic Evaluation

By S. K. PATIL

MINISTER FOR IRRIGATION AND POWER

THE march of India in the economic sphere, since independence, and particularly after the advent of planned utilisation of natural resources, has been a remarkable one by all standards. Measured either in terms of the magnitude of investment on nation-building activities, or of actual and potential output, our recent achievements are something for any country to be proud of, for the problems that faced India after the attainment of freedom were made enormously more difficult by the partition of land and resources, as also by the disproportionately large influx of population.

In this great venture of national reconstruction, the part played by irrigation and power has been particularly significant. Nature has endowed our vast sub-continent with an abundance of water wealth, of which, it must be admitted, only a small fraction has been utilised even now. Engineers have estimated that our country's water resources are of the order of 1,356 million acre-feet, of which no less than 450 million acre-feet are capable of being impounded for purposes of agriculture and power generation. However, up to 1951, we had put to use only 76 million acre-feet, barely a 6 per cent., for economic development. As a result of the first Five-year Plan, this figure has been raised to 10 per cent., and we hope to raise it to very much more on full development of the schemes included in the first and second Plans.

Irrigated Area

Expressed in terms of area, we may say that, of the total land area of 811 million acres in the Union territory of India, about one half lends itself to irrigation, whereas the acreage under active cultivation in 1951 was only of the order of 266 million acres. Even of this, only 51.5 million acres were drawing water-supply from regular irrigation schemes. As a result of completion of the projects during the first Plan period, this figure has gone up to 65 million acres and the second Plan is expected to add about 21 million acres more to this figure. Also, it may be stated that, when all the schemes of the first and second Plans are fully developed, the total irrigated area in the country will be about 109 million acres, which is more than double the area under irrigation prior to the advent of planning.

As has been well and truly observed by the Planning Commission, in its review of the first Plan, "the first Five-year Plan was instrumental in bringing about a marked improvement in levels of production, both in agriculture and industry." It contributed to a rise in the national income by about 17.5 per cent., while the per capita income also rose by about 10.4 per cent.

In assessing the contribution of the irrigation sector to this overall improvement of our national economy, the following facts and figures may no doubt be of some interest.

As many as 262 major and medium schemes were undertaken during the first Plan, with an estimated cost of Rs. 700 crores and potential irrigation benefit of 22.3 million acres. Of these, about 80 schemes were completed during the Plan period and the rest were carried over to the second Plan as

continuing schemes. Expenditure actually incurred in the irrigation sector (i.e., on major and medium schemes including the power portion of multipurpose projects) was of the order of Rs. 435 crores, the additional area brought under irrigation from these projects being 4 million acres. The minor schemes contributed 10 million acres during this period.

The second Plan envisages 209 new schemes estimated to cost about Rs. 440 crores and expected to add, as indicated earlier, 21 million acres to the irrigated area in the country by the end of the Plan period. A feature of the Plan which deserves special mention is the emphasis laid on medium-sized projects which will not only yield benefits in a relatively shorter time but also help in maintaining the balance of regionwise development.

Agricultural production may be taken as the right criterion for assessing the contribution of irrigation to economic development. Figures go to show that 64.8 million tons of foodgrains were produced in 1955-56, as against 54.0 million tons in 1949-50. It is on record that the above output was even exceeded during 1954-55. In terms of foreign exchange conserved and of the psychological contribution towards raising our self-confidence, the Plan progress is far more significant than the face value of the figures.

A few words are perhaps necessary concerning the handicaps in the way of fuller utilisation of our irrigation potential. No doubt, much more benefit could have been derived out of the irrigation facilities already made available, but, as the Planning Commission observes, "altogether the first Plan was only an initial step. The problems of resources mobilisation and of countering the shortages and bottlenecks at various points which are associated with sustained development effort did not emerge fully in the period of the Plan. Both from the point of view of the stepping up of investments substantially, and of keeping the various sectors of the economy moving together in balance, the real task, it could be said, is yet ahead."

Defects Being Remedied

For example, in some cases, it has happened that, owing to defective phasing of works, water has been stored at considerable cost which can irrigate large areas, but canal and distribution systems needed for conveying the water to the fields have not been completed in time. There were also projects in which the time-table prepared by States for spreading the available irrigation facilities had not been rapid enough.

In order to obviate such a time lag and delay of returns from the projects, the Planning Commission has drawn the attention of the States to the need for proper phasing of the projects during construction, with a view to obtaining maximum benefits at each stage of execution. The Planning Commission has also pointed out that the canal system of the project, including the field channels, should be completed at the same time as the reservoir, and that the agriculturists should have their lands ready for irrigation when the water becomes available. The State Governments have been asked to set up working groups at State level to

watch and review at regular intervals the progress of irrigation under each major work. It has also been suggested that a half-yearly review regarding the measures taken and progress made should be submitted by the working group to the State Cabinet. The other suggestions relate to the use of improved seeds, fertilisers, organic and green manures, demonstration farms and the association of village panchayats and the co-operatives with the agricultural production programme.

Another important factor that has caused delay or inadequate utilisation of the irrigation facilities is the defective system of levying water rates which often fails to induce the cultivator to make use of the water made available at great cost. In this connection, it may be mentioned that a number of States are taking active steps to rationalise the water rates through legislation.

Power

In the field of electric power development, India was comparatively very backward till a few years ago, but the country has now become highly electricity-conscious. There is an almost insatiable thirst for power in various regions of the country. In the past, the authorities responsible for power development had generally adopted a cautious policy. They took care to install only such generating capacity in the various regions as would be needed on the basis of actual commitments to meet the definitely known load demands. However, in almost every case, it has been found that, by the time the generating capacity is brought into use, the demand outstrips the supply. No doubt a realistic approach is necessary in the planning for power development, but it is no less important to formulate the plan on a reasonably long-term basis, free from too conservative an outlook, so that the power supply authorities will not, as in the past, be taken unawares by the demands from industries and other consumers.

The installed power capacity in the country, including the capacity owned by self-generating industrial establishments, was 2.3 million kilowatts at the beginning of the first Plan. At the beginning of the second Plan, this total capacity had increased to 3.4 million kw. The second Plan provides for increasing this generating capacity from 3.4 million kw. to 6.9 million kw. Out of the increase of 3.5 million kw., 2.9 million kw. will be in the public sector and 0.6 million kw. in the private sector. 35,000 miles of transmission and distribution lines will be laid for supplying power to the consumers. Promotion of rural electrification has also received special consideration in the second Plan. An amount of Rs. 75 crores has been set apart for extending electric supply to over 10,000 villages in various parts of the country.

An assessment of the economic benefits accruing from power development can be made by analysing the purposes for which electricity is used. A substantial portion of the electrical energy generated in the country (66 per cent in 1955) is consumed by large and small industries. Electricity is used in some measure for lift irrigation and about 12 per cent. is used for domestic purposes. Even at the end of the second Plan, industries will be consuming the

major portion of the power produced. It will be clear, therefore, that, in India, a large block of the power generated is utilised directly for productive purposes.

Tariff Policy

An analysis of the economics of power development will not be complete without an examination of the tariff policy. The problem of tariff is somewhat complicated, in view of the fact that sometimes several conflicting factors have to be assessed and provided for. Generally speaking, a power supply undertaking would seek to fix such tariff rates as would enable the realisation of the actual cost of generation together with a small margin. On the other hand, industries utilising electric power, particularly industries like heavy chemicals, aluminium reduction, etc., wherein the consumption of power is relatively high and the cost of power therefore forms a substantial part of the total production cost, desire a low rate for power, in order that the cost of production in the industry may be kept within reasonable limits.

As a general principle, the tariff rates adopted are such as to ensure that the overall revenue return covers the generation cost including the fixed charges. The Electricity (Supply) Act, 1948, provides, *inter alia*, that the electricity supply licensee shall limit their net earnings after paying the working expenses, etc., to a "reasonable return," which is 2 per cent. above the lending rate by the Reserve Bank of India. It will be seen, therefore, that in terms of the existing legislation, the electricity supply industry is not permitted to earn unreasonably large profits to the detriment of the country's economy.

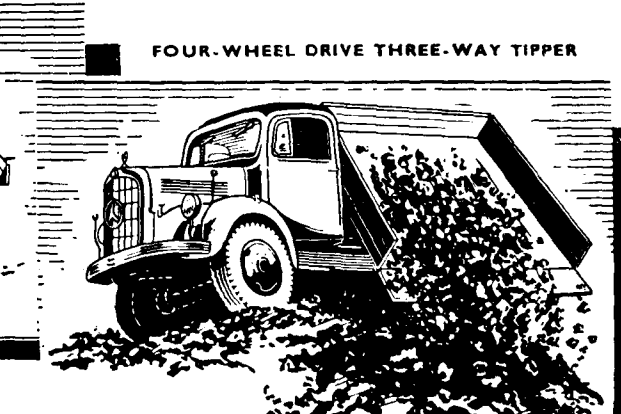
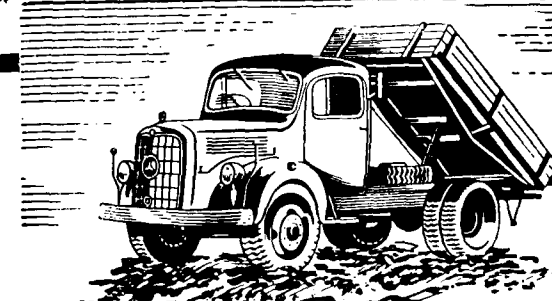
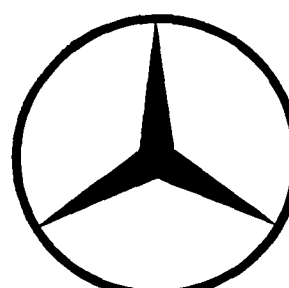
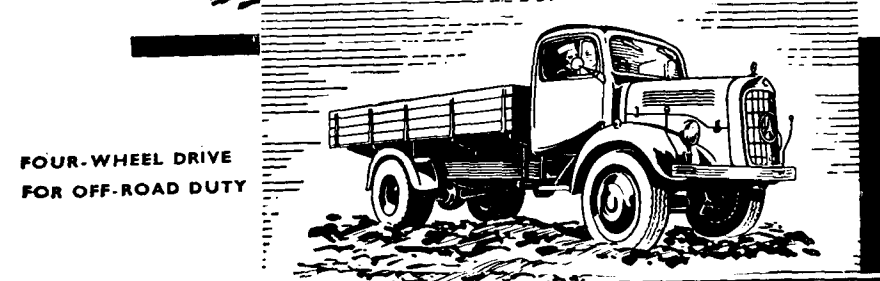
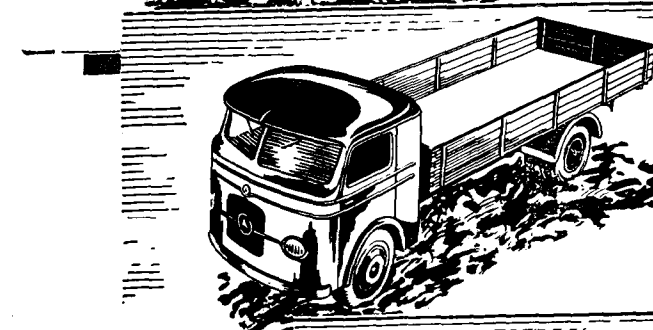
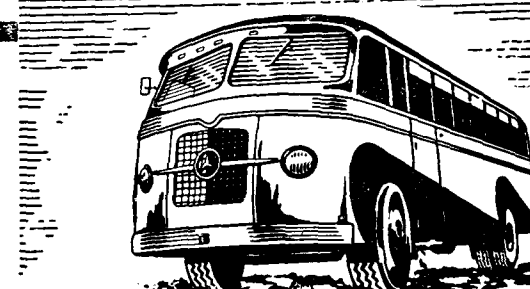
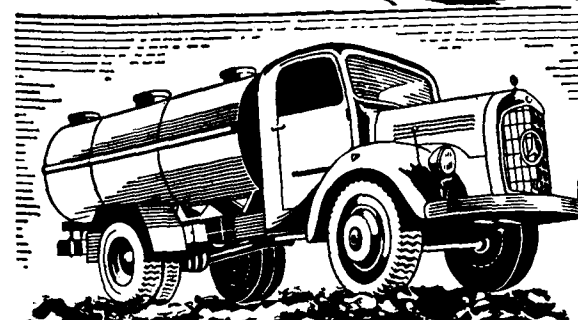
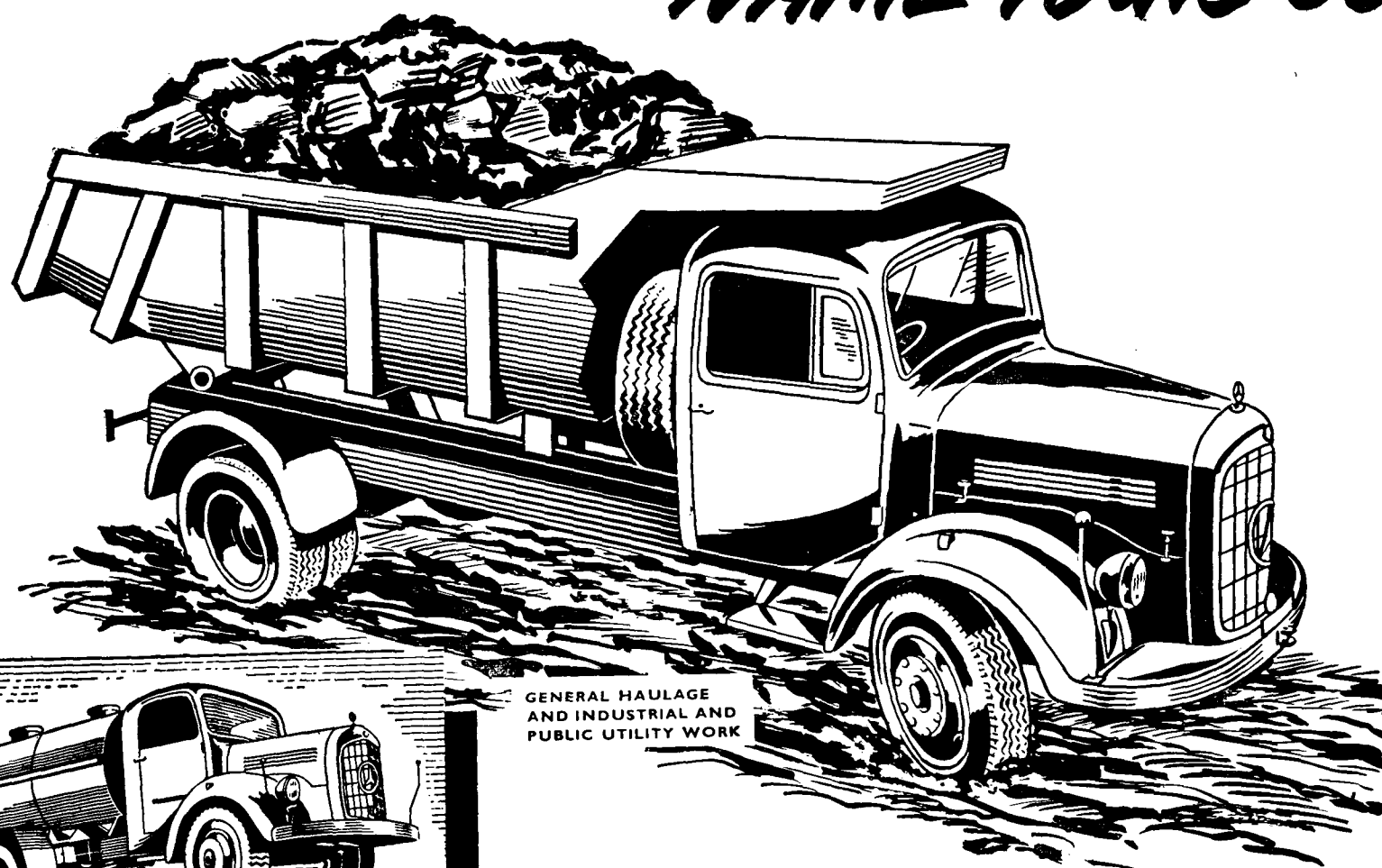
Although the stipulation about the reasonable return specified in the Act is applicable strictly to the electric supply licensees only, the spirit of this provision is generally observed by the Electricity Departments of the State Governments and other project authorities. With the above limitation on the overall net return, the project authorities attempt to formulate their power supply tariff to the various industries in such a manner as to ensure that the cost of power would not be uneconomic to the industry, subject to slight variations, depending upon "what the traffic can bear." This procedure not only ensures satisfactory financial results for the electricity supply industry, but also avoids any adverse effect on industrial development.

Thermal Power

The country's resources for the development of hydro-electric and thermal power are considerable. The preliminary surveys, based on the topographical features of the different regions and the rainfall records, show that the hydro-electric power potential of the country is of the order of 40 million kw. Considering the fact that, at the present time, the total installed capacity of hydro-electric stations in the country is only about 1 million kilowatts, it will be seen that the scope for future development is very large indeed. Besides, according to the proved reserves of coal resources, there are about 2,000 million tons of deposits of metallurgical coal and over 39,000 million tons of low grade coals. The metallurgical coal has to be reserved for utilisation by the iron and steel industry, but the low grade fuels can be used satisfactorily for the generation of electric power. While the possible sites for hydro-electric power development are distributed more or less evenly throughout the country, the coal resources are confined to a few

(Continued on page 32)

NAME YOUR JOB!



Whatever your transport need, there is a TATA-MERCEDES-BENZ vehicle to serve you—and serve you truly and well.

The OM 312 diesel engine, which powers Tata-Mercedes-Benz vehicles, is a recognised winner. Long, trouble-free life, maximum economy in fuel consumption, speed, responsiveness, quiet operation—the OM 312 gives you all this and more.

TATA-MERCEDES-BENZ

TATA LOCOMOTIVE & ENGINEERING CO. LTD.

TEL. CO. 57.6

Regulation of Electric Supply Industry

Some Thoughts on Recent Trends

By R. P. AIYER

IN the chequered history of the human race, ideas, more than anything else, have been influencing factors. The general pattern has been that ideas grow and then wither away, serving, in the meantime, as fertiliser for other ideas. The potency of any idea, however, depends upon how far they fit into the warp of the whole texture of life, and its enduring values. Therefore, every economic doctrine has a certain relationship with the environment in which it is evolved.

Regulation of electric supply industry is some such conception. It was not conceived in an ivory tower but was evolved with the passage of time to suit changing conditions. What is and what is not a public utility is well understood in the present times. A public utility stands on the "gateway of commerce" and "takes toll" from all who pass. It is a classification readily distinguishable by the limitations imposed on the utility's freedom to buy and sell and earn.

It is within these limitations that one should dilate upon the problems of a regulated industry like electricity supply.

Need for Capital

The main stream of thought is the need for the industry being in a position to raise capital for development. The electric supply industry in India has come of age and the excellence of the industry's record is an assurance of its ability to obtain additional funds necessary to meet the ever-widening increase in demand for electricity. But there is, however, the inevitable cloud of inflation in the horizon, threatening continued depreciation of the rupee. The hope of the industry to raise capital is, therefore, circumscribed by the postulate that the threat of inflation does not inhibit the custom of the investing public, who, by and large, continue to value electric supply equities preferentially.

Over the past decades, the support of the investing public has sustained the pioneering effort of many an undertaking and this support, offered in faith, has been rewarded by a greatly strengthened industry which continues to pay reasonably steady dividends. The investors has also the knowledge that the healthy growth of the undertakings has been stimulated by promotional policies of managements. There is also an all-round satisfaction that, as a result of efficiency and economy, the consumer of electricity is getting more worth for his money, in that, while the cost of other articles has increased since World War II by 400 per cent., the average price paid for each kw.h. has, at the most advanced by about 40 per cent. only.

Some discussion here of the differences between a regulated industry like electric supply and others who function within the confines of the open market may not be out of place.

Price Control

The primary difference is that a public utility electric supply undertaking functions under a price control mechanism whereas others do not. Another important difference is that a growing electric supply undertaking must plan and purchase equipment some four or five years in advance, in order to be in a position to meet potential demand. In

other words, an electric supply undertaking is obliged always to "be ready." Unlike other industries, it cannot sit back by taking an attitude that it has grown large enough and does not wish to expand. It cannot even resort to the remedy of postponing development plans in the face of an unresponsive stock market. It must, like an ever-vigilant sentry, stand guard and be ready and available to meet all demand at the touch of the switch. Many of the consumers' requirements may be small and they do not pay incremental costs. It is also common that consumers may demand supplies anywhere, and their requirements may necessitate large-scale investment of capital.

Talking of capital, the electric supply industry, offering a modest return, must compete with other industries offering higher return for the savings of the investor.

Return

A view generally held—particularly by the regulating authorities—is that the investor in the electric supply industry is assured of a guaranteed return and the assurance is a competitive factor against other investments offering higher return, but which are most susceptible to consumer resistance. The axiom that the utility is guaranteed a return is, however, circumscribed by certain considerations, the main one being misinformed consumer outlook. Instances are not wanting when organised consumer opposition has militated against the utility earning the "reasonable return."

Yet another important difference between the electric supply industry which is regulated and others which are not is that the latter can price their product to ensure enough earnings so as to pay for a large part of their expansion programme. One method of doing this is to earn the accelerated depreciation allowance. This resource is not yet available to the electric supply industry.

Consumer Opposition

The electric supply industry is a capital intensive business and, in the regulated sector, the capital invested exceeds Rs. 12,000 lakhs. Yet, the industry is subject to a squeeze between the upper stone of regulatory agencies and the nether stone of consumer opposition. This squeeze has tended to hold fares down, irrespective of the economics of the cases. The result is that undertakings which justifiably require rate increase face serious difficulties to exercise legal rights. All these add up to the view that public utilities have to contend with a number of risk factors and the level of return should take into account the risks involved. The financial regulation codified in the Electricity (Supply) Act has laid down the principle that an electricity supply undertaking's earnings should be such as to permit a return similar to that being earned by other industries having corresponding risks. In the light of the examination of the risk factors earlier cited, there should at least be the basic recognition that no undertaking should be placed in such a position as to make it difficult to earn the permissible "reasonable return."

This leads on to the question of regulation in relation to the implementation of the law. A factor which weighs heavily with inform-

ed investors, *vis-a-vis* appraisal of the equity of an undertaking, is the attitude of the regulating authority of the State in which the undertaking operates. While, by and large, a favourable climate has prevailed in the country as a whole, and this has been reinforced by clarification in law and by the development of case laws, there have been areas of cloudy skies and low pressure, and even of a few hurricanes. In some instances, there have been doctrinaire approaches. Regulation has on occasions taken political colour, leading to serious financial loss, if not near disaster. There is reason to believe that such incidents will not recur. Where lapses have occurred, the lesson which has come out with force is that continuous education of the public, and of the regulating authorities, as to the facts and trends is essential to ensure maintenance of the fair return. This means that the undertaking involved is able to protect itself from rising costs by appropriate rate increases, including automatic operation of fuel adjustment clauses where necessary. Improved operating efficiency is, of course, no less important, but the trend of present-day cost is such that internal economies by themselves, can only touch the fringe of the problem.

Interest Trend

What of the level of the "reasonable return" itself? Although the permissible return to the investor is fixed by law, as distinct from *ad hoc* enquiry as in the United States (from which country the practice has been adapted in the Electricity (Supply) Act in India), it would, nevertheless, be pertinent to discuss the movement of interest rates.

The whole structure of interest rates is now in the doldrums. When we look back to the mid-thirties and the end-forties, we see a sensible interest pattern, or some thing like the following:

	Per cent.
Bank rate was	3
Treasury Bill discount was round about	1
Call money and short credits were in the vicinity of	1
For term money banks used to pay round about	2
Central Bank credit cost	3
Imperial Bank's advances rate was also	3 1/2
Bank credit for borrowers was	3 1/2
For others it varied from	4 to 6
High grade debentures were on the basis of	4 to 4 1/2
High grade preference shares were on the basis of (tax-free)	4 1/2
Equity shares of known companies were quoted on the basis of (tax-free)	5
Growth stocks (which offered scope for capital appreciation) satisfied investors by a yield of	3 to 3 1/2

The position at present indicates a different picture.

	Per cent.
Bank rate	4
Call money rate	3 1/2
Term money rate	4 1/2 to 4 3/4
Debentures placeable only at	6 or over
Preference shares at	8% or over subject to tax or 6% or over tax-free.
Equity shares yielding interest	8 and 10% free of tax.

This dynamic situation postulates appropriate regulatory climate, and

the fact that Parliament has accepted the principle of linking the return to the money market is an assurance that the industry will not be left to be faced with a situation such as a harassed housewife with limited allowance has to contend with. If the consumer has to be guarded against the devastation of gain which exceed reasonable bounds, the very principle of regulation demands that the industry should likewise be made to function in an atmosphere of comparative freedom to exercise the rights under the law.

Co-partners

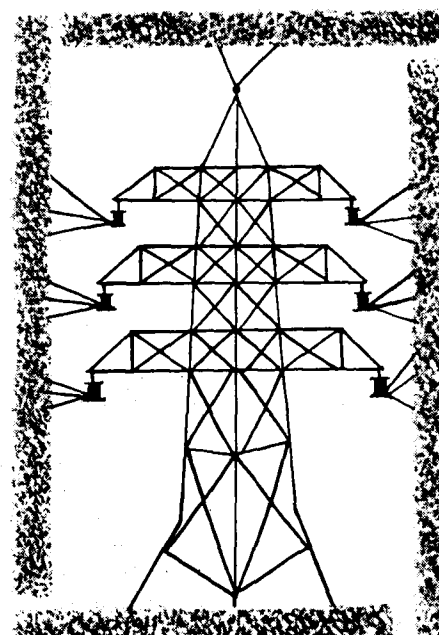
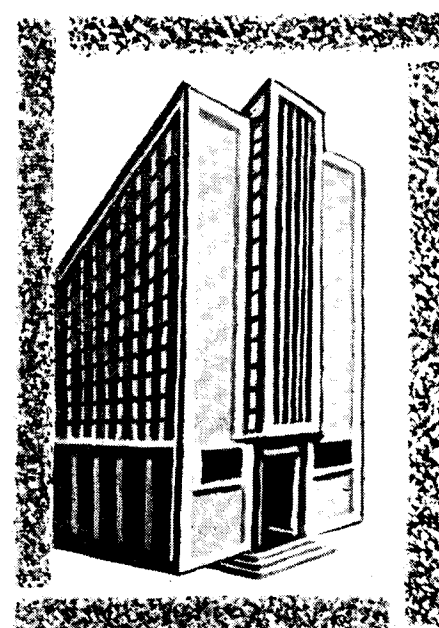
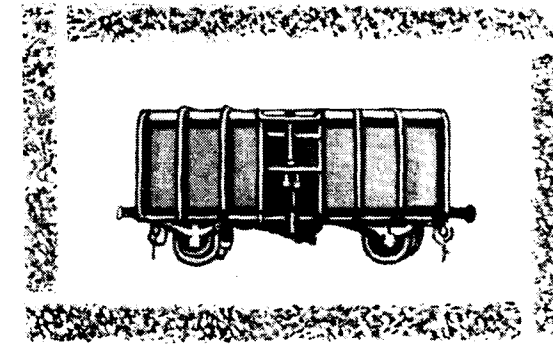
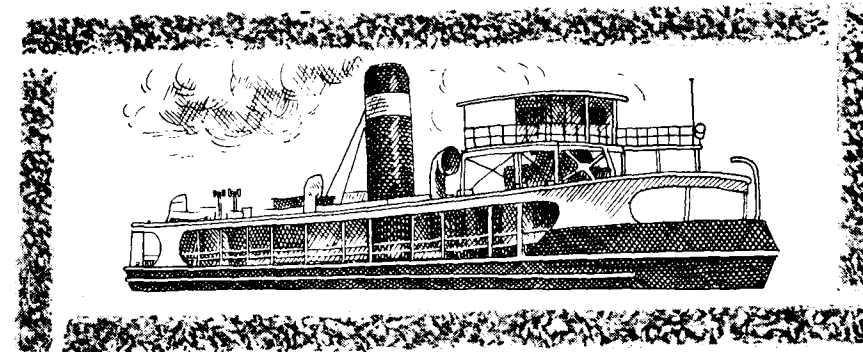
One last thought which is relevant to this discussion is the role of what has come to be called the "private" sector of the electric supply industry. Until recently, the enthusiasts of the public sector had at best viewed the sister component with some tolerance to be dispensed with without loss of time. This view had tended to cloud legislative thinking resulting, in some cases, in displacement for the sake of displacement. More recently, this force appears to have spent itself. The advisability of continuing to harness the accumulated experience found in the sizable private sector is tending to receive some recognition by the powers-that-be. Apart from this welcome trend, it is only desirable that the two systems should operate side by side, so that each may be stimulated by the example of the other, and both may be judged by comparing their performances. In this way, healthy competition may be permitted to operate to serve the public interest best.—All Rights Reserved.

ECONOMICS OF ELECTRIFICATION

Discussing the economics of electrification in the context of the recent electrification of rail track in and around Calcutta, Mr. P. R. K. Menon, Deputy Financial Adviser to the Eastern Railway, poses the question: "How is electrification justified in the Calcutta area where coal is available in plenty in the neighbourhood?" To understand this problem, he says, it is important to remember certain basic facts. The operational and maintenance costs of fixed electrical equipment and rolling stock are considerably less than those operated by steam. The real disadvantage of electric traction lies in the cost of overhead equipment and substations (where necessary) required for transmitting power to locomotives constituting a substantial portion of the total cost of an electric traction scheme. The cost of this fixed equipment does not vary appreciably over wide ranges in traffic density and, therefore, the cost of service on this account per unit of traffic density varies inversely with the density of traffic. On the other hand, the haulage costs per unit of traffic density which increases directly with the increase of traffic density will be less under electric traction than that under steam traction. Any further increase in traffic density will result in lowering the combined costs of fixed equipment and haulage in favour of electric traction.

A detailed analysis of the conditions in and around Calcutta on the basis of the cost of coal, according to Mr. Menon, has revealed that for any traffic density in excess of 4.23 million trailing ton miles per running track mile per annum on a double track route, electric traction will be more economical than steam. As the traffic density of the sections to be electrified is above the minimum requirement, it can easily be understood how electrification is justified in the Calcutta area.

AIDING INDIA'S PROGRESS



IN COMMERCE AND INDUSTRY

IRON · STEEL · ENGINEERING · SHIPBUILDING
ELECTRICITY · RAILWAY WAGONS · BUILDING · MERCHANTING

MARTIN BURN LIMITED

Head Office: 12 MISSION ROW, CALCUTTA

Branches at NEW DELHI BOMBAY KANPUR

Development of Sugar Co-operatives

Task of Unprecedented Magnitude

By DR. PANJABRAO S. DESHMUKH

UNION MINISTER FOR CO-OPERATION

ETIKOPPAKA, a small village town in the Vizagapatnam district of Andhra Pradesh, suddenly came into prominence in October last, when it was selected as the venue of a Seminar of All-India Co-operative Sugar Factories. The seminar was held at one of the pioneer co-operative sugar factories of India situated in this town. It was attended by representatives of sugar co-operatives from all over the country, the Registrars of Co-operative Societies of State Governments, and other official and non-official co-operators. It was a co-operative event of considerable importance, which promised to make the co-operative sugar factories bigger and better than before. Several problems—administrative, financial and technical—facing this first major co-operative industry of the farmers, were discussed frankly and many far-reaching decisions were taken.

What are these industrial co-operatives? How did they come into existence? And what are their problems? These make a fascinating story in the history of the growth and development of the Co-operative Movement as well as sugar industry in our country. Briefly put, it is the venture of about a lakh of farmers imbued with the spirit of co-operation and determined to become producers-cum-manufacturers on the basis of self-help and mutual aid.

The Indian sugar industry developed mainly during the last quarter of a century. The industry had, however, to be protected from foreign competition for a period of 18 years from 1932 to 1950. It was mainly this protection that enabled the industry to survive and prosper. During the period of controls on the price, movement and distribution of sugar, consumption of sugar was restricted and, therefore, was stagnant at a certain level. The production also showed little improvement.

Rapid Growth

After decontrol in 1952, however, the consumption began to increase rapidly. This increase in demand was due to such causes as (i) growing population, (ii) changes in dietetic habits of the people and (iii) improvement in their purchasing power. As production did not keep pace with consumption, considerable gap between the two developed. Not only the prices ruled high but we were forced to import substantial quantity of sugar which we had not resorted to during the previous 15 to 20 years. Since the time, however, the Ministry of Agriculture propagated the top dressing of sugarcane with ammonium sulphate and a steady price for sugarcane was assured, the whole aspect has undergone a revolution. Sugar production in India during the last four years reached phenomenal progress, culminating in this year's total production of 20.25 lakh tons, thus reaching almost 100 per cent. more than the average annual production in previous years. This achievement was recorded, without many new plants having come into operation. The capacity of the industry was however assumed by the Planning Commission at 15 lakh tons and it is proposed to raise it to 25 lakh tons by the end of the second Plan for attaining the target already mentioned of 22.5 lakh tons.

The Industrial Policy Resolution clearly lays down that we should build a large and growing co-operative sector. In fact, the first and the second Plans have made co-operation, the sheet anchor of their programme for increased agricultural production. The target of 50 co-operative sugar factories at the end of 1960-61 at an estimated cost of Rs. 50 to Rs. 60 crores is an essential feature of this programme. So far, 38 new co-operative sugar factories—18 in Bombay, three in Mysore, three in Madras, five in Andhra, five in Punjab, three in Uttar Pradesh and one each in Bihar, Orissa and Assam—have been formed since 1953. The establishment of a large number of factories on a co-operative basis is thus a landmark in the programme of development of the sugar industry and raising its production capacity.

Aims and Objects

The aims and objects of the co-operative societies formed for the purpose of establishment of sugar factories are, *inter alia*, to encourage proper development of agricultural industries on co-operative lines and the promotion of the principles of co-operative and joint farming so as to secure the best advantages of modern large-scale agriculture and processing to the cane-grower.

Efforts had been made in the past also to establish sugar factories on co-operative lines. As early as in the year 1933-34, four co-operative sugar factories—three in the State of Madras (now Andhra) and one in U.P.—were established. But, with the exception of the factory at Etikoppaka, where the seminar was held, all others did not work well and had to be sold to private concerns. The Etikoppaka factory, however, survived the impact of depression and subsequently worked so well that it was able to increase its daily crushing capacity from 75 tons to 600 tons in the year 1952-53.

In the year 1950-51, a co-operative sugar factory was established at Pravarangar in the Ahmednagar district of Bombay State, with a plant of 450 tons' capacity. This factory also worked very well and within a period of four years was able to expand its capacity considerably.

During 1956-57, eight co-operatives actually were under production, producing 58,110 tons of sugar—a contribution of nearly 3 per cent. to the all-India sugar output. Six more factories are expected to commence production during the current season. Three have received partial consignments of machinery, ten have placed orders for machinery and eleven are still to obtain import licences. When all the factories go into production, they will produce about 25 per cent. of the total sugar production and bring to the cane-grower an additional income of Rs. 3 crores per annum.

The Problems

The setting up of cane-growers' own co-operative sugar factories on such a scale is a task of unprecedented magnitude. The problems of these new co-operatives are many and varied. The factories experience difficulties in the matter of

collection of share capital, in the enrolment of members, in the preparation of specifications for plant and machinery, in making adequate arrangements for supervising the work of the erection of factory buildings, installations of machinery and in the bulk purchase of raw material, etc. Even after the factories go into production, the problems of operation arise. The cane-grower is not used to these tasks. He is neither a capitalist nor an industrialist. The Government, therefore, has to assist him for the solution of his administrative, financial and technical problems.

First and foremost is the problem of finance. For putting up an average size plant of 1,000 tons capacity, a block capital of about Rs. 1 crore is needed. Of this, the sugar co-operatives are required to collect about Rs. 15 lakhs as share capital, mostly from growers of cane in the area of the factory. The Reserve Bank of India Act, section 46A(2)(b), has recently been amended to enable the Bank to advance loans to enable individual farmers to become shareholders.

These loans are advanced through co-operative societies even upto cent. per cent. of the paid-up value of the shares held by the individual cane-grower. An amount equal to the sum collected by promoters is given by the National Co-operative Development and Warehousing Board to the State Government, for investment as share capital. About 60 per cent. of the cost of machinery and other assets is advanced as a long-term loan by the Industrial Financial Corporation of India. The working capital requirements are also largely met by the State co-operative banks, with the assistance of the State Bank of India, at reasonable rates of interest.

The National Co-operative Development and Warehousing Board has so far sanctioned loans to State Governments amounting to Rs. 108 lakhs for participation in the share capital of 12 co-operative sugar factories, besides Rs. 190 lakhs to 17 co-operative sugar factories advanced by the Central Government. The Industrial Finance Corporation has invested about Rs. 11 crores in the industry.

Centre's Help

The Government of India helps the sugar co-operatives in the selection of suitable sites for the factory, provision of adequate quotas of steel, cement and coal, to import the right type of machinery and the supply of suitable technical personnel required to run the factory. The Government of India appointed a committee for the preparation of Standard specifications for sulphitation and carbonation plants. The Specifications Committee has recommended the purchase of such plant as would be simple in design, low in cost, possible of future expansion, and easy of servicing. Costly spares are to be avoided and such machinery as could be manufactured indigenously within two to three years time is preferred. The co-operatives have so far placed orders for 18 plants from West Germany, three from Czechoslovakia, two from the U.K. and one from France. Most of these plants have a crushing capacity of 1,000 to 1,250 tons.

The attainment of operational efficiency is yet another problem for the newly formed co-operative sugar factories. The Sugar and Vanaspathi Directorate in the Ministry of Food and Agriculture has opened a special cell which solves all the technical and operational difficulties of these factories. A monthly working report on specified proformas, incorporating all details therein, is called from the factories. On the basis of the information received, comments are made pointing out deficiencies and suggesting improvements in their working. The Processing Engineer of the Directorate visits these factories frequently and helps to solve most of their operational difficulties by a study on the spot.

Federation Formed

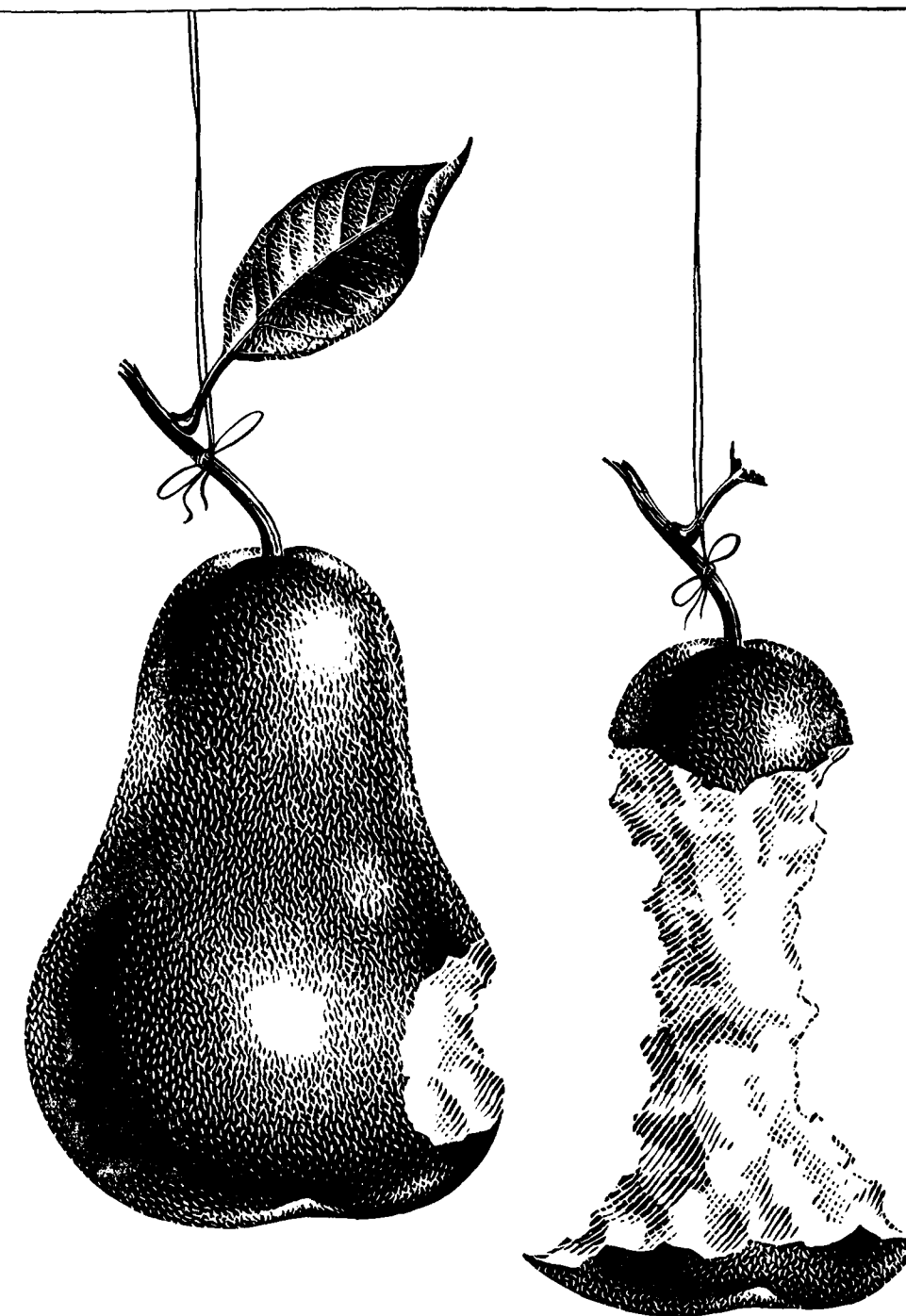
The problems of the co-operative sugar factories are generally of a similar nature. With a view to pooling knowledge and drawing upon each others' experience, the seminar at Etikoppaka has resolved to form a National Federation of All-India Co-operative Sugar Factories. The co-operative sugar factories in Bombay have already set up a common organisation of their own for this purpose. It is hoped that this Federation will help the co-operative sugar industry to develop on healthy lines.

The spirit of co-operation generated by this enterprise is bound to influence other industries and the future development of large-scale industry in India on co-operative basis will thus depend upon the success we may achieve in running the co-operative sugar factories. The path of the sugar co-operatives is not rosy. It is beset with several difficulties. The most serious difficulty at the present is the shortage of foreign exchange and lack of capital finance. As a result, progress has slowed down. It is, nevertheless, to be hoped that these difficulties are temporary and that the co-operatives will soon get import licences on the basis of deferred payment system. Until this happens, vigorous efforts will be continued to make each one of the already established factories a flourishing concern.—*All Rights Reserved.*

WAGE BOARD FOR SUGAR INDUSTRY

The composition and terms of reference of the Central Wage Board for the sugar industry were announced by the Deputy Labour Minister, Mr. Abid Ali, in reply to a short notice question in the Rajya Sabha on 24th December 1957. Headed by Mr. Bind Basni Prasad, the seven-man Board will comprise Mr. H. C. Dasappa, M.P., Dr. P. S. Lokanathan (independent members), Mr. Gulabchand Hirachand and Mr. R. P. Nevatia (employers' representatives) and Mr. Kasinath Pande, M.P., and Mr. Gangadhar L. Ogale (workers' representatives).

The Board has been asked to work out a wage structure based on the principles recommended by the Committee on Fair Wages and also to determine the categories of employees (manual, clerical, supervisory, etc.), to be covered by the proposed wage fixation. Of special interest is the Government's decision to ask the Board also to "work out the principles that should govern the grant of bonus to workers in the sugar industry." This marks a departure from the terms of reference of the wage board for textile industry. The Board has also been asked to bear in mind "the desirability of extending the system of payment by results."



Appearances and a pair of pears

Appearances can be deceptive—and so, of course, can pears. They are popular fruits, but you can't tell their quality by gazing at them. Moral: If you're buying pears, taste them first.

But testing by tasting gets you nowhere if, for instance, you are buying soap. For that (and all packaged goods), buyers have a surer guide to quality: they go by a *name* they can trust, a *brand* they have used and found reliable.

For nearly 70 years, people have trusted Hindustan Lever products because their high quality has been unvarying; and this is so because we test.

At Hindustan Lever, we make some 1,200 tests a week! All our products are examined at every stage of manufacture—from the raw

material, onwards. We make sure that they stand up to storage and transport: we 'create climate' in our laboratory to observe them under all weather conditions. Finally, we check their performance by using them as you do in the home.

Look in on a typical testing scene! Look past the burettes, pipettes and calorimeters at that batch of busy girls! They are lathering a variety of clothes with our washing products—studying volume and stability of lather and 'soil-removing capacity.'

All this has helped us to make *quality* products that are household names today. Lifebuoy Soap, Dalda Vanaspathi, Gibbs SR Toothpaste are a few examples. They are widely trusted because they are tested...first by us, then by use!



Hindustan Lever serves the home

HLL 5-X78

CO-OPERATIVE FARMING

Main Objections Answered

By VAIKUNTH L. MEHTA

IT is unfortunate that, during recent months, controversy has raged round the proposal to promote co-operative farming in India. Many of those who are opposed to this form of co-operative development, claim to be in favour of the application of the principle of co-operation to all business activities connected with agriculture—save that of production. They forget that the original conception of a co-operative commonwealth—to which ideal both co-operators and the Indian National Congress subscribe—was that of local communities, agricultural and industrial, "each resting on the principle of mutual service and educating new generations in the spirit of social fellowship." Competition in individualism was to yield place to individualism in co-operation.

Socialist Order

Quite a large number of those who are opposed to the very conception of agricultural production being carried on in common, have accepted as their goal the bringing about in India of a socialist order of society. Socialism has been defined in diverse ways; but any accepted definition would necessarily imply that the principal means of production are under social ownership or control. Hence, in India, with its predominantly agricultural economy, to establish a socialist order of society, the ownership of land has to be brought progressively under social control. In the context of the fundamental principles animating the Constitution of India and in consonance with the ideology inspiring the co-operative movement, the ownership and control may ultimately have to vest in the village communities themselves which can most suitably regulate and conduct agricultural operations in the interest of society as a whole. Accordingly, in the Election Manifesto on which representatives of the Indian National Congress got elected at the elections held earlier this year, emphasis has been laid on the need for "the organisation of the co-operative movement for agricultural production and for the extension of the co-operative principle to the management of villages." Development along this line is assumed to be essential for our progress towards a co-operative socialist commonwealth.

Valued Way of Living

At the last meeting of the Standing Committee of the National Development Council, which was held in the middle of September, the Prime Minister expressed the view that it was necessary to envisage co-operative organisation on a wider basis than that of supplying resources and providing services. The organisation of agricultural production co-operatively, he urged, was a desirable line of development, especially in areas where land was reclaimed or in areas which became available through *Bhoodan* and *Gramdan* or where land distribution took place with the imposition of a ceiling on holdings. The two conditions that should govern such organisation were, according to him, that the people should be willing to join farming co-operatives and should be free also to withdraw from these. As much as the economic utility of this form of co-operative development, what has, the Prime Minister concluded, attracted him to it was that it represented a much valued way of living, trans-

lating into concrete terms the concept of the sub-ordination of one's individual needs to the needs of the community.

In the light of the discussions at this meeting, the Standing Committee approved of certain proposals which, presumably, modify to a certain extent, the programme formulated for the Second Five-year Plan. The Planning Commission had expressed the desire to see that "within a period of 10 years or so, a substantial proportion of agricultural lands are cultivated on co-operative lines." Later, the delegation to China indicated a figure of 10,000 societies in the second Plan period. The decision of the Standing Committee is that, during the next three years, in all 3,000 co-operative farming experiments should be carried out, a start being made with 600 units in 1958-59. This work has to be undertaken in consultation with the State Governments which are called upon to carry out, in their respective States, surveys of the existing institutions, numbering in round figures over a thousand—selecting villages for development and for fresh experiments, arranging for the appointment of the requisite staff and providing facilities for training. Inasmuch as the programme, as approved, is also one of land resettlement, State Governments have been advised to set up advisory boards to be associated with the work of resettlement and with the development of co-operative farming.

Possible Criticisms

Even about the practicability or suitability of this modest programme, some of the erstwhile critics may have doubts. These may be based on objections that may roughly be classed as economic or ideological. Let us examine those falling in the former category. It is assumed, for instance, that, in farming, little or no advantage is derived by the smallness of the size of the unit of operation. One of the basic facts of Indian rural economy is that our agricultural productivity is low, because the bulk of the units of cultivation are so small in size that it becomes uneconomic to invest more in them, with a view to securing a larger output. Hitherto, practically the only way in which the large majority of those cultivating these units could secure resources was by resort to the money-lender-cum-trader who, to cover his risks, did business on extortionate terms. An institutional agency replacing that class, with the best will in the world, will find it difficult to continue to finance such an inherently uneconomic enterprise, uneconomic not through any fault of the borrower or because of the vagaries of nature, but by reason of the size of the operating unit. To get greater production or to raise the level of productivity from such units of cultivation becomes like a will-o'-the-wisp—something that always eludes us. If proof were needed, it is available in ample measure in the reports of the Planning Evaluation Organisation and the relative lack of success that has attended all "grow more" schemes so far, notwithstanding the administrative efforts, the popular drives and the vast expenditures associated with this aspect of our national planning.

This is, however, only the negative aspect of the question. Posi-

tively, it can be urged that there are aids and operations valuable to the farmer which are outside his range individually, but which, with the organisation of joint farming, can be brought within his reach. Schemes of lift irrigation, soil conservation or fencing, the provision of certain services or certain implements for common use, the organisation of the primary processing of food products, the development of subsidiary occupations and rural industries—all these represent activities that may be undertaken by separate co-operative institutions. They can, however, be undertaken, more effectively through one agency, so that both economy and efficiency in working are ensured, better than through a multiplicity of institutions. This consideration is not a theoretical one. Its soundness is borne out by such experience as we have had of co-operative farming in our country as well as by the results achieved in this field abroad. Here, again, it may be pertinent to point out that one reason why attempts in the direction of agricultural reorganisation enumerated above have so far not been effective, is because systematic efforts have not been made to reorganise rural economic life through producers' co-operatives with comprehensive aims.

Rationalisation

The basis of co-operative farming is the rationalisation of agriculture, so that the persons who eke out their meagre livelihood on small bits of land can be gainfully employed for a full day's work either on the land or otherwise. There is a large volume not only of under-employment, but even of unemployment which remains concealed because of the existing pattern of farming. It is this hidden unemployment that will come to the surface, once co-operative farming is introduced and work regulated economically and efficiently. However, neither in industry nor in agriculture can rationalisation—which may mean a fuller life for some but may involve hardship for others—be acceptable, unless steps are taken simultaneously to absorb the displaced part-time or full-time workers in other suitable employment.

Accordingly, when schemes of co-operative farming are taken in hand, they should, necessarily, comprise plans for providing alternative channels of employment for the labour that is, on rational considerations, surplus to the land. Considering the setting, such employment on a large scale can be only in rural industries of various descriptions. The processing by hand or with the aid of locally available animal power, the production of consumers' goods like cloth such as are in common demand, the development of animal husbandry and the engagement of labour on works of public utility—all these forms of employment have to be planned for and provided. It is because of this essential co-relation between an equalitarian agricultural order and diversification of the rural economy that Acharya Shri Vinoba Bhave has linked *Gramdan* with a programme for the revival and reorganisation of village industries.

It has been argued that under a system of co-operative farming the individual agriculturist loses his ini-

tiative, that his sense of responsibility gets sapped and that he is turned into a wage slave. But, by and large, the average agriculturist is not a free man. If he is a tenant, he still labours under certain handicaps in his relationship with the holder, he has limited resources, he cultivates a small-sized unit and he is not free in getting at sources of credit or in securing access to markets. His freedom also entails days of enforced idleness. The landless agricultural labourer, who may be put in possession of land under the new dispensation, is, in some respects, and, in many parts of the country, in a still worse position. That, however, is no reason why these sections of the rural community should not be made to enjoy the gift of freedom. But it is, in a sense, begging the question to assert that freedom would be lost through adoption of the co-operative method for farming. In fact, in this sphere, as in other fields of co-operative effort, the door to freedom of action may be opened and association with one's comrades in the communal effort may develop that sense of responsibility which we often find lacking in rural life. The experience of some countries shows that, in the wake of such organisation for joint production, the output is more and not less than before.

Compulsion—Direct or Indirect

In Russia, the collective farms are, relatively speaking, of large size. With a large membership dispersed over a wide area, the contacts that should exist between the members of a co-operative organisation tends to get distant and the control that they can exercise over the institution may fail to be effective. In India, most of our existing co-operative farming societies are small in size. This feature may continue, especially as no attempt is to be made to enforce compulsion in the matter of membership. In China, although formally there is no compulsion exercised in getting farmers to join or form co-operatives, the object of transforming the pattern of economy is reported to have been achieved by positive action in the shape of extending facilities and privileges to the co-operative farms such as are not available to individual farmers. Moreover, certain aids and concessions are withdrawn from individual farmers, who also find it difficult to carry on agricultural operations without the help of casual labour which gets engaged in work on neighbouring co-operative farms. It is not certain whether, in order to promote a desired socially valued objective, indirect action of the type referred to should be deprecated. Co-operative organisations of other types in most countries, including India, enjoy similar advantages over individuals in certain business activities. Besides, the exercise of the right of local option, namely, the enforcement of the wishes of a large majority over a dissident small minority is not unknown in co-operative practice.

Danger of Bureaucratisation

There are a couple of other objections put forward on ideological grounds. One of these is akin to the point noted above, namely, that agriculture instead of being, as at present, a field for free enterprise, will become the happy hunting ground for a bureaucracy. Apart from the question of the degree of freedom enjoyed by those engaged in this primary industry, it is essential to draw a distinction between State farms and co-operative farms. Co-operative farming does, in no sense, connote State interference much less State administration. In addition to Israel, one can name

(Continued on page 194)

MADURA MILLS CO., LTD.

PHONE: 250 (5 LINES)

MADURAI

TELEGRAMS: "HARVEY"

SOUTH INDIA

MILLS AT

MADURAI, TUTICORIN AND AMBASAMUDRAM

COTTON YARNS OF ALL DESCRIPTIONS
FOR HANDLOOM, POWERLOOM AND HOSIERY FACTORIES

★

WE SUPPLY

WARP YARNS, COMBED YARNS
HOSIERY YARNS
CONE, CHEESE AND HANK YARNS
SINGLE AND FOLDED

COUNTS
UP TO 80s

★

SPECIALITIES:

Yarns for the manufacture of
ROPES — HEALDS — CANVAS — TAPE

BELTING DUCK — TYRE CORD — SEWING THREAD

MULTI-PLY AND CORD YARNS

Managers: A. & F. HARVEY LIMITED

PANDYAN BUILDING, MADURAI

TELEGRAMS: "HARVEY"

SOUTH INDIA

PUNALUR PAPER MILLS LTD., PUNALUR

(KERALA STATE)

TELEGRAMS: "PAPERMILLS"

★

Manufacturers of

CREAMLAI, POSTER, LEDGER, MANILLA,
KRAFT, BROWN, MATCH PAPERS, Etc.

And Suppliers to

GOVERNMENTS OF KERALA, MADRAS, Etc.

PRINTERS, STATIONERS, TEXTILE, MATCH, TILE FACTORIES, PAPER CONVERTERS, Etc.

Managing Agents: A. & F. HARVEY LIMITED
MADURAI

IMPLICATIONS OF EUROPEAN COMMON MARKET

By AN INDIAN ECONOMIST

FOLLOWING the lead given by the Benelux Economic Union and by the Schumann Plan, which resulted in the establishment of the European Coal and Steel Community, the question of making further progress in the same direction with a view to the eventual economic integration of Western Europe was raised several times in the O.E.E.C. and other European organisations, but it was only in June 1955 that the idea took concrete shape. In that month, in Messina, the Governments of the Federal Republic of Germany, Belgium, France, Italy, Luxembourg and the Netherlands agreed in principle to take a new step towards "the construction of an integrated Europe, through the development of common institutions, the progressive union of their domestic economies and the harmonisation of their economic and social policies." On the economic side, the proposal raised a host of difficulties, but the fact that it was blessed by the United States Government, which foresaw in it significant political advantages as a counterpart of its network of mutual defence pacts, gave an impetus to the whole movement and induced a spirit of accommodation which was necessary for the success of the negotiations. Soviet Russia was quick to denounce the project as likely to divide and weaken Europe instead of strengthening it, and this only helped to push the strictly economic considerations further into the background. On 25th March 1957, the six Governments mentioned above signed a Treaty at Rome for establishing the European Economic Community, and the Treaty has since been ratified by their Parliaments. All the signatory Governments are parties to the General Agreement on Tariffs and Trade, Article XXIV of which recognises customs unions and free trade areas as valid exceptions to the obligation of contracting parties to accord most-favoured-nation treatment to each other; G.A.T.T., however, requires the agreements and plans for the formation of such unions or areas to be submitted for the approval of the Contracting Parties before implementation. The Rome Treaty is, therefore, now in the process of being examined by the Contracting Parties to G.A.T.T.

Scope of the Treaty

Although the negotiations leading to the signing of the Rome Treaty were initially started with the object of establishing a customs union, the scope of the Treaty goes far beyond mere freedom of movement for goods, and includes free movement of persons and capital as well, and the adoption of a common economic and commercial policy. The term "common market," therefore, does not adequately describe the scope of the Treaty, which not only involves abolition of customs barriers among the member-countries but also aims, as the ultimate objective, at integration of their national economies. In other words, the common economic and commercial policy will include not only the adoption of a common tariff, but the harmonisation of all laws, regulations and policies regarding import quotas, operations of State trading enterprises, currency allocations, transport prices and conditions and all internal regulations concerning services and agriculture which may have the effect of hampering foreign competition. The term "European common market" also does not fully cover the scope of the project which includes the overseas territories of the signatory countries, though such territories are only to

be "associated" with the Community and not "integrated" with it. Although the territories to be initially associated are only those which still do not enjoy an independent status, it is the intention of the signatories, in due course, to open negotiations with the independent countries of the French franc area, Surinam and the Netherlands West Indies with a view to their participation in the scheme. Further, any European State which is prepared to accept the rules of the Community may join the Community and accept the rights and obligations laid down in the Rome Treaty. The Treaty also provides that the Community may enter into agreements with a third country or a group of third countries or an international organisation for association with the Community on the basis of reciprocal rights and obligations or for joint action.

Transition Period

Thus, the makers of this Treaty have attempted to cast their net as wide as possible; indeed, it would be difficult to think of any important aspect of external economic policy over which the individual signatory States can exercise independent jurisdiction when the Treaty is fully implemented. The crux of the matter, however, is that the implementation of the Treaty is going to be spread over a long period of 12 to 15 years and the high-sounding objectives mentioned above which are intended to be achieved after that length of time are meant to provide the justification for actions taken in the meanwhile. The Treaty provides for a transition period of 12 years, divided into three stages of four years each, which may be extended by no more than three years. It also provides for waivers and escape clauses to mitigate the severity of some of the obligations imposed on the member-countries. An elaborate organisation has been set up under the Treaty, consisting of (a) a Council of Ministers, (b) a European Commission, (c) an Assembly, (d) a Court of Justice, (e) a European Investment Bank, (f) a European Social Fund and (g) a Development Fund of more than \$500 million to be contributed by the member-States over a period of five years for the benefit of the associated overseas territories.

Customs Duties

Considering the length of the transitional period, the Treaty stipulations regarding the minimum progress to be made at each stage of the period acquire special interest. As regards customs duties, the concept of a customs union involves the elimination of duties and trade restrictions on substantially all the trade between the constituent territories and the adoption of a common tariff against third countries. Article XXIV of the G.A.T.T. requires that the common tariff should not on the whole be higher or more restrictive than the general incidence of the duties and trade regulations applicable in the constituent territories prior to the formation of the customs union.

A customs union in this sense is to be accomplished by the Treaty Powers only after 12 years, but the Treaty provides for certain minimum automatic reductions in the first two stages of four years each. One year after the entry into force of the Treaty, all customs duties applied between member-States will, as the basis of the rates applicable on 1st January 1957, be reduced by 10 per

cent, uniformly, and subsequently at 12 or 18 months' interval, each State will reduce its total customs receipts by 10 per cent., making a reduction of at least 5 per cent. in the case of each product. In the case of products on which there would still remain a duty of more than 30 per cent. at any stage, a reduction of at least 10 per cent. is required. The rate of reduction is permitted to vary from one product to another. The average reduction is required to be at least 25 per cent. by the end of the first stage and 50 per cent. by the end of the second stage. It is expected that the total reduction by the end of the second stage will amount to 60 per cent. This will leave a reduction of 40 per cent. to be accomplished in the third stage (which may extend from four to seven years) and it is significant that no plan of automatic reduction has been provided for that stage. "The timing of the reductions to be carried out during the third stage will be determined by the Council of Ministers on a proposal by the European Commission."

These provisions also apply "in principle" to customs duties of a fiscal nature except that such duties can be replaced by internal taxes and that, in exceptional cases, the Commission can grant a waiver to maintain them for a period of not more than six years. The rate at which import taxes having equivalent effect to customs duties are to be eliminated between the constituent States has been left to be decided by the Commission.

Common Tariff

The common tariff applicable to the trade between the members of the Community and non-members is to be worked out on the basis of an arithmetical average of the rates actually in force in individual member-countries as of 1st January 1957, subject to certain ceiling rates which vary from 3 per cent. in the case of certain raw materials to 25 per cent. in the case of certain organic chemicals, dyes and plastic materials. Rates of duties on certain products have been left to be negotiated within two years. Each member-State is required to bring its tariff into conformity with the common customs tariff in three stages corresponding to the three stages of the transitional period: at the end of the first stage, the common tariff will be applied to all products on which the difference between the existing tariff and the common tariff is more than 15 per cent. and in the case of other products, the difference will be narrowed by 30 per cent.; at the end of the second stage, the difference will be further reduced by 30 per cent.; while at the end of the third stage, the difference will be eliminated altogether. The rates of duties in the common tariff are open to negotiations with third countries on a reciprocal and mutually advantageous basis.

Overseas Territories

The above rules regarding the elimination of duties on the trade between constituent territories and the adoption of the common tariff have been varied in their application to the overseas territories, in view of the latter's dependence on customs duties as a source of revenue as well as for protection to domestic industries. These territories are allowed, as an interim measure, to collect certain customs duties upon imports from member-States for a period to be determined in accordance with the rate of progress achieved in their

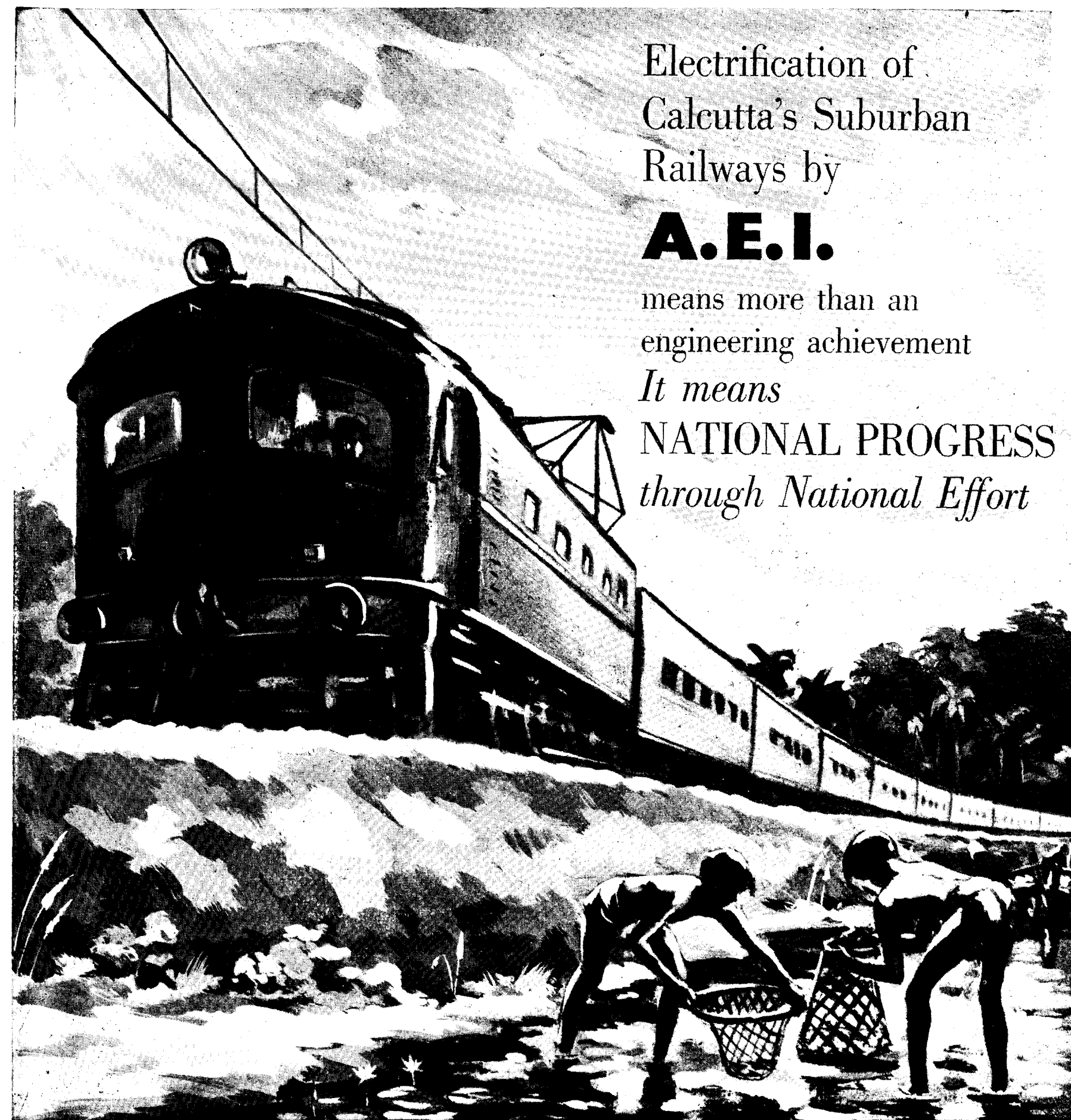
economic development. No duties will, however, be levied by the member-States on imports from the associated territories. The associated territories will be required to extend to all the member-States any preferences or other special advantages hitherto granted by them to imports from their metropolitan countries. It is obvious that the arrangement involves creation of new preferences by the member-States in favour of the overseas territories and by the overseas territories in favour of the member-States. Since no customs union of the kind recognised by G.A.T.T. is contemplated between the member-States and the associated territories, the proposed exchange of preferences constitutes discrimination against third countries and, therefore, conflicts with the provisions of the G.A.T.T.

Third Countries

The concept of a customs union involves elimination of quantitative restrictions as well as duties on the trade between the constituent territories. The Rome Treaty provides for such elimination by stages. Within one year, all bilateral quotas are to be converted into global quotas, and thereafter the quotas are to be increased by 20 per cent. (in terms of value) each year (the quota for each product being increased by at least 10 per cent.), so that they will eventually be so large as to have practically no restrictive effect. As in the case of the G.A.T.T., this obligation to eliminate quotas on mutual trade can be waived when the member-country concerned is suffering from or threatened by serious balance of payments difficulties. As regards trade with third countries, the Treaty requires the member-countries to ensure uniformity between themselves during the transitional period in the application of quantitative restrictions. The trade between the member-States and the associated territories will also be freed from quantitative restrictions in the same manner as the trade between the member-States themselves. No exception is made in favour of the associated territories (similar to the one in respect of customs duties) since quantitative restrictions are not expected to be used as a means of promoting economic development. Some of the member-States maintain State monopolies which often have the same effect on international trade as quantitative restrictions. Under the Treaty, these monopolies are to be adapted progressively in such a way as to eliminate, at the end of the transitional period, all discrimination between the nationals of the member-States in respect of conditions of supply or sale.

Not A Valid Claim

One of the claims made by the drafters of the Treaty is that, although under the G.A.T.T., a customs union is expected to result in elimination of duties or trade restrictions on "substantially all the trade" between the parties concerned, the members of the Community are aiming at freedom of trade in respect of all products in the common market without exception. This claim is not strictly valid, because with respect to one important sector of trade, namely, agricultural products, the creation of a common market has been made explicitly conditional on the member-States evolving a common agricultural policy and setting up a common organisation to deal with the marketing of agricultural products to take



Electrification of Calcutta's Suburban Railways by A.E.I.

means more than an engineering achievement
It means
NATIONAL PROGRESS
through National Effort

Suppliers of Generating, Transforming and Converting plant, Rolling Stock equipment of all types, Signalling equipment, Traction lamps and fittings etc.

ASSOCIATED ELECTRICAL INDUSTRIES (INDIA) PRIVATE LTD.

Head Office : 6 Mission Row, Calcutta

Branches at :

Bombay New Delhi Madras Bangalore Coimbatore Nagpur

the place of the national organisations now functioning. The common organisation may take the form of a system of common rules to control competition, the compulsory co-ordination of the various national market organisations or a European Marketing Board. Until the new organisation comes into existence, the member-States will regulate their mutual trade in agricultural products through agreements or long-term contracts providing for gradually expanding quotas. The Treaty also permits the continuance of the existing systems of minimum prices for agricultural products, subject to the conditions that, during the transitional period, the same rules may be applied to agriculture as are applied to industrial products with regard to the progressive elimination of quotas and customs duties between member-States and, secondly, the objective criteria for determining the minimum prices will be laid down by the Council of Ministers. These special provisions reflect the desire of the member-States to safeguard their own arrangements for protecting domestic agriculture and constitute an important exception to the principles governing the formation of an economic union.

Meaning to India

In assessing the significance of this project from the standpoint of a country like India, a distinction must be made between the two parts of the project: the European Economic Community and the Association of Overseas Territories. It is only the latter part which directly impinges on India's trade interests. The members of the Community offer very little competition to us in our export trade, but the associated territories are among some of our strong competitors in the world market, particularly in respect of coffee (and indirectly tea), vegetable oils (principally groundnut oil) and tobacco. The association of these territories with the European Economic Community has the consequence that they will be better off than India in the markets of the Community. The spokesmen of the Community have hitherto tried to meet this objection by pointing out that, since the duties on raw materials under the common tariff are going to be low, the disadvantage for the third country is not going to be serious; they have also offered to negotiate on specific products. However, even a small difference in duties is often effective in diverting trade, and negotiations on specific products do not adequately meet the needs of a developing country like India for which both the European countries and their associated overseas territories are valuable potential markets for trade to be developed in future.

India will be at a disadvantage in the markets of the overseas territories also where the members of the Community will enjoy certain tariff and quota preferences. Indeed, the creation of a customs union always involves certain temporary disadvantages for third countries, but, if the customs union eventually leads to a greater division of labour and a more efficient use of resources, the resulting prosperity of the union has beneficial effects on world production and trade. Unfortunately, neither the European Economic Community nor the association of overseas territories constitutes a customs union in the full sense of the term. The Community is going to take as long as 12 to 15 years to break down its internal trade barriers, so that what exists, in the meantime, is a system of preferences and not a customs union. It is difficult to see, in principle, why third countries should acquiesce in an arrangement likely to be injurious to their interest merely

on the basis of a declaration of intention about a distant future.

As regards the association of overseas territories, it is only an appendage of the Community, without having any of the basic characteristics of either a customs union or a free trade area. The Community has a regional basis, while the association of overseas territories represents an agglomeration of territories belonging to widely separated regions of the world and having nothing in common, except historical, political relationships. A customs union implies free competition between its constituent territories and one can hardly think of free competition between groups so heterogeneous in their economic development and so unlike in their needs and resources. It is also difficult to see the economic justification for the overseas territories extending tariff preferences to the members of the Community which are among the most industrialised nations of the world and are hardly in need of any sheltered markets.

If the preferences are supposed to be the *quid pro quo* for the financial assistance which the member-States of the Community are expected to give to the overseas territories, an important question of principle arises: there are many other countries giving financial aid on a much larger scale for the economic development of underdeveloped countries, and it has never been suggested that a country granting financial aid is entitled to receive discriminatory trade advantages from the country receiving such aid. It is also a pernicious principle to link economic aid to political relationships, because it implies an attempt to make colonial status more attractive than independence. Politically, the Development Fund suits France very well, because it enables that country, despite its financial difficulties, to carry out development projects in its colonies with German help. It suits Germany also, because, although she has no political control over these colonies, she is assured of certain trade advantages in their markets which were hitherto the exclusive preserves of France.

Intriguing Aspects

The Rome Treaty has many other features which are inconsistent with the obligations assumed by the signatory countries under G.A.T.T., I.M.F. and other international agreements. The whole scheme of agricultural protection, with its paraphernalia of quotas, a common marketing organisation and minimum prices, is out of keeping with the spirit of G.A.T.T. The scheme includes products like tea and coffee in which India has an important export interest. It also upsets the balance of obligations imposed by G.A.T.T. which prevents underdeveloped countries, except on balance of payments grounds, from using quantitative restrictions to encourage industrial development. It is also difficult to see how the provisions of the Treaty requiring common policies and action on the part of the member-States with regard to import restrictions are to be reconciled with the provisions of both the G.A.T.T. and the I.M.F. Agreement which require such restrictions to be liberalised as the balance of payments position of the country imposing them improves. It would, for example, be quite absurd to think of a common import policy for West Germany and France when one is having a large surplus in its balance of payments and the other a large deficit.

The political aspects of this matter

[N.B.—This article was finalised on 15th November, 1957 and as such does not take into account the developments that took place after that date.—Ed.]

are no less intriguing. From the point of view of the member-countries themselves, the agreement to adopt a common economic and commercial policy involves a surrender of sovereignty the full implications of which will be revealed only when the Community begins to function. It is doubtful whether political opinion in Western Europe will be prepared to accept these implications when the time comes. So far as other countries are concerned, the issue has got complicated at the moment by two factors: the willingness of the United States to support the project as a necessary counterpart of N.A.T.O., in spite of its dislike of some of the obviously restrictive and discriminatory features of the scheme, and, secondly, the anxiety of countries like the United Kingdom and the Scandinavian countries to negotiate free trade area arrangements with the Community so as to avoid a possible loss of markets. A free trade area which includes both agricultural and industrial products would involve elimination of preferences granted by the U.K. to the Commonwealth countries and the U.K. has, therefore, been trying to negotiate an industrial free trade area which would protect its own interests without injuring the interests of the Commonwealth countries. These efforts, however, have so far been of no avail.

An industrial free trade area would be of no use to countries like Denmark whose main interest lies in exports of primary commodities, nor is the proposal acceptable to France and other members of the Community. Meanwhile, the Scandinavian Committee for Economic Co-operation has formulated a scheme for the Nordic Common Market which goes much further than the Rome Treaty by providing for immediate abolition of customs duties and other restrictions on 80 per cent. of the mutual trade of these countries. These conflicting interests and policies of third countries have so far weakened the opposition to the Rome Treaty.

The spokesmen of the Treaty have hitherto parried all attacks by pointing to Article 234 of the Treaty which stipulates that the Treaty shall not affect the rights and obligations of member-States under other international agreements. This only means that, in order to implement, or take advantage of, some of the Treaty provisions, the member-States will have to seek waivers under other agreements to which they are parties, and the other parties to such agreements will have to reckon with the possibility of a show-down if such waivers are refused. The Treaty Powers are confident of success in any such trial of strength. At the moment, the whole edifice seems to have developed cracks from within, as a result of the growing disparity between the economic conditions and policies of France and West Germany. However, the current trend towards the formation of economic blocs, like the formation of military blocs which preceded it, does not augur well for either the peace or the prosperity of the world.—All Rights Reserved.

IRRIGATION AND POWER DEVELOPMENT

(Concluded from page 22)

States only, Bihar, Bengal, Orissa, parts of Andhra Pradesh and Madhya Pradesh. Recently, work has been commenced for mining the lignite deposits in the South Arcot district of Madras State. As all the hydro power resources in this State have been more or less fully utilised, the lignite project is expected to be of considerable benefit to the State

for the production of thermal power. Generally speaking, the future plans for power development in the country are based on interconnected grid systems wherein the hydro and the thermal power stations in the various regions will be suitably linked and the systems operated in an integrated manner for the benefit of the region as a whole. On this basis, it would appear that the principal requirements of power in India could be satisfactorily met for two to three decades with the available hydro and coal resources.

The Department of Atomic Energy is considering the possibility of building power stations based on nuclear fuel.

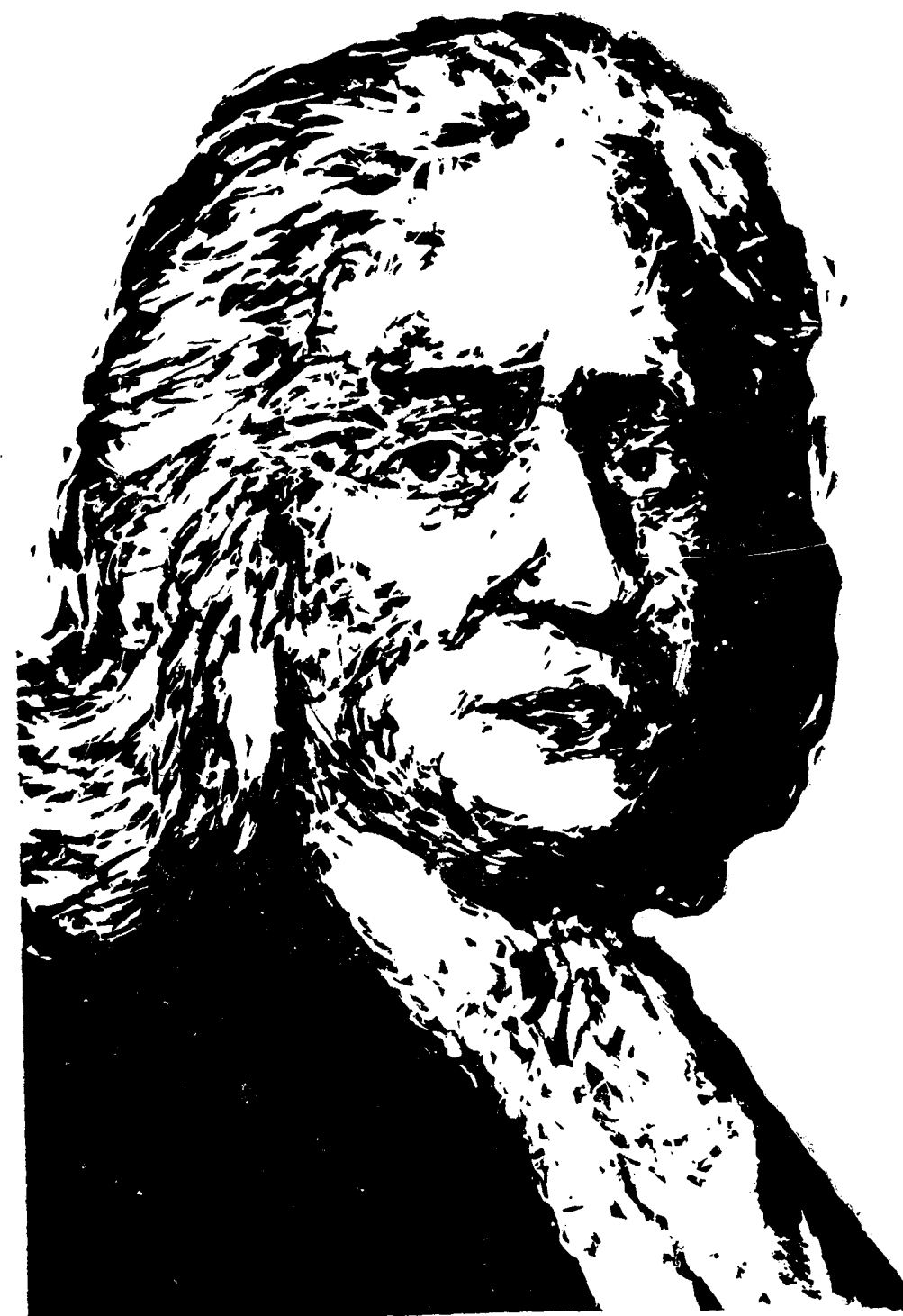
As mentioned earlier, the second Plan provides for an increase in the generating capacity of 3.5 million kw. and for the erection of the necessary transmission and distribution system. The total outlay of capital expenditure under this programme is estimated at Rs. 427 crores, of which nearly a third represents expenditure in foreign currencies on the procurement of major items of heavy electrical equipment. Although the anticipated power demands in the various regions were taken into consideration while formulating the second Plan, decisions on the various schemes were based mainly on the available financial resources. In other words, even if all the schemes included in the second Plan are completed and commissioned according to schedule, there will still be a shortage of power in almost all parts of the country. The position has been complicated by the present shortage of foreign exchange.

Foreign Exchange

Foreign exchange is required on irrigation projects for the import of permanent installations like gates and gearing, special materials like high tensile steel and steel plates and construction machinery, and on power projects for generating plants and other special equipment. Due to the difficult position of foreign exchange, it has become necessary to readjust priorities in the execution of river valley projects, emphasis being laid on projects which do not involve any appreciable amount of foreign exchange. Efforts are being made to obtain financial assistance in the shape of loans from abroad for some of the major projects. The possibilities of getting electrical plant and equipment on deferred terms of payment are also being explored.

As a long-term solution, it is essential that India should organise her own industries for the manufacture of construction machinery and heavy electrical equipment such as generators, high voltage switch gear, and large transformers. In regard to construction machinery, the possibility of manufacture within the country in collaboration with the foreign manufacturers of important items is being explored. In regard to heavy electrical equipment, the Government of India are establishing in Bhopal a factory, which is expected to start production in 1960-61. There is a large number of private industrial establishments, which are manufacturing electric motors, distribution transformers, insulated and uninsulated conductors and similar items. High voltage insulators also will be made shortly in the country. When these industries are fully developed, our dependence on foreign countries for our requirements of plant and equipment will considerably decrease and to that extent the strain on our foreign exchange resources will be relieved.—Exclusive to "Commerce".

That falling apple...



...may have started Isaac Newton thinking—but it took years of patient, intelligent work to establish *The Law of Gravitation*. So too, MOBIL products started in a small way—but have grown to leadership through 91 years of research and experience in the field of industrial lubrication. Our experience and advice are available to you—FREE. Why not call us?

STANVAC

... the name that stands for progress



STANDARD-VACUUM OIL COMPANY
(Incorporated in the U.S.A. with limited liability)

Bombay . Ahmedabad . New Delhi . Lucknow . Jaipur . Chandigarh
Calcutta . Madras . Bangalore . Secunderabad . Madurai

INDIA AND THE STERLING AREA

By PAUL BAREAU

RECENT events have focussed a great deal of attention on the relations between India and the sterling area. That interest has been mutual and in part critical. Britain has begun to suspect that India is in some measure responsible for the recent pressure on the £ sterling and on the gold and dollar reserves. India, for her part, is saddened and disappointed that the old country cannot provide, as before, capital for sound and desirable development schemes other sterling countries put their minds to.

There can be no doubt about the grounds for the first of these emotions—the suggestion in some quarters in Britain that India has been “rocking the sterling area boat.” Sterling has been under considerable pressure during the past year and the reserves which have to serve not only Britain but the whole sterling area have suffered considerable erosion—allowing for the fact that they have at the same time been reinforced by dollars borrowed from the International Monetary Fund and the Export-Import Bank of Washington. This pressure, however, has been almost wholly due to forces from the outside.

U.K. in Balance

The United Kingdom balance of payments on current account has been and is in surplus. For 1956 that current surplus amounted to £245 million and for the first half of 1957, £125 million. The merchandise trade figures since 30th June strongly suggest that the balance of payments is continuing to run at an appreciable surplus. If, therefore, we are to account for the run on sterling and on the reserves, it must be in terms of capital movements and of Britain's role as an international banker. Because sterling, the domestic currency of the United Kingdom, is an international currency, virtually every country in the world maintains working balances in London. These balances have been considerably reduced during the past year.

The reduction has been due partly to political developments in the Middle East. It has also been the result of concern felt by other countries at the revolving spiral of increasing wages, costs and prices in Britain—a concern fomented by the fact that in no other country in the world is there so sophisticated, critical and vocal a financial Press as that which is to be found in Britain. The shift of short-term money and working balances has also been accentuated during the past year by the strength of the German balance of payments and the expectations which this has encouraged of an upvaluation of the German mark. Bankers and traders the world over have shifted money from London to Frankfurt in the hope of making a double killing with this one operation—one of the devaluation of sterling and the other of the upvaluation of the mark.

Heavy Withdrawals

Last but by no means least in the list of external forces that have been pulling against sterling has been the tendency of a number of sterling area countries to run deficits which have been financed in substantial part by drawing down their sterling balances. Clearly in the lead of this list of countries stands India whose balance of payments, burdened with the massive imports of capital equipment required for the second Five-year Plan, has shown a deficit

which has outstripped by a considerable margin the country's ability to raise capital on medium or long-term from abroad. As a result, India has been compelled to resort to the two available sources of support: her quota with the International Monetary Fund and, even more important, her sterling balances.

Since April 1956, when the second Five-year Plan began, India's sterling balances have been reduced from £530 million to £240 million. The cheques which have been drawn on these balances have been expressed in sterling; but the banker has honoured them in a multitude of currencies, not only sterling but dollars, Deutschmarks, Swiss francs and all the other currencies required by the seller of the goods to India.

Degree of Convertibility

Here, incidentally, is a forcible illustration of the degree to which sterling held by members of the Sterling Area is in fact a convertible currency. When it has been used by India to make payments to the United States or Canada, the full amount of the payment has been provided out of the reserve. When the supplier who has had to be paid has been in Germany or another country of the European Payments Union, the sterling payment by India has ultimately been cleared through the E.P.U. mechanism, has swollen the British deficit with the E.P.U. which has had to be settled as to 75 per cent. in gold and 25 per cent. by increasing the large overdraft which Britain has accumulated with the Union.

The process is by no means at an end. In India steps have recently been taken so to amend the currency reserve requirements as to allow India to draw down its sterling balances still further. When these were taken in October the sterling balances amounted to about £260 million, the then minimum reserve was £225 million and a new minimum of £63 million was fixed. These measures reflect an evident intention to draw the sterling balances down further and they are in fact being used at the rate of about £20 million a month, a rate which if maintained would bring the balances down to their new minimum by next August.

The need for this further use of sterling balances is self-evident. The commitments undertaken under the second Five-year Plan cannot suddenly be revoked. To do so would be politically and economically disastrous. The justification for using these sterling balances is equally self-evident. The Indians can and do say: “This is our money, we can do what we like with it.”

Rationalisation

The rationalisation of this procedure may be a little more difficult to achieve, but a fairly convincing attempt can nonetheless be made. Most countries maintain the reserve for the fiduciary portion of their currency circulation in their own Government securities. The United Kingdom certainly does so. The Bank of England return dated 6th November 1957 shows a total note issue of £2,000 million and a holding of £1,996 million of Government

securities in the issue department. Following that example, why should not India do the same? It is also argued that the drawing down of sterling balances is intended to finance solid and constructive schemes such as the building of steel plants and that industrial projects of this kind are a better reserve for the Indian currency than Treasury Bills held in London.

There are some serious reservations to be made against these arguments. It is quite true that the fiduciary issue in Britain is backed by British Government securities; but the reserve available to meet the inevitable fluctuations in international payments are held in the Exchange Equalisation Account. To say that steel plants in India are a better reserve for the Indian currency than Treasury Bills in London may have some element of truth in it, but it is to ignore the fact that a reserve is needed to meet balance of payments difficulties and that steel plants, however useful and essential they may be, cannot perform that particular function.

The Origin

The relations between India and the sterling area should, however, be viewed with a better appreciation of what the sterling area is than generally emerges from public discussions of this problem. The sterling area is something which existed long before a name was given to it. It grew out of the industrial and financial strength of Britain in the nineteenth and early twentieth centuries. It was a product of the fact that a large part of international trade was inevitably transacted in sterling since free-trade Britain was at one and the same time the workshop of the world and its largest importer of foodstuffs and raw materials.

During the classic days of the international gold standard, it was London which dominated the scene of international banking and it might have been claimed that, without knowing it, the world was being run, not on gold, but on the sterling standard. It should be added that no such ambition burnt at the time in the breasts of the Bank of England or the British Treasury and any suggestion that such was the case would in the great days of *laissez faire* have been received with a horrified denial. This sterling system, which, like Topsy, “just grewed,” was first recognisable after the breakdown of the gold standard in 1931, when a number of countries, both in and out of the Commonwealth, decided that their interests would be better served by linking their currencies to sterling than maintaining their parities with gold. In this way what was widely known as the “sterling bloc” came into being as a wholly voluntary association over which no one, certainly not Great Britain, endeavoured to exercise any control.

With the outbreak of war in 1939 and the institution of sterling exchange control, the sterling area had to receive what it had previously never had, namely, a legal definition and entity. This was necessary because it was decided, and very wisely, that, as far as Britain was concerned, the net of exchange control should be put around the sterling countries as a whole and that free movements of capital and completely unrestricted payments should continue between Britain and the other sterling countries.

Banker for Sterling Area

Although to this day the sterling area continues to have this legal entity under the somewhat unromantic name of the “scheduled territories” conferred on it by the British Exchange Control Act, it continues essentially as a voluntary

organisation which countries have joined and left with scarcely a “by your leave” addressed to London. The sterling area continues also to be a club without precise rules. There are, however, certain unwritten understandings which constitute the essence of membership. To each of these unwritten rules there may be many exceptions, indicating once again how empirical, informal and, indeed, essentially British, the whole affair is.

One of these rules is that the countries concerned keep the bulk of their external reserves in London, that is, in sterling, and that the British Exchange Equalisation Account in its own gold, dollar and foreign currency holdings, virtually acts as banker for the sterling area as a whole. But it might be inserted here that many sterling area countries maintain separate though small gold reserves and working balances in currencies other than sterling.

Commercial Sequence

Another basic rule is that the sterling area countries maintain their currency in step with sterling—but again, as recent events in Pakistan have shown, there can be exceptions to this generalisation. It is often said that the sterling area countries undertake to deposit their hard currency earnings in London, this being one facet of the rule already mentioned that the sterling area concentrates its reserves in London. It would, however, be easy to exaggerate this repositing rule because the thing does itself.

Most of the sterling area commodities, even when sold ultimately to dollar and other foreign currency markets, are handled by intermediaries, merchants or brokers who transact their deals in sterling.

The buyer of, shall we say, Malayan rubber in the United States has to sell dollars in order to obtain the sterling in which the goods are invoiced but throughout the chain of transactions, from the original sale in Malaya, through the shipping and insurance and the resale of the rubber through a broker in Plantation House in London, the commercial sequence has been expressed wholly in sterling. In this way Malaya's acquisition of sterling is an automatic outcome of a transaction which has throughout been expressed in terms of sterling and the gain of dollars to the central reserve occurs through an operation in the foreign exchange market in which the initiative has been taken by an importer in the United States and which cannot be identified with the specific transaction in question.

Need for Self-Restraint

This sterling system which comprehends far more than a mere payments or monetary mechanism and which includes all the services of merchanting, shipping, insurance, bill discounting, acceptance credits and export credit guarantees which are to be found within the square mile of the City of London, performs a unique function. It does its work today despite exchange control and in spite of the fact that Britain is no longer the main capital exporting centre of the world, because there is in London a tradition and “know-how” which no other international financial centre has yet been able to acquire. It is, however, a system which is at present being run on what are relatively slender reserves of gold and other currencies. Its efficient functioning depends on continuing restrictions on the use of scarce currencies. For this reason, perhaps the most im-

portant of all the unwritten rules of membership of the sterling area, is that members need to keep broadly in step in their own import policies and exchange controls.

Since payments between the United Kingdom and the rest of the sterling area are free, the need for some homogeneity of exchange control is self-evident. Since the reserves on which the sterling system functions are relatively slender, some restrictions on import policy must also persist. No self-discipline is more exacting than that demanded when a number of countries have to utilise a common but slender reserve. If there is no self-restraint, and a *saave qui peut* ensues then the whole edifice must be in risk of collapsing.

Based on Confidence

The sterling system can be likened to any bank of which, however strong, it can be said that at no moment of time is it technically solvent. No bank keeps in cash or immediately encashable assets, an amount equal to its current deposit liabilities to the public. It would not be an efficient bank if it did so. The functioning of a bank, therefore, depends on confidence and it is confidence which underpins the whole sterling system. Assuming that confidence exists, a relatively small reserve of gold and dollars will do the job. Before 1914, the Bank of England was able to manage a payments mechanism which covered the whole world with a reserve which seldom exceeded £40 million. Without confidence, however, a reserve of almost any size will prove inadequate.

In creating the necessary confidence the United Kingdom has the main responsibility. It must keep

its own house in order; it must impress on the rest of the world the fact that sterling is a currency which is worth holding. There have undoubtedly been deviations from the strict orthodox path of duty in this respect during the post-war years; but today, with a 7 per cent. Bank Rate and all that goes with it, there is convincing evidence that the British authorities are aware of the danger and prepared to take the necessary tough measures to maintain confidence in sterling both at home and abroad.

“Members One of Another”

The other members of the sterling area have also their part to play in maintaining that confidence. As St. Paul wrote to the Ephesians, “For we are members one of another.” The discipline to which I have already referred is one which must be practised by all and for a common purpose, a common cause from which each derives benefit. For all its temporary blemishes, the sterling system for financing international trade and providing capital for the rest of the sterling area does its job reasonably well. There is at present nothing else to take its place. If it were to collapse, or to be voluntarily abandoned (and there are people in Britain who argue that the burden is too great for Britain to bear), the vacuum would probably be filled in due course; but, during the period of its filling, there would certainly be serious difficulties, hampering the free flow of international trade and payments. The sterling area is thus well worth keeping in being, though it may require adjustment to new needs and conditions. In the past, however, it has shown admirable capacity for adaptation to changing circumstances. There is no cause to believe that it has lost that virtue.—All Rights Reserved.

THE CONSOLIDATED COFFEE ESTATES (1943) LTD.

POLLIBETTA, COORG

CAPITAL

Authorised	Rs. 1,00,00,000
Issued and Subscribed:	
7,15,500 Ordinary shares of Rs. 10 each	71,55,000
75,000 6% Cumulative T.F. Preference shares of Rs. 25 each	18,75,000
Rs. 10,00,000 5½% Free of Indian Income Tax Debenture Stock 1957/63	10,00,000
Total Reserve Funds exceed	47,00,000

PROPRIETORS OF

KUSHALNAGAR WORKS, KUDIGE, COORG

“A” Agents to the Coffee Board, Curers and Dealers in Raw Coffee, Suppliers of all Estate Requirements, Fertilisers, etc.

ACREAGE. The Company owns 6,827 acres of Coffee and 882 acres of Minor Produce situated in North and South Coorg.

SECRETARIES AND TREASURERS TO:

COFFEE LANDS AND INDUSTRIES (MYSORE) LTD.

and other Private Properties

THE MANAGEMENT OF COFFEE ESTATES IN COORG AND MYSORE IS UNDERTAKEN.



Resident Field Engineer

The accountant's visitor had come to see what sort of job Hollerith punched card machines were doing. “Tell me,” he asked, “what sort of service did Hollerith give you?” This time the accountant looked surprised. “Did?” he queried, “Surely you know that one of the big things about Hollerith is the continuous service.”

The two reports

In Hollerith installations your equipment is, as it were, ‘hand-tailored’. Your problems are very fully studied before the first careful report is presented to you. No fee is charged for this service. The second report is a detailed working plan in which



First careful report

the flow of work—every facet of the operation—is set out in full.

Consultant, guide and friend

The Technical Service Man sees your installation in. Trains your staff. Stays with you till you are absolutely at home with your mechanised office. The maintenance of your machines is now in the hands of the Field Engineer who is always very quickly available.

Responsible advice

Modern business, because its control is based on figures, points all the time to mechanisation. You may only need simple punched card equipment. You might even be ready for an



Trains your staff

electronic computer. An electronics specialist is available to discuss this with you. Why not send for him? No fee is charged.



The Hollerith Type 550 Electronic Calculator

Footnote

Hollerith is a vast organisation with immense research facilities, a network of offices throughout India, and a very long experience of Indian business needs.

HOLLERITH ELECTRONICS

Hollerith (India) (Private) Limited

HEAD OFFICE: Fazalbhoy Bldg., Mahatma Gandhi Rd., Bombay 1. Tel. 252243-4. REGIONAL OFFICES: BOMBAY 1: Liberty House, New Marine Lines. Tel. 241982. CALCUTTA 1: 107 Stephen House, Dalhousie Sq. DISTRICT OFFICES: BOMBAY 1: Mistry Bhavan, Dinsha Wacha Rd. (P.O. Box 516). Tel. 35086. CALCUTTA 13: 17 Chittaranjan Ave. (P.O. Box 616). Tel. City 23-3954/5. NEW DELHI 1: 83 N Block, Connaught Circus (P.O. Box 76). Tel. 48146 & 48448. MADRAS 6: 38 Mount Rd. (P.O. Box 704). Tel. 86438. SERVICE BUREAUX: Bombay, Calcutta, Madras and New Delhi.

Availability Of Foreign Capital In Modern Conditions

THE importance that Britain attaches to India's place in the Commonwealth is suggested by the forthcoming visit to India of the British Prime Minister, Mr. Harold Macmillan. There can be no doubt in the mind of anyone who troubles to inform himself that British industrial, commercial, and financial circles value the connection with India, and are anxious to preserve and to develop it.

Let us talk frankly, as between friends. Such expressions of goodwill are welcomed in India, but they are apt to be treated as an exercise in good manners rather than as an earnest of any concrete help, for example, in overcoming the balance of payments difficulties into which the second Five-year Plan is running. I have seen it argued that Britain was wealthy enough in the nineteenth century but that she has blown her accumulated savings away in two world wars and reduced herself to the position of an American satellite. Therefore (the argument continued) in the free world India can only look to the United States, and perhaps Germany, for real help. But these countries seem reluctant to invest abroad on scales in keeping with their national incomes. Therefore (the argument concluded) India must not overlook the possibilities of the U.S.S.R. and the Communist world.

By 1913, British private overseas investment aggregated some £3,736 million (Rs. 4,857 crores), which in terms of current purchasing power was the equivalent of £15,000 million (Rs. 19,500 crores) today. Some misunderstanding arises, I believe, from the habit of comparing (a) the apparent reluctance of the West to invest abroad today with (b) the scale on which Britain exported capital in the nineteenth and early twentieth centuries, and a first step towards understanding the problems of contemporary international lending is, I suggest, to grasp the changes that began increasingly to modify international financial relations after World War I.

Nineteenth Century Incentives

Nineteenth century economic doctrine emphasised saving, investment, and incentives to production. The masses, it was held, would benefit as rising national wealth spilled in due course over all sections of the community. This in fact happened. But as the power of organised labour grew, and as universal suffrage spread, the masses were able to insist—in varying degree in all countries, including the United States—that the process should be speeded up and the share of the workers increased, immediately and perceptibly. This shift has been greatest in Britain, France, and the Scandinavian countries, but it is increasingly felt in the U.S.A. and in Germany.

The result has been that the emphasis today is less on saving and production and more on distribution, "fair shares," and incentives to consumption. So that whereas the volume of nineteenth century Britain's savings was such that, the domestic market being plentifully supplied, investors in search of higher returns sent millions of pounds abroad every year to North and South America, Africa, Australia, Europe, and Asia, today Britain's domestic market, is short of capital, as are those of France, Germany, and indeed, in relation to the demands upon it, even of the United States. This narrowing of the

Some Useful Suggestions for India

By JOSSLEYN HENNESSY

An authority on international economic affairs, partner 1948-53 in Place, Siddons, and Gough (of Calcutta), and sometime Director of Public Information to the Government of India

margin between savings and consumption throughout the West coincides with a world-wide hunger for investment and industrial expansion. In the nineteenth century, Asia and Africa tended passively to accept foreign investment. Today their nations think in terms of vast five-year plans and scour the world for capital.

Practical Difficulties

And—to speak frankly again—many of the new nations of Asia and Africa tend, in the light of their past relations with European "colonial" powers, to consider that the countries of the West, whose standards of living are so much higher, owe it to the poverty-stricken East to accept some decrease in consumption in order to redress the balance. Personally, I fully accept the justice of this argument, but it would be misleading if I did not point out that, perhaps, the biggest obstacle in getting this idea across to the masses in the West is the increasing prevalence of welfare doctrines, with their incentives to consumption. Since most of the new nations of the East accept the same welfare philosophy, they are in a position to judge the practical difficulty of reversing this trend in the West and of recapturing the nineteenth century emphasis on incentives to production, which, in the eyes of so many in all parts of the world is suspect as "reactionary."

Gold Standard

In addition to increased incentives to consumption in the West, one of the biggest deterrents to the quick and smooth flow across national frontiers of such capital as there is has been the abandonment of the gold standard. Because the gold standard made it the first obligation of all Governments automatically to avoid deficits in the balance of payments and to preserve the purchasing power of their currencies in foreign exchange, it created the confidence which led savers readily to invest in the furthest corners of the globe. Today, Governments often appear to consider that the interests of foreign investors must yield to prior national claims, like full employment or five-year plans. This means that balance of payments deficits, followed by import and export restrictions, and all the cumbersome impediments of quotas and licences, culminating, may be, in devaluation, have become common places since the abandonment of the "bad old" gold standard.

The direct connection between, on the one hand, these policies—which interfere with the free flow of trade, commerce, and capital, thereby decreasing profits and multiplying risks—and, on the other, the preference of investors for their domestic markets, rather than venture abroad in an unappreciative world, is insufficiently realised. The first objectives, therefore, of any Government which seeks to encourage foreign capital must be to preserve the purchasing power of its currency, to remove barriers to the flow of trade across its frontiers, and to conceive its plans in such a way that its balance of payments remains in equilibrium.

So much for the background A.B.C. of the conditions governing the supply of overseas investment in this post-gold standard age. Is there anything that India might do to secure a higher place in the long queue of capital-hungry countries?

Tax Burden in India

If you want foreign capital, you must expect foreign entrepreneurs to wish to send their own directors, managers, or other employees, to ensure its most profitable use. In this connection, British, German, and American observers agree that it would help if India were able to simplify her system of corporation and personal taxes and reduce their burden. Special regulations exist exempting a foreign employee from Indian income-tax for three years if he is certified by the authorities as a "technician," but many employees required by foreign companies are not technicians but business men. The amount lost in revenue by finding a formula which would free all short-term appointees from all income-tax and concede substantially reduced scales to long-term residents would be infinitesimal, but it would revolutionise overnight the attitude of potential foreign appointees to overseas posts: instead of refusing wherever possible to serve in India, as today, they would queue up to do so.

But, you retort, this would be socially unjust. Of course it would, and if you prefer social justice to foreign capital, foreign investors will not grumble, they will just invest at home. If they are Americans or Germans, they will be able to earn 10 to 15 per cent., or more, from risk capital investments at home.

What an Indian journal called "the shocks of India's budget of May, 1957," reverberated round the international investment world. It is true that many concessions have since been made but the result is a complicated set of tax rules and exceptions, opening up prospects of administrative delay and harassment. "Why face all that," the foreigner asks, "when, with infinitely less effort and infinitely greater comfort, my company and my employees can earn far more at home?"

Power to Stifle

Then, again, some Indian legislation makes foreign investors prefer other countries where life seems less hazardous. As Paul Bareau, the British economist, wrote on his recent return from India:

"In the existing legislation, in the Companies Act, for example, in the Industries Development and Regulation Act, the Government really has the power of life and death over any private undertaking in India; it can veto the amount of salary paid to a managing director; the Reserve Bank of India can veto the appointment of any senior executive in a commercial bank in India, including our own exchange banks.

"In the latest supplementary budget, the Finance Minister took powers which enable him to direct any company to deposit a substantial part of its accumulated reserves with the Reserve Bank of India in order to finance the Plan. Mr. Krishnamachari said: 'We cannot allow these reserves to be frittered away'—by, presumably, the people to whom they belong. In each case, when we criticised the Indians for this kind of legislation,

they said: 'Oh, but this is meant to be operated with the utmost elasticity and sympathy. . . . It is not meant for you, for the honest people, for the sound bank; it is meant for the rascals.' That may be true, but it is there as part of the law, and it could be used by another administration to stifle the life out of any organisation which they disliked. . . . This kind of legislation is having a most deterrent effect on the influx of foreign capital in India."

Britain's Role Today

What now of Britain's attitude towards India's development?

Any suggestion that, since independence, Britain has grown indifferent to Indian affairs is nonsense. Many thousands in Britain have personal knowledge of, or connections with, India, and there is a fund of goodwill towards her. From the material viewpoint, the strength and prosperity of India as a bulwark of freedom and democracy in Asia amounts to a vested British and Western interest. Nor is it true that Britain has made no financial contribution to independent India. Despite some disinvestment, it is calculated that there has been a net gain in British investment in India. As Lord Home, Secretary of State for Commonwealth Relations, said in Parliament recently: "83 per cent. of all foreign private investment in India is U.K. investment. . . . That is not only a measure of the stake which we have in the future of India but I believe that it is an indication of the faith which we have in India's future. . . ."

British Investments

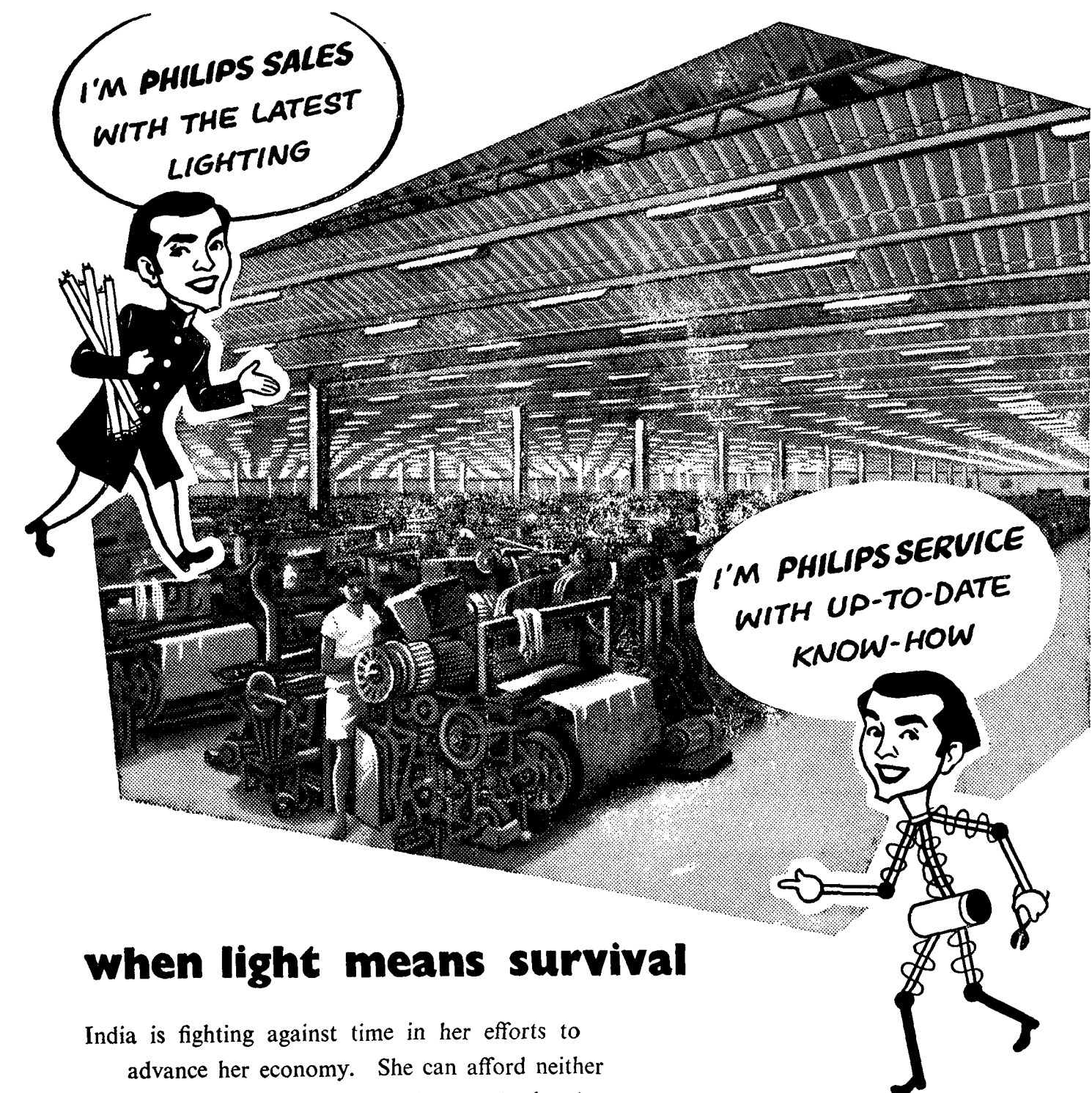
The capacity of Britain to invest abroad is measured roughly by her balance of payments surpluses. Between 1946 and 1955, the deficits on the British balances of payments totalled £1,247,000,000 (Rs. 1,621 crores), and the surpluses £961,000,000 (Rs. 1,249 crores), leaving an accumulated deficit of £286,000,000 (Rs. 372 crores). Yet during these years, the astonishing fact remains that Britain's overseas investment totalled over £2,000,000,000 (Rs. 2,600 crores). This constitutes 14 per cent. of Britain's average gross national product, or about 8 per cent. of gross fixed investment in Britain. Between 1946 and 1955, 70 per cent. of the outside capital invested in the sterling area came from Britain, as compared with 15 per cent. from other sources. These percentages are being maintained and the rate of British investment in the Commonwealth is running at approximately £200 million (Rs. 260 crores) a year.

Britain is a substantial contributor to technical assistance under the Colombo Plan, having promised financial assistance up to about £9,000,000 (Rs. 12.7 crores) and provided so far 1,614 training places and 260 experts, with training equipment worth £662,958 (Rs. 86 lakhs). In the wider Colombo Plan context, she has, since 1951, made available to countries in the area a total of approximately £92 million by way of grant, loans, credits and technical assistance.

Need to Curb Inflation

Finally, and not least, a tremendous effort is being made in Britain, as in other Western countries, to contain inflation, a problem which is, of course, closely linked to balance of payments difficulties. It is, therefore, not merely the British, but responsible Dutch, German, Swiss, American and O.E.E.C. authorities, with whom I have recently had opportunities of discussing these problems, who emphasised to me that India might with advantage

(Continued on page 84)



when light means survival

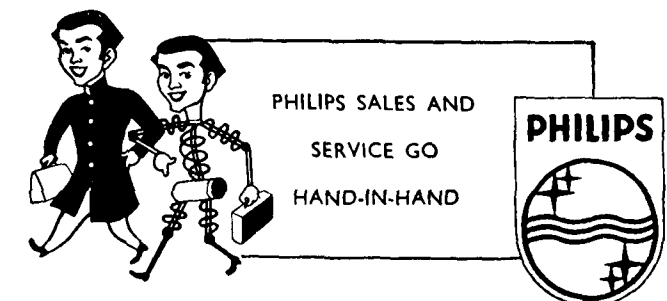
India is fighting against time in her efforts to advance her economy. She can afford neither the loss of a single skilled hand, nor of what he helps to produce.

Philips 'know-how' and wide experience in the field of scientific lighting is the best method of safeguarding the workman and ensuring smooth production.

PHILIPS
Contributing to-day to India's future

PHILIPS INDIA LIMITED

For all your industrial lighting problems  Philips are the right people for the job.  Consult them.



For all your requirements in

PAPER AND BOARDS OF ALL VARIETIES

Consult

CHIMANLAL PAPER COMPANY

Importers of High Grade Papers and Boards
and
Distributors for Bombay State of the well-known

SHREE GOPAL PAPER MILLS LTD.

BOMBAY MUTUAL BUILDING

DADABHOY NAOROJI ROAD, FORT, BOMBAY 1

Telephone:
26-3232

Post Box No.
1475

Telegram:
"SELECTION"

THE MAHARASHTRA SUGAR MILLS LIMITED

FACTORY AND ESTATE OFFICE

P. O.: Tilaknagar
District: Ahmednagar
Rly. Station: Belapur (C. Rly.)

Telephone No. 10
Telegrams:
"SUGARMILLS"
Belapur Road.

PIONEER MANUFACTURERS OF THE BEST
QUALITY WHITE CRYSTAL SUGAR.

ALSO

PRODUCERS OF RECTIFIED AND
DENATURED SPIRIT.

Managing Agents:

M. L. DAHANUKAR & CO. PRIVATE LTD.

HEAD OFFICE

**INDUSTRIAL ASSURANCE BUILDING
OPP. CHURCHGATE STATION
FORT, BOMBAY**

P. O. BOX NO. 249

Telephone: 37181-2-3.

Telegram: "SUGARMILLS," BOMBAY.

IRON & STEEL

BACKBONE OF INDIA'S PROSPERITY

OUR HUMBLE CONTRIBUTION

Steel Castings for Wagons, Locomotives, Shipbuilding, Sugar Mills, Cement Factories,
Machinery and Manganese Castings a Speciality.

● **National Iron and Steel Company Limited**

Copper Conductors and Wire, Steel Wire and Wire-Nails, Etc., Etc.

● **National Screw and Wire Products Limited**

C. I. Sleepers, Pipes and General Engineering Castings.

● **Tatanagar Foundry Company Limited**

All kinds of Civil and Structural Engineering Works, Builders and
Sanitary Engineers, Architects, Earthmoving Works.

● **Britannia Building and Iron Company Limited**

NURSING & CO., LTD.

STEPHEN HOUSE • CALCUTTA-1.

Telegram: NISCOWORKS, CALCUTTA

Telephone: 23-4311 (8 lines)

FUTURE OF INVESTMENT IN EQUITIES

By S. NARAYANASWAMY

PARTNER, CHITRA & CO., MADRAS

THE word 'equity,' as referring to the ordinary capital of a joint-stock company, was in extremely restricted usage in India till the Companies Act of 1956 brought it into more popular current usage through the medium of published prospectuses. It is a really refreshing instance of a legal colloquialism, where a word is etymologically being elevated to the smug respectability of statutory parlance by incorporation in an Act of Parliament. As connoting the right to the residue of asset values, after all mortgages and priority rights as set forth in the articles of association of a company have been discharged, it is a logical description of the standing of an ordinary share in a company; which is where I shall take leave of the ticklish job of definitions.

The more sophisticated, not to say cynical, investor in equities of some standing may smile at the naive title of this article. As his unedifying experience has been to bear the cross of continuous depreciation in holdings over the last two years, with little prospect of recovery in the horizon, he may, after the manner of the cryptic lecturer on "Snakes in Iceland," snap at me, in reference to the prospects for equities, by saying, "There are none." I should still be glad if he did not, in justifiable chagrin over his loss in real values, bite my head off.

Real Worth

The fact of the matter is that the real worth of equities in public joint-stock companies of any standing has never come in for objective or unbiased scrutiny, because continuous avalanching of market values over a long period has overwhelmed the investor and kept him occupied with a computation of invested savings wiped out. In such a state of neurasthenia, it would be foolish to offer to conduct him through the labyrinth of statistical real values, as contrasted with panicky market values—without inducing in him the suspicion that all this business of undestroyed asset values in companies is just so much academic abstraction, with bucketfuls of wishful thinking thrown in. In fact, latterly, there has been much throwing away of balance-sheets by shareholders after ascertaining dividend recommendations. You cannot, therefore, ask for a worse climate in which to discuss a theme like basic equity values—but, nevertheless, this is what I shall attempt to do in the following paragraphs.

The first thing that occurs to one in any discussion of intrinsic values of equities is this. Taking a three or five-year period, what has, for instance, been the change in price levels of, say, urban house property, precious metals, precious stones, cultivated land or any other store of value—both those that bring a return and those that do not? What has been the drift of prices in plant and machinery over the same period—which, being overwhelmingly important items, afford a glimpse of price drifts in Western countries?

What are the assets owned by our public joint-stock companies? If they are industrial companies, they own some land, buildings, plant and machinery. If they are companies that have steadily gone up in value, what with depreciation being written off thereon year by year and the assets being shown in the ac-

stalled plant and machinery considerably in excess of what their paid-up capital would warrant. If they are plantations, they own land under tea, coffee, rubber or cardamom or other produce on the hills, whose production capacity and, therefore, profitability, generally over the years, have augmented. If they are mining companies, they own developed mining properties, and, over a cycle of years, keep burrowing deeper or wider in their continuous search of rich or promising seams and keep enlarging their output and also provide for capital amortisations, as mines are supposed to be an exhausting or diminishing asset. This may be a geological truth and in accordance with common sense realisation of the fact that continuous exploitation must exhaust the earth's mineral wealth. However, mining companies have, by and large, gone from strength to strength.

In all cases, public joint-stock companies own property and stores of value, in exactly the same manner as individuals, with this difference, that companies do not buy and keep jewellery, precious stones or other wholly unutilisable assets in their safes as individuals do, because companies are units of wealth production, not safe-custody holders of unutilisable assets.

Asset Values

Established industrial companies in most cases bought their land, put up their buildings and installed their machinery (if you exclude the more recent additional installations) at prices, which were very low indeed in comparison with the prevailing prices. In some cases, they were a fourth, in some cases a sixth of today's prices. Then, of course, these companies have been depreciating their buildings, plant and machinery. Even in respect of plant and machinery installed, say, three or four years ago, liberal depreciation allowances under the Finance Acts have enabled companies to write down book values drastically. In the result, by and large, asset values of industrial companies of some standing represent but a small percentage of current values. If we take plantation companies, we have a kind of ready-reckoner of book value of assets in what is known as "capitalisation per planted acre at par," often published in tabular statements relating to plantation companies in stock market reference books. This gives some idea of the prices at which plantation acres are bought or capitalised. Invariably these are about, say, a third or a fourth of the prices at which it is possible to lay out a plantation today and bring it to the point of commercial yield, assuming that maintenance costs do not mount up during the six or seven-year period of its upbringing.

Companies may have also other assets, built out of undistributed profits and reserves of past years which, over a period, show appreciation, but we need not take this into our reckoning now.

In any case, it is clear that public joint-stock companies, the shares of which have been so continually traded in, on our stock exchanges at lower and lower prices in the past two years, own properties and assets that have steadily gone up in value, what with depreciation being written off thereon year by year and the assets being shown in the ac-

counts at lesser and lesser value—whatever be the nature of the asset or the business in which the company has been engaged.

Earning Power

Let us examine the earning power of companies and how it has fluctuated over the years. Without involving the reader in statistical data, it is possible to say two things: that the increase in economic activity in India is in an overwhelming measure ascribable to the expansion of joint-stock companies' installed production capacity and that, as is to be expected, profitability in production has increased with augmented capacity. The earning power of companies has increased from a switch-over from uneconomic or less economic to economic units of production and it is possible to say that the generality of companies have done a good job of work with their programmes of expansion. The small number of exceptions signify little in this reassuring picture.

It is true that taxation has been taking a heavy toll of corporate profits and the Finance Acts of 1957 have started cutting more into distributable profits than ever before—with increased direct corporate taxation, wealth and dividend taxes. Let me admit that Governments, from being a bare major partner in company's prosperity which they were heretofore, have become the overwhelming partners, if we take State taxation into account—particularly on plantation companies. With successive budgets, leaving a diminishing residue of distributable profits, the stock markets have become no doubt nervous. But what has in fact been revealed by the succession of balance-sheets that we have received in the last, say, six months? Profits have been good, taxes have been high, in fact spectacularly so. But what about dividends? If we exclude Kerala plantation companies, which are subjected to the rigours of a steep agricultural tax, dividends have been generally maintained or improved upon. The allocations to reserves have been either at old levels or been improved upon. These show that the intrinsic asset position of companies has been maintained or strengthened, while distributions have been at old or better levels in a vast majority of cases. This maintenance of dividends, combined with heavy drops in prices, has resulted in returns on shares going high. Yields of 8 to 10 per cent. on good industrials and between 10 and 15 per cent. on planting shares both in North-east India and in the South are available. Thus, if asset values, earning power and distribution capacity, after taxation have been applied to profits, are still at around old levels, why should the values be low and why should the outlook for equities be regarded as obscure?

Real Reasons

The reasons are in part physical but in a large measure psychological. We have been through a prolonged inflationary cycle, but today we have tight money conditions menacing industry and trade. Banks, despite the cessation of import trade demand, have been asked to improve their liquid position by the Reserve Bank and are not keen on either new accounts or extension of existing facilities to such industries as require extra working funds by

reason of increased capacity. The deposit of depreciation allowances adds to the financial discomforts of companies. But this phenomenon of tight money subsists alongside of high prices of consumer goods. The foodgrain position is disquieting. Industrial wages have been mounting—thanks to awards, some drastically retrospective. These are the major physical factors. None of them looks temporary.

As for the psychological factors, there is a misgiving that Government may make a major cut in the public sector programmes of the second Plan, to bring them in line with available rupee resources and foreign exchange. There is the fear that the deferred payment arrangements for plant and machinery may put a millstone around the neck of every new industry in the form of higher capital costs. Then there are the fears regarding additional taxation—with hardly two months to go for the conventional Budget date, as distinguished from the unconventional dates. With the non-materialisation of tax realisations on the scale expected, the "marginal adjustments" may prove not so marginal, it is feared.

The Outlook

The cumulative effect has been a sustained price slashing campaign. What of the future?

The price levels of shares have been a peculiar compound of asset values, earning power as reduced by taxation and what the investor expects may be the nature and scale of future onslaughts on industry by taxation and labour demands. The last mentioned factor has tended to pull equity prices down whatever may be the buoying up effect of the first two factors. But once the investor is offered reasonable assurances that corporate activity will be spared the incubus of further taxation and that wages would stabilise around present levels, it would not be difficult to persuade him that he can depend on present dividends being maintained. On such a restoration of confidence also rests the future of capital formation, about which a great deal is talked today.

While price levels of equities today are quite low in terms of intrinsic worth and last distributions, it sounds like wishful thinking presently to express the hope that any such move to restore confidence as indicated above will emanate from Delhi. But restoring confidence means restoring price levels, capital formation, breathing oxygen into equities and helping the investor to help the second Plan forward. Is it too much to ask?

The behaviour of price levels over the last one year clearly proves that the future of equities rests less on the intrinsic soundness of a company's finances and far more on the psychological edifice of which Government are the sole architects. Is it unnatural that we wait anxiously to see if the blue-prints to come are such as will help rebuild the cracked edifice of public confidence?—All Rights Reserved.

AUSTRALIA CAN HELP INDIA

Good Scope for Expanding Trade Between The Two Countries

By An Australian Correspondent

INDIA and Australia are linked together by common ties. They are members of the Commonwealth of Nations, they are signatories to the Colombo Plan and they have very extensive mutual trade interests. In 1956, Australia was India's fourth best customer, whilst, in the same year, India ranked eleventh amongst Australia's principal trading partners.

Australia has followed India's progress since her independence with keen interest. We Australians were greatly impressed with the success of your first Five-Year Plan and we are following the progress of your second Five-year Plan with even greater interest. It is in the implementation of this latter plan that we feel Australia may be able to assist India.

One of the reasons for Australia's interest in India's developmental plans is that many of the problems which beset India have been encountered in the development of Australia. Many of these problems have been overcome and have resulted in an all-round expansion of our economy.

Prior to the beginning of this century, Australia was engaged in mining, agricultural and pastoral development. However, since then secondary industries have taken an increasing part in the economic development of the country and over the last decade industrial expansion has been revolutionary. Fifty years ago, there was little more than 12,000 factories, employing no more than six per cent. of the population. Now there are more than 52,000 factories employing 30 per cent. of the total available man-power and Australia now ranks among the world's most highly industrialised nations.

India at present is encountering serious difficulties in her planned programme of industrialisation. We are watching your strenuous efforts to overcome these obstacles and we feel that you will in the end surmount them all. We appreciate that to overcome these problems, you need foreign aid, particularly in the form of long-term loans. In this field, Australia, because she is an importer of capital herself, is not able to help you, but there are other ways in which we can offer a little assistance. Already we have contributed through the Colombo Plan and we feel that further scope exists in the field of increased trade.

Colombo Plan

Under the Colombo Plan, Australia has given both technical assistance and capital aid to India. The technical assistance comprised the training of Indian students in Australia and the loan of certain Australian technical experts to India. To 30th June, 1957, 241 students had been or were training in Australia. The main fields of training were agriculture (67), engineering (33), nursing (31), food technology (25) and science (16). To the same date, Australia had sent 14 experts to India comprising eleven medical men, two engineers and one expert in estuarine fishing.

In addition, a variety of technical equipment, including research and experimental equipment for technical institutions specialising in rice, technology generally, plant protection and quarantine, wool testing

and dairy research has been supplied.

Capital equipment supplied has included earthmoving machinery for the Tungbhadra Dam, electrical equipment for the Ramgundam Power Scheme, radio equipment for the All-India Radio and diesel rail cars and wagons for the Indian railways.

The aid given to India under the Colombo Plan is primarily a gesture. It does not provide a solution to India's problems—it is not intended to—but still it is a small measure of help.

Similarities

On examining Indian and Australian trade patterns, their industrialisation and their economies, one is struck in many instances by the similarity of the changes taking place and the problems to be overcome. Both countries have found it necessary to introduce exchange controls and import restrictions; in both water conservation works and hydro-electric power stations are being undertaken; in both agricultural and pastoral production is being increased; in both transport and communication facilities are being improved; in both programmes for more hospitals, schools and houses are being carried out.

Closer examination shows that, in some aspects, India is further advanced than Australia, while, in other aspects, Australia is ahead. The urgency and methods of achievement may differ, but the aims and needs are similar.

This suggests at once that there is ample scope for co-operation between the two countries. India's experience in certain fields would be of benefit to Australia. On the other hand, Australia's experience could no doubt be of value to India. You will appreciate the fields in which India has something to offer Australia, but you might not be so well acquainted with what Australia can offer India.

Production

In Australia, during the last 20 years, the volume of production of the engineering industries alone has increased at least sixfold. The variety of production of Australian secondary industry and its capacity to compete in export markets is illustrated by the fact that motor vehicles (including passenger cars, utilities, trucks and agricultural wheeled tractors) fully manufactured in Australia, are now exported in an increasing volume to New Zealand, Malaya, Thailand and the Pacific Islands.

Diesel-electric locomotives of the very latest design and ratings up to 1,600 h.p. have been supplied to Pakistan and Hong Kong, and railway rolling stock contracts are being fulfilled for the Indian and Malayan railways. Earthmoving machinery designed and built in Australia, diesel-engines, road rollers, diamond drills, windmills, food-processing machinery and agricultural implements are being exported to many countries.

Hardware and tools, domestic appliances, radio and telecommunication equipment, electrical switchgear and transformers and plywood are among the growing volume and variety of manufactured exports.

Some idea of Australia's long sought goal of diversifying her exports can be gained from the fact that, since 1938-39, the types of goods exported have increased from 580 to 1,500 and the value of the manufactured exports has risen approximately by 80 per cent.

Secondary Industry

Technically, secondary industry in Australia has many advantageous points. The bulk of its plant and machinery is modern and its factories can expand rapidly to meet any increase in demand, especially from the export market.

The radio, electronics and telecommunication industry has proved that it can produce equipment of outstanding quality and performance by winning large overseas contracts against world-wide competition. Distance measuring and multiple-track radar range equipment for aircraft of Australian design and manufacture is considered to be in advance of similar products manufactured elsewhere. Australian development in miniature carrier telephone switchgear has revolutionised the layout of exchanges. Australia produces the world's biggest range of automotive spare parts and accessories, garage and servicing equipment and these products are exported to many countries, including the U.S.A. The manufacture of complete motor vehicles has been aided materially by the existence of this old-established and technically progressive industry.

Add to this list of manufactures Australia's wide range of processed foodstuffs, domestic appliances and thousands of smaller manufactures, and it will then not be difficult to realise the truth of the claim that Australia is one of the world's most industrialised nations.

Items for Export

For the benefit of readers, a complete list of the items which Australia is at present in a position to export to India is set out below:

Machinery and Equipment: Agricultural and pastoral machinery and equipment; sugar milling machinery; dairy machinery; insect spraying equipment; irrigation equipment; water boring machinery; earthmoving and roadmaking machinery; metalworking and woodworking machinery and equipment; materials handling and haulage equipment; mining machinery; food processing machinery; pumps and pumping equipment; poultry farm equipment; printing machinery; air compressors; centrifugal and self-priming pumps; deep-well turbine pumps and special high handpumps; industrial concrete mixers; wood spraying and pest control equipment; steel poles and posts; hard facing welding rods and electronics; carbon, alloy steel and special steel castings; light engineering products; incubators and brooders; non-ferrous metals.

Vehicles: Tractors; diesel-electric locomotives; railway rolling stock and equipment; automotive parts and accessories.

Communications: Radio and electronic apparatus; radio-telephone equipment; telecommunications equipment and telegraph apparatus; communications engineering equipment; sound recording apparatus.

Agriculture: Wool and wool tops; wheat; livestock, agricultural and horticultural seeds; oats; stock feeds; animal foodstuffs.

Hardware and Electrical Goods: Hardware, electrical supplies, building materials and builders' hardware; screen wire cloth; stainless steel ware; handtools.

Food: Flour; cereal products; dairy products; fruit and vegetable products; canned meats; grocery preparations; confectionery; spray processed dried full cream milk; dried skim milk; dried ice-cream mix; canned and bottled provisions; canned and smoked meats, hams; dried and canned fruits.

Chemicals and Scientific Materials: Chemicals and chemical compounds; pharmaceutical supplies; tallow and fatty acids; scientific instruments and equipment; casein.

Printing and Stationery: Books and periodicals; paper and paper products; ball-point pens; writing and blotting papers; vegetable parchment; art paper; process engravers' zinc sheets; printing ink; printers' requisites.

Miscellaneous: Timber; leather; textiles; corsetry; food aids; fancy goods.

From this list it can be seen that Australia is in a position to supply certain capital equipment and raw materials that India needs to accomplish her five year Plan of expansion. Australian manufacturers and exporters have been made aware of India's efforts to conserve her foreign exchange reserves and some of them are currently examining schemes for offering goods on deferred payment terms. As was mentioned earlier, Australia, like India, is a recipient of foreign capital and thus is not in a favourable position to offer long-term credit. The most favourable prospects for aid would seem to lie then in the direction of increased trade between the two countries.

Scope for Trade

Australia is most anxious to expand and diversify her exports. We know India is endeavouring to do the same and we would, therefore, welcome any opportunity to increase trade between the two countries. What opportunities exist for an increase in Indian exports to Australia will only be revealed by an intense study of our market. The opportunities at first sight appear limited but a closer examination might reveal this evaluation to be wrong. One direction in which interchange between the two countries appears to have been rather neglected is in the field of tourism.

Australia offers many attractions for the tourist, particularly natural attractions as opposed to man-made ones, and we would welcome tourists from your country. On the other hand, we feel India has a great deal to offer the Australian tourist. We are a young country and we are much impressed by the traditions and customs of older civilisations.

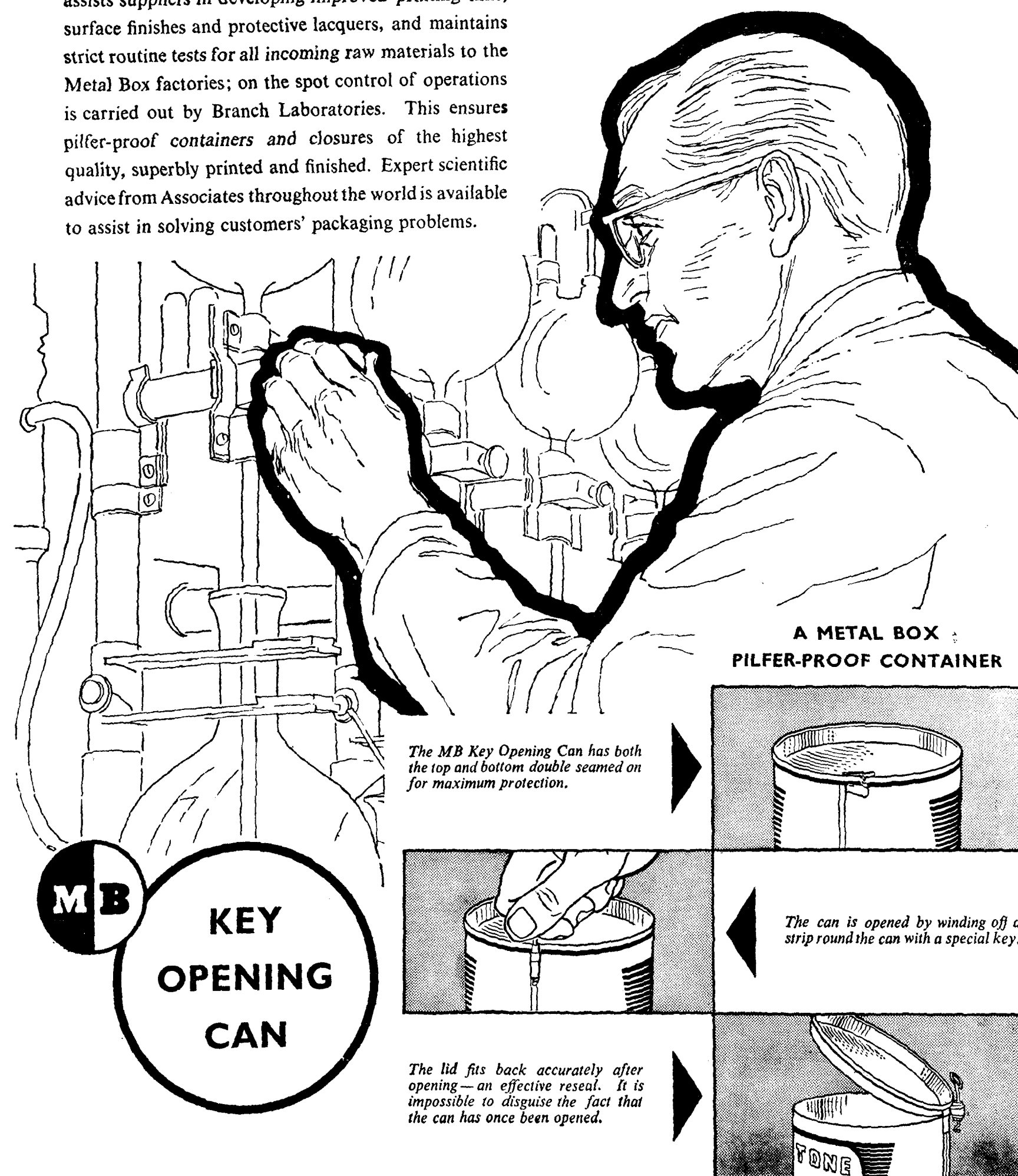
There may be other opportunities for increased interchange of trade between our two nations and we would, as we feel you would too, welcome any measures that may achieve this. In the immediate future, our prospects of increased trade do not appear as good as they do in the long run. Both India and Australia have encountered balance of trade difficulties, because of their rapidly expanding economies which prejudice to some extent an expansion of trade. This in all probability is only a passing phase and Australia looks to the day when she and India are not hampered by these difficulties and are able to increase and extend their mutual trade interests.

SYNTHETIC FUEL IN AUSTRALIA

Australia will produce from 60,000,000 to 80,000,000 gallons of synthetic liquid fuel for combustion engines by 1962, according to an announcement by the Victorian Gas and Fuel Corporation. This would be an initial step towards making Australia semi-independent of Middle East sources of crude oil. The amount of fuel would be sufficient at least to keep farm machinery going, if outside sources of oil were cut off. Atomic energy production had no effect on the gas manufacturing industry, particularly if seen in the light of synthetic fuel production. Australia is dependent to 80 per cent. on Middle East oil, and 20 per cent. on crude oil from Sumatra. If these sources were suddenly cut off, the result would be disastrous.

a pilfer-proof package for every product!

The manufacture of Metal Box's range of pilfer-proof containers and closures is backed by an active Research Organisation. The Central Laboratory in Calcutta assists suppliers in developing improved printing inks, surface finishes and protective lacquers, and maintains strict routine tests for all incoming raw materials to the Metal Box factories; on the spot control of operations is carried out by Branch Laboratories. This ensures pilfer-proof containers and closures of the highest quality, superbly printed and finished. Expert scientific advice from Associates throughout the world is available to assist in solving customers' packaging problems.



MB

KEY
OPENING
CAN

A METAL BOX
PILFER-PROOF CONTAINER

The MB Key Opening Can has both the top and bottom double sealed on for maximum protection.

The can is opened by winding off a strip round the can with a special key.

The lid fits back accurately after opening—an effective reseal. It is impossible to disguise the fact that the can has once been opened.

The Metal Box Company of India Ltd

CALCUTTA • BOMBAY • MADRAS • DELHI • MANGALORE

INDO-CANADIAN TRADE PATTERN

By T. F. HARRIS

CANADIAN GOVERNMENT TRADE COMMISSIONER, BOMBAY

THE dominant factor underlying the recent growth in trade between Canada and India as compared with pre-war years has been the remarkable rate of expansion in the economies of both countries. This expansion has been characterised by the large proportion of current production which has been of an investment character, by a vigorous pace of resource development, and by growth of the domestic market, both through population increase and augmented incomes.

In Canada industries based on the newly developed resources of oil, natural gas, iron ore and uranium have continued their meteoric advance, and now hold positions of ever-increasing prominence in both national and continental markets. Production of these key materials within our own borders adds tremendously to Canada's industrial stature and to the solidity of the economy. Yet, outlays in these fields, though large, constitute but a minor part of the overall volume of resources directed toward expansion of capital facilities. Capital expansion in 1956-57 has been progressing, not only on a broader scale, but at a more rapid rate than at any previous time in the post-war period. Opportunities for new investment in Canada have become increasingly attractive, not only to Canadians but to business interests the world over. Industrial growth has, therefore, been facilitated by a record inflow of capital in the form of both direct investment in specific undertakings and security purchases, attracted by prospective yields in the Canadian market. This external participation

in Canada's development has been a key factor in sparking the currently high rate of expansion. At the same time, the accompanying capital inflow has provided the means to pay for the tremendous upsurge in imports needed to service this expansion.

Verification of this surge that broadens and deepens the Canadian economy is registered by the Gross National Product (G.N.P.) record of \$29½ billions or approximately 14,500 crores of rupees, in 1956—an 11 per cent. increase over 1955. This rising G.N.P. continues through the first half of 1957 at the seasonal adjusted rate of \$30.7 billions. This development is bound to incorporate a change in the external trade of Canada.

Prior to the Second World War, Canadian exports to India were relatively small with little variety in the trade. The trade balance was usually in India's favour and it remains so today. During the Second World War, India substantially increased its imports from Canada when difficulty arose in obtaining supplies from the United Kingdom. Payment for these imports was facilitated by the large expenditures made in India during the war by the United Kingdom and the United States. Canadian exports to India in the last decade have declined considerably from their war-time and immediate post-war levels, but this is no reflection on the importance of the Indian market to Canadian capital goods.

In recent years, Canada has supplied India with locomotives, copper,

newsprint, wood-pulp, aluminium, motor vehicles and parts, chemicals, aircraft and parts, milk products and gasoline engines. India ranked fifteenth as a market for Canada in 1956. Basic Indian commodities imported by Canada for many years are tea, jute fabrics, vegetable oils and manganese ore, the first two representing some two-thirds of the value of Canada's purchases from India. A few products more recently added to this list are cotton piecegoods, rubber footwear, and groundnuts.

The following table shows the totals of Canadian trade with India, in millions of dollars:

Year	Canadian imports from India	Canadian exports to India	Balance for Canada
1938	8.2	2.9	- 5.3
1939	9.8	2.2	- 7.6
1941	17.9	38.0	+ 20.1
1943	17.1	134.6	+ 117.5
1945	30.6	307.5	+ 276.9
Partition: August 15, 1947			
1947	43.2	42.9	+ .3
1948	33.4	33.7	+ .3
1949	26.2	72.6	+ 46.4
1950	37.3	31.5	- 4.8
1951	40.2	35.7	- 4.5
1952	26.8	55.4	+ 28.6
1953	29.6	37.2	+ 7.6
1954	38.0	17.2	- 20.8
1955	35.1	24.7	- 10.4
1956	39.3	25.7	- 13.6

Canada has been able to participate only in a limited way in the growth which has taken place in the Indian market of recent years due primarily to the restrictions India has placed upon imports from the dollar area. The measure introduced, 1st January 1957, whereby Indian importers could use a portion of their soft currency quotas to purchase dollar goods, provided some opportunities for increased Canadian exports. At the present time, India's intensifi-

cation of import restrictions for balance of payments reasons does, of course, adversely affect Canada.

In contrast, India has a generally favourable market situation in Canada. India receives considerable benefit from the preferential tariff treatment accorded by Canada on Indian goods. Canada does not maintain any import restrictions against goods of interest to India.

India and Canada have both played leading roles in the development of the Colombo Plan. Capital aid from Canada to India since 1950 totals about \$95.36 million. Various projects, forming tendons of India's future development and aided by Canadian funds, are the Mayurakshi multipurpose project, cited as Canada Dam; the Kundah hydro-electric project in Madras; an oil exploration aerial survey of the Ganges Basin and East Rajasthan; an atomic reactor for the Atomic Research Centre at Bombay and the provision of equipment for the railways and other transport. Recently, Canada has arranged to supply India with some 100,000 tons of wheat as part of the Canadian aid programme. Canada has also furnished a good deal of technical assistance to India under the Colombo Plan.

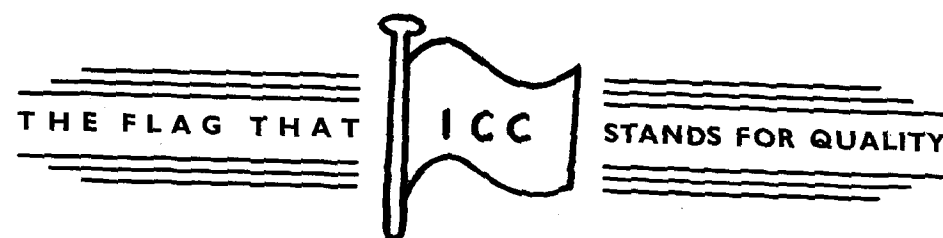
Canada attaches great importance to developing sound trade and economic relations with India, and looks forward to a successful Commonwealth Trade and Economic Conference in 1958, in which India will certainly play an integral role. There are difficulties in the relations between Canada and India but undoubtedly many of these can be resolved.—All Rights Reserved.

INDIAN COPPER CORPORATION LIMITED

GHATSILA P. O., EASTERN RLY., BIHAR

COPPER MINES AT MOSABONI, SINGHBHUM DISTRICT

SMELTER AND ROLLING MILL WITH THE GENERAL OFFICE AT MOUBHANDAR NEAR GHATSILA



Producers of

HOT AND COLD ROLLED BRASS AND COPPER SHEETS AND B. S. FIRE REFINED COPPER

THE CORPORATION'S 4-HIGH NON-FERROUS COLD ROLLING MILL IS THE LARGEST OF ITS KIND IN INDIA



MANAGING AGENTS

GILLANDERS ARBUTHNOT AND COMPANY, LIMITED

NETAJI SUBHAS ROAD

BRANCHES: BOMBAY, MADRAS, DELHI, KANPUR, ETC.

CALCUTTA

BEHAR

the dependable name
in FIRECLAY
REFRACTORIES

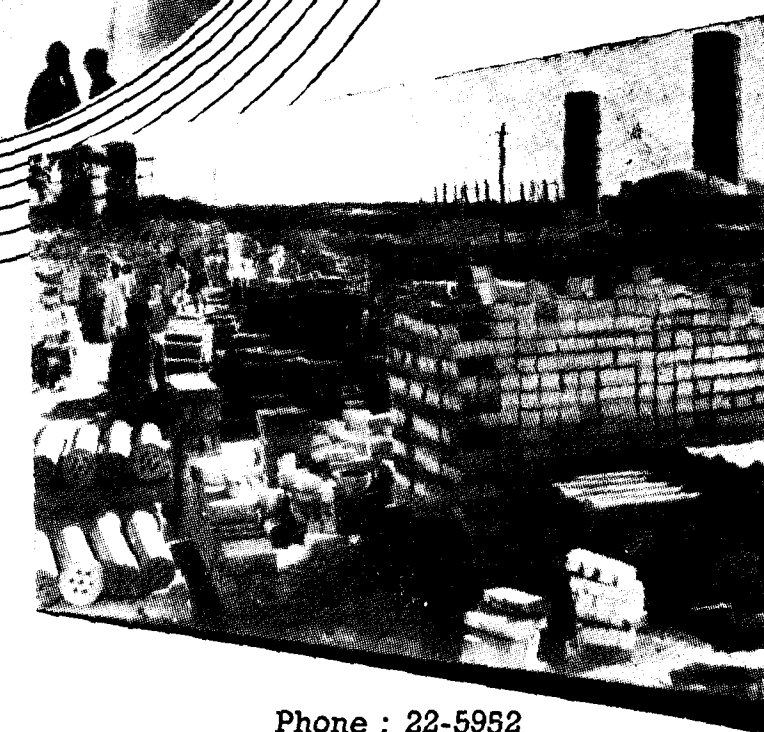


Works :
MUGMA
(Dhanbad Dist.)
Phone :
BARAKAR-41

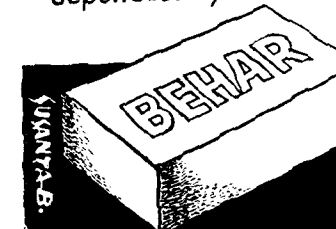
FOR OVER 35 YEARS "BEHAR"
FIRECLAY REFRACTORIES

of every variety and description are being successfully used by leading Iron and steel Works, Cement and Glass factories, Sugar and Cotton Mills and other users throughout the Country.

Extensive use of 'BEHAR' FIREBRICKS over years have proved their superior quality, high refractory value and strong resistance to slag penetration, spalling and abrasion. That is why the name 'BEHAR' today stands as the symbol of quality and dependability in FIRECLAY REFRACTORIES



Phone : 22-5952
22-3101



BEHAR FIREBRICKS & POTTERIES LTD.

(Manufacturers & Exporters)

22, STRAND ROAD, CALCUTTA-1

Foreign Aid for India's Second Plan

Climate For Private Enterprise Must Be Made More Congenial

By P. C. JAIN

READER IN ECONOMICS, UNIVERSITY OF ALLAHABAD

IN the case of economically under-developed countries like India, the total output of goods is not enough to meet the current requirements of the people and to spare, at the same time, a sufficient amount of these goods for investment. The consumption levels of the people are already so low that there is not much scope for reducing them further so as to spare goods for investment purposes. This makes it necessary to seek foreign "aid" for India's economic development. Secondly, and this is a more significant point, India does not possess all the raw materials, capital goods, technical knowledge required for sustaining a fast rate of economic development. This means that we must import them from abroad if we wish to develop the economic resources of the country.

It is possible to get these scarce resources by exporting goods manufactured in India. But, as we argued above, the total supply of goods in India is not of such an order as to spare much for building up a sizable export surplus. In the early stages of economic development, it is, therefore, unavoidable to draw on foreign aid. This was also the case with the U.S.A., U.K. and other countries, including the U.S.S.R., in the early stages of their economic development. Along with this, we should consider the fact that the highly developed countries have more goods than they can consume or invest. In their case, in order to sustain their economies at a high level of development, it is necessary to give the "surplus" goods to the less developed countries.

The Problem

If the economically more advanced countries like the U.S.A. did not give "aid" to the less developed countries, they would be choked with goods and an economic paralysis would result. But the difficulty is that the "surplus" of goods available in the economically developed countries at any time is not enough to meet the demand for aid from all the less developed countries. India thus faces the problem of having to induce the economically more advanced countries like the U.S.A., U.K., France, West Germany and the U.S.S.R. to give her some of their "surplus" goods for purposes of investment.

In the course of India's first Five-year Plan period, we received foreign aid of Rs. 298 crores for the public sector alone, and probably a total foreign aid of the order of Rs. 350 to Rs. 400 crores including foreign investment in the private sector. It was not possible to utilise fully the foreign "aid" received during the first Plan and some of it was carried over to the second Plan. This made the planners in India bolder and foreign aid for the second Plan was pitched at a higher level. It was originally expected that we would need foreign aid to the tune of Rs. 800 crores for the entire period of the second Plan. But this has turned out to be an underestimate.

Three events, which the planners could not foresee, have increased our need for foreign aid if the second Plan is to be carried through. Unrest on India's borders has made it imperative for us to increase the outlay on the country's defence and, since most of the armaments and materials required for this purpose have to be imported, the need for foreign aid

has increased. Secondly, when the second Plan was being formulated, it was expected that it would not be necessary to import foodgrains to the same extent as we did during the first Plan. But the food situation has deteriorated and we have to increase our food imports. This has created a further demand for foreign aid. Finally, partly due to miscalculation and partly due to carelessness, licences far in excess of the expected amount were issued to private enterprise for importing machinery, technical equipment and other goods in 1955 and 1956, with the consequence that there has been a heavy drain on our foreign exchange resources. This has increased the need of foreign aid.

It would not be an overestimate that we would need foreign aid to the extent of at least Rs. 1,200 to Rs. 1,500 crores, if the second Plan is to be completed as it is. Our immediate need of foreign aid is of the order of Rs. 300 to Rs. 350 crores. During his recent visit to the U.S.A. and other countries, Mr. T. T. Krishnamachari, India's Finance Minister, pointed out that India would immediately need foreign aid of the order of 600 million dollars if the core of the Plan is to be saved, whatever that might mean.

Right Policy

The total foreign aid of Rs. 1,200 to Rs. 1,500 crores could not possibly be had from any one source or in any one form. We will have to get it from a number of countries and in the form of Government-to-Government loans, loans and investments to private enterprise and credit lines by foreign manufacturers and bankers. The important question is about the policy which India should adopt to be able to get the required foreign aid.

Under normal conditions and from a purely economic point of view, the credit of a country's currency is the determining factor in the flow of foreign capital. So far as that is concerned, India is in a happy condition. The credit of the Indian rupee is high and its value has been more stable than the value of most currencies in the world. India has met her international obligations promptly. But, unfortunately, credit of the rupee is not the leading criterion for the flow of foreign capital at the present moment. So far as Government-to-Government loans are concerned, the political factor is the leading consideration. One version of it is that foreign capital would not "be made available, unless there is a foundation of international goodwill and trust and confidence that commercial and international agreements will be respected." So far as this is concerned, India has a fine record.

Politics

But there is another version, the political factor. As the President of the World Bank, Mr. Eugene R. Black, once pointed out, foreign aid is sometimes considered "merely as a means of buying diplomatic friends or military allies." It is this aspect of the matter which is causing the greatest difficulty to India. But the political stand which India has taken and the foreign policy which she has formulated are not and should not be conditioned by our need for foreign aid. We should remain free to follow whatever foreign policy we deem fit and Government-to-Government loans should be obtained to the

extent to which they are available within the framework of our foreign policy. It is wrong to argue, as some people have done, that our economic development comes first and we should subordinate our foreign policy to that end. If we did that, the damage to our economic development from a long-term point of view would be greater than could possibly result from the lack of Government-to-Government loans. In any case, India has already obtained a small loan from the U.S.S.R. and a number of small loans from the U.S. Government and more loans, although not of as big an amount as we would like, would be available from these and other countries even under the existing conditions.

While it is true that Government-to-Government loans and aid by Government-sponsored institutions in foreign countries would continue to be motivated by political considerations, it is not true that credit lines, loans and investments extended by private enterprise in foreign countries for India's economic development would be so motivated. Private investors in foreign countries are interested in the earning capacity of their investment, lack of harassment and the ease with which they can repatriate the investment and the income arising from such investment. The Government of India have frequently assured foreign capitalists that their interests would be properly safeguarded and they need have no fears. But foreign investors are not impressed by these declarations and speeches by Government officials and Ministers in India. They watch and study the actual conditions in this country and are influenced by them.

Climate

We have to realise most clearly that an adequate amount of foreign capital will not begin flowing into India, unless the climate for Indian private enterprise is made tolerable and the necessary economic policies for the smooth working of such enterprise are adopted. This unfortunately is not the case at the present moment. The Government's taxation, labour and industrial policies and the monetary policy of the Reserve Bank of India are such as to create enormous difficulties for Indian private enterprise. It is a proof of the tenacity and vitality of Indian private enterprise that it has not lost courage in spite of all these difficulties and is actively assisting the industrial and economic development of India. But, if Indian private enterprise has not been discouraged by the existing conditions, there is no reason to expect that foreign private enterprise would also not be discouraged.

The object of the Government of India and the Planning Commission is to secure rapid economic development of the country and, in framing their policies, the Government should not take a narrow point of view but should take the total picture into account. If this were done, Indian private enterprise would work smoothly and the necessary climate would be created for attracting foreign capital to India. The most immediate need is to make suitable changes in Government's taxation policy. It has been suggested that, in the case of foreigners, taxation of "perquisites" should be liberalised and home leave passage expenses should be exempted from taxation

and the tax on rent-free and concessional accommodation should be reduced. These concessions, or their equivalent, should be given not only to foreign executives but to Indian business executives as well. It is basically wrong to tax the perquisites heavily in the hope that this would prevent tax evasion. This only harasses the business executives without any reduction in tax evasion, because, if a business man is dishonest, he can evade taxes by a thousand ways. The methods of preventing tax evasion should not be such as to kill the bird which lays the golden egg. It has been suggested that the maximum limit for earned income relief should be raised in the case of foreigners. What is needed is a reconsideration of the entire schedule of personal taxation in India which is much too high and which does not leave sufficient incentive for increased effort and for greater investment activity.

Company Taxation

The greatest harm has been done to India's industrial development and the inflow of foreign capital into India by the present company taxation. The dividend tax, which is related to the paid-up capital and not to the total capital invested in a company, has done much harm. The dividend tax is a bad tax, but, if it has to be there, it must be properly linked with the earning capacity of the company; otherwise it stifles initiative and enterprise. More harm has been done by section 23A of the Indian Income Tax Act than by the other provisions. There is an anomalous position in company taxation in India in which companies are taxed if they declare a dividend in excess of six per cent. and they are also taxed (in the case of section 23A companies) if they do not declare a dividend. The last straw on the camel's back has been the wealth tax on companies. In spite of the few concessions given in this tax before its final adoption by Parliament, the wealth tax discourages the flotation of new companies and threatens to bring about failure of some of the existing companies on the marginal line. There is a strong case for repealing section 23A and for withdrawing the wealth tax on companies. These and other changes in taxation policy would not cost the Government much revenue but they would help in creating the necessary climate in India for encouraging private enterprise.

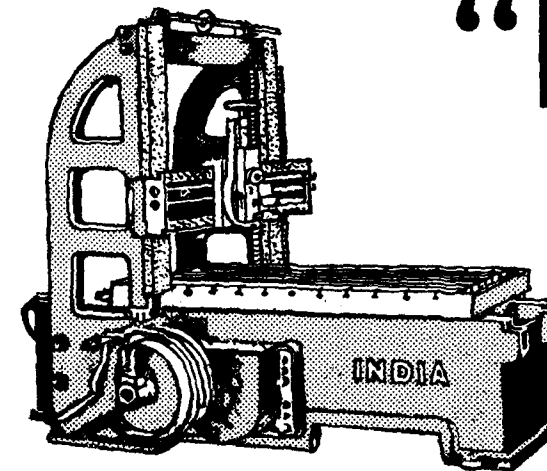
Misguided Zeal

In their misguided zeal, some political leaders created a reaction against foreign capital in the post-independence period. Foreign capital had strings attached to it during the British rule but there is no reason why this should be so even now. The result of that reaction is that even today there are Indian business men who are unwilling, in certain cases, to participate with foreign capital. Further, the Government also insists that, save in exceptional circumstances, foreign capital should come to India only in partnership with Indian capital and that the latter should have the upper hand in management and administration. If we consider the thing coolly, there should be no difficulty at all even if, in some cases, foreign capital were to operate by itself without participation of Indian enterprise or at least without a major share for the latter.

(Continued on page 60)

Proud champions in their fields for Precision and Reliability

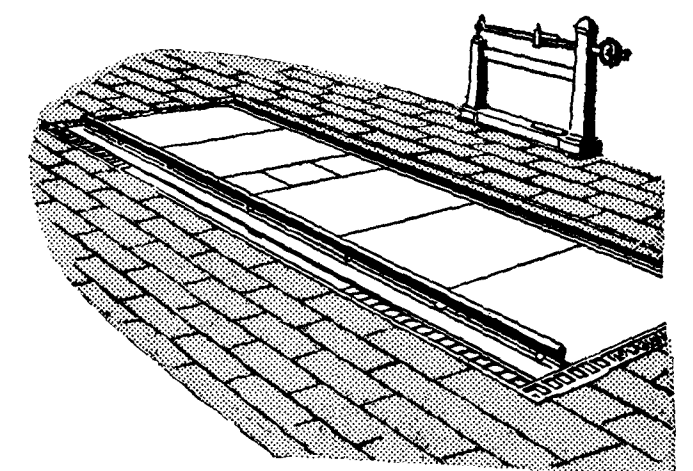
"INDIA" MACHINE TOOLS



India Machine Tools are engineered and built by India's greatest mechanical workshop. "INDIA" Lathes, Shapers, Slotters, Planing, Milling, Drilling and Boring Machines are all of Grade I accuracy.

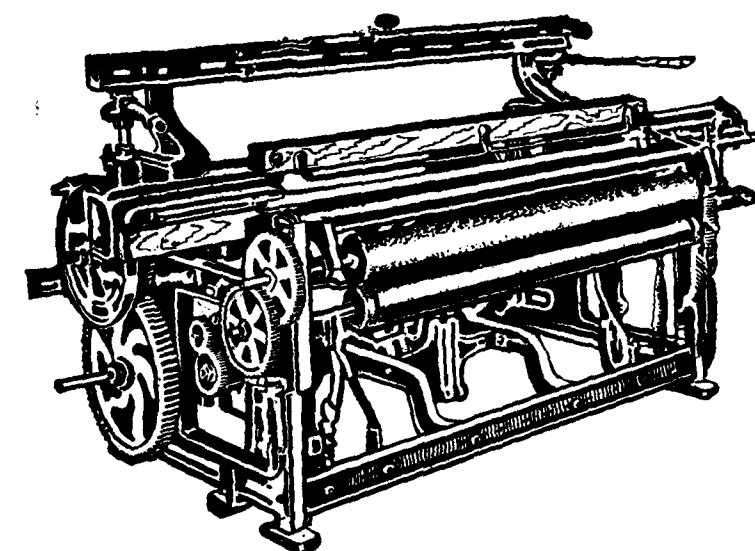
"ATLAS" WEIGHING MACHINES

The Atlas range of Weighing Machines have proved under all tests to be unsurpassed for their Accuracy, Sensitiveness and Strength. Whatever be the size and weight of the material, you'll always find an Atlas to weigh it with Absolute Precision. They are being extensively used in Railways, Plantations, Shipyards, Mills, Factories and Stores.



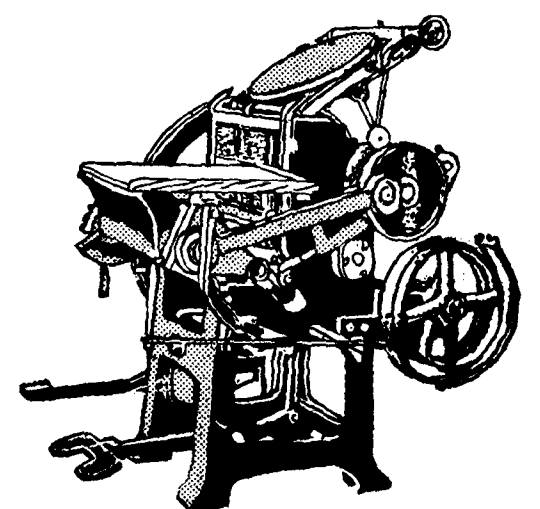
"INDIA" COTTON LOOM

India Cotton Loom and other Textile and Jute Mill Machinery are famous for their lower operating cost, higher production capacity, inherent strength and simplicity of design. They are designed to run smoothly at higher speed and are a preferred choice of all experienced engineers.



"BHARATI" PRINTING MACHINE

Fine and quick printing at a low cost, long-lasting efficiency and simple and improved mechanism have enabled Bharati to occupy an honoured place in numerous printing establishments, big and small, in India and countries abroad. Flat bed machines of demy size and treadle machines of half demy, half crown and half foolscap sizes available.



Particulars on request

INDIA MACHINERY Co., Ltd.

CALCUTTA
and HOWRAH

Sales and Regd. Office: 29, Strand Road, CALCUTTA

Workshops and Plants: Dasnagar, HOWRAH

Grams: "MARVELOUS," Cal. Phone: 22-1361

Grams: "ATLAWABRIZ," Phone: HOW. 3673-74

Agents: Messrs. B. R. HERMAN & MOHATTA (INDIA) LTD., SIR PHEROZESHAH MEHTA ROAD, FORT, BOMBAY

PERSPECTIVE ON THE AMERICAN ECONOMY

By WILLIAM T. TURNER

CONSUL GENERAL OF THE UNITED STATES OF AMERICA, BOMBAY

THE last decade has seen such tremendous economic progress in the United States—in production, in productivity of workers, and in higher living standards for the masses of the American people—that many people want to know more about the basic characteristics of the American economic system, its motivating forces and whether it can continue to keep the pace at which it has developed in recent years.

Again, some people fear the abstraction, known as the business cycle, and believe that, when the American economy sneezes, the economies of other free world countries may suffer a bad cold, or worse. This is because the United States is the principal importing country of the world as well as its foremost exporter.

The American economy reached record heights in 1956 with respect to employment, production and purchasing power. The Gross National Product (G.N.P.)—the market value of all goods and services produced—shot up from \$232,000 million in 1947 to \$414,400 million. Allowing for the change in the value of the dollar, the real expansion was a phenomenal 43 per cent.

It has been estimated by Secretary of Commerce Sinclair Weeks that the Gross National Product for 1957 will total more than \$430,000 million. Despite mild readjustments in recent months in investment expenditures and factory production, Weeks has predicted continued prosperity in the coming months.

No Worry About The Future

Addressing a businessmen's group early in November, Weeks said: "There is in evidence certainly no worry about the future—a recognition that our economy is levelling off—at a very high level—and that 1958 may be a breather with changes from 1957 fractional only."

While the overall industrial production index has remained at previous levels and the economy has not been expanding at its anticipated seasonal rate in recent months, such factors as personal income, consumer spending and the total output of goods and services all have been rising.

For example, the Commerce Department has reported that personal incomes of Americans during the first 10 months of 1957 was at an annual rate of \$342,500 million—\$17,500 million above the corresponding period a year ago. This represented a 5.5 per cent. rise in personal income, which embraces wages and salaries, net income on business proprietorships, dividends, interest and rents received from real estate, and other kinds of individual income.

The American economic system is based mainly on private investments, private initiative, privately-owned business enterprises. But it is not a system that benefits the few at the expense of the many. Its success depends on the very opposite—its success is based on its ability to improve continually the standard of living of all the American people.

Distribution of National Income

Today, more than three-fourths of the total American national income is labour income—that is, wages, salaries, social security benefits and related payments. One-eighth of the total national income goes to proprietors, including farm proprietors and self-employed business and

professional people. Only one-eighth goes to investors as dividends, interest and rents. In other words, the lion's share of America's productive capacity adds year by year to the economic well-being of the nation's workers.

Progress in this direction over the last half century has been tremendous. Allowing for price changes, the average American worker today can buy more than three times as much in goods and services as he could in 1900. Today, more than 60 per cent. of all American families are homeowners. More than 75 per cent. of all American families own automobiles. Virtually every home has electricity.

Some 116 million Americans—70 per cent. of the population—have life insurance policies, valued at more than \$75,000 million. Nearly 10 million own stock in corporate enterprises. More than 45 million have bought Government savings bonds, valued at more than \$52,000 million. Nearly 22 million have deposited some \$30,000 million in mutual savings banks.

Some 70½ million people are now insured under the Social Security System. Average payment to retired workers is \$80 a month. An average for a young widow with two children under 18 is \$185 a month. Total family benefits today can reach \$200 a month.

Singly and collectively, through private savings, pension and retirement plans sponsored and partially financed by the Government and by many private business firms, and through unemployment insurance and severance pay and guaranteed annual wage agreements between management and labour, the vast majority of Americans are constantly increasing their financial security.

Growth of National Wealth

The National Bureau of Economic Research, a private organisation, has estimated that, between 1912 and 1955, the national wealth of the United States grew tenfold and the growth in intangible financial assets was even greater.

In the last decade alone, American industry has put nearly \$270,000 million into new plant and equipment, and in that time manufacturers have raised their productive capacity 72 per cent. Today, American industry is producing for a defence programme well in excess of \$40,000 million and at the same time it is turning out a multitude of goods for a civilian economy more than eight times that size.

But, while manufacturers have been setting new production records, their vast post-war expansion and modernisation programmes have raised their total productive capabilities to the point where capacity for the moment exceeds demand. Overall, manufacturing operations now are running at an estimated 82 per cent. of capacity, while industry generally prefers a 90 per cent. rate for maximum efficiency.

It appears now that the United States may have come to a pause in the largest capital investment boom in its history. The McGraw Hill Company, a leading publisher of business journals, in a preliminary survey of business plans published this month (November), concludes that investment in new plant and equipment will decline some seven per cent. next year from this year's peak. But few economists see in this cause for alarm. If it materialises,

it would be the first decline in such investment in four years, and a levelling-off was bound to come sooner or later.

In any case, the survey indicates, capital spending still would aggregate \$36,600 million next year, about equal to the 1956 total and a full 20 per cent. above the 1955 total. Thus, business outlays would continue to be a formidable source of economic strength.

An economic system geared to free markets and free choice depends on decisions of millions of consumers, independent producers, middlemen and executives of business concerns. Its flexibility depends on the response of individuals to changing conditions—essentially a trial-and-error procedure that cannot operate with mathematical precision, without fluctuation and waste. The economic growth of the United States, therefore, represents a weaving line with a general upward trend, rather than a straight line or a perfectly smooth curve.

Post-war experience has demonstrated the ability of the American economy to adjust to dramatic shifts in circumstances, such as those presented by the Korean War, and the mild recessions of 1949 and 1954.

Economic Stabilisers

The American economic system has, during the last three decades, developed methods for minimising fluctuations in business conditions and stopping a setback before it develops into a major depression. The institutions serving this purpose act as stabilisers. The main stabilisers can be listed as follows:

1. Social security system, especially unemployment insurance, which helps to maintain retail sales.
2. Control over credit and money supply through the Federal Reserve (Bank) system. Federal Reserve monetary policy can be a powerful instrument, both against inflation and deflation.
3. Minimum-wage legislation.
4. Collective bargaining agreements which cover, directly or indirectly, wages and working conditions of the great majority of workers.
5. Insurance of small bank deposits and home mortgages.
6. The farm price support programme, which exerts a stabilising influence by helping to maintain the purchasing power of farmers and discouraging disorderly marketing and price slashing.
7. Control over stock markets and securities transactions.
8. Provision for expansion of public works during a contraction of private economic activities.
9. Readiness of Congress to counteract a decline in economic activities by fiscal measures, including deficit spending.
10. Stability and size of Government expenditures. Government spending is likely to remain more stable than some other sectors of the economy, or at least move somewhat independently of general business activity.
11. Development of business statistics, dissemination of information on economic changes and outlook in the nation.

Together, these stabilisers preclude a new depression like that in the early 1930's, but not minor adjustment-setbacks, such as those in 1949 or 1954. In other words, gradual growth and slight fluctuations in speed, with occasional halts and minor setbacks for adjustment and

house-cleaning, characterise the U.S. way of economic progress.

Also, powerful new forces on the American business scene tend to reduce the danger of the so-called business cycle. Among these are the growth of new industries such as plastics, airlines, electronics, and air conditioning; long-term planning by top management, which makes business spending less sensitive to short-run changes in the economy; and the new trend in wage contracts, which run several years and call for a wage increase each year.

Decentralised Planning

The difference between the economic system of a country like Soviet Russia and the United States is not that one is a planned economy and the other planless, but rather in different methods of planning: strictly centralised planning by the Central Government, on the one hand, and widely decentralised planning, on the other.

The U.S. economy is too big, too diversified and too dynamic to be planned and controlled by a central authority.

The basic decisions confronting every society are what goods and services to produce, how they should be produced, and how they should be distributed. In the United States, production rests on the independent (but interdependent) actions of many enterprisers.

These actions are co-ordinated through the pricing process, based on the profit principle, and operating through free markets.

To yield a profit and expand its operations, each business concern must carefully plan its production and investments, according to changing demands of consumers, technological progress, fluctuation in prices of raw materials, labour costs, competition of similar products, anticipated changes in production cost and so on. Large investments by private concerns are usually preceded by years of research and planning.

In the United States, people invest in productive enterprises so long as the return is adequate. Competition generally determines the quality and the price of goods and services. Consumers influence prices by their willingness or refusal to buy. The amount produced adjusts to the market demand. In a sense, consumers "vote" for what they want by their ways of spending their income.

The U.S. Government takes an active part in the co-ordination of individual plans through tax, debt management and credit policies. It has set up regulatory commissions which administer certain regulations over key industries engaged in interstate and foreign commerce. It provides price supports for farm crops and subsidises certain other economic activities like road building. It also exercises indirect control over business by prosecuting monopolistic and unfair business practices, by establishing minimum wages, and so on.

The policy of the U.S. Government today is to avoid operations in which it would enter into competition with private concerns, but this does not exclude large-scale public investments such as the building of highways and multi-purpose power dams, low-cost housing, and so on.

Employment Act of 1946

Furthermore, it is now the announced policy of the Federal Government—and has been since the passage of the Employment Act in 1946—to use its capacity to moderate economic

CONSULTING ENGINEERS

to the

Iron & Steel

and

Allied Industries...

SERVICES OFFERED

Surveys & Reports

on raw materials, markets and distribution, selection of plant site, manufacturing processes, general plant layout, and estimates of capital and operating costs.

Engineering & Design

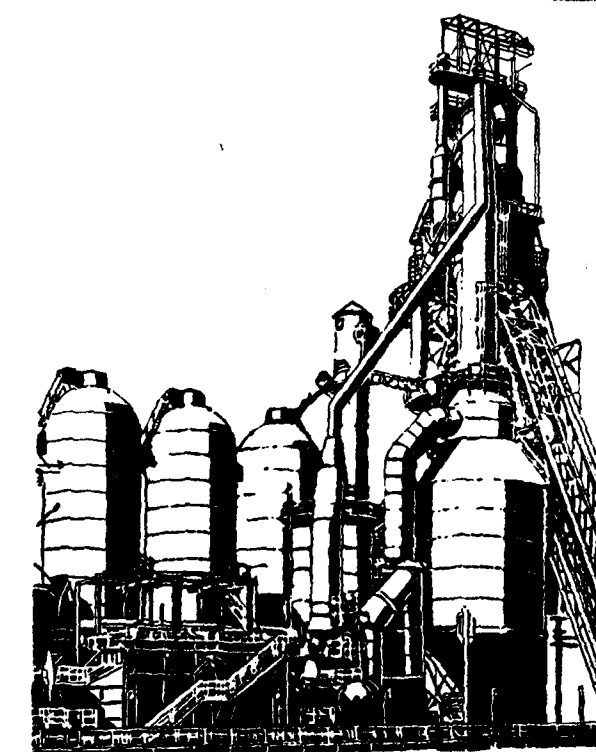
of complete plants, including detailed layout and construction drawings and specifications for structures materials and equipment.

Construction & Operation

supervision of construction and organisation of key personnel for the operation of the plant.

Modernisation & Expansion

of existing plants and facilities.



M. N. DASTUR & CO. PRIVATE LTD.

Faraday House
P-17 Mission Row Extension
Calcutta-13

Telegram: Dastureng Telephones: 23-3241, 23-3242, 23-3243

fluctuations. The Act declared it to be the continuing policy and responsibility of the Federal Government to promote maximum employment, production, and purchasing power by all means consistent with its other obligations and in a manner calculated to foster free competitive enterprise and the general welfare.

Under this Act, the Council of Economic Advisers is constantly reviewing the economy in company with an advisory board on economic growth and stability and with the Joint Congressional Economic Committee.

Although there is no master plan or blueprint for the American economy, myriads of other plans are constantly being drawn up and followed by governmental agencies private enterprises, and individuals.

This decentralised planning, combined with widely distributed responsibilities, and incentives, has proved to be highly satisfactory.

Capital Formation

The ratio of investments to Gross National Product has fluctuated between 12 and 15 per cent, in recent years. Investments include new construction, producers' durable equipment and changes in business inventories in all stages of production. The whole system of investment is extremely flexible. The distribution by industry varies widely from year to year. Totals for recent years are as follows:

Gross Investments in the U.S.

(In thousand millions of dollars)

	1953	1954	1955
Total private domestic investment	51.4	47.2	50.3
From:			
Retained earnings of business	34.4	36.8	40.7
Other sources	17.0	10.5	19.6
Savings of individuals	19.8	18.3	17.1

Corporate capital (roughly \$650,000 million in total assets in 1951, probably close to \$750,000 million in 1957) is widely distributed. At the end of 1956, more than 10 million shareholders held stock in publicly owned and private corporations.

There is no public control over the rate of savings by individuals or the amount of earnings retained by business for reinvestment or over the direction of investments. Savings by individuals are encouraged by issue of special savings bonds, insurance of bank deposits up to \$10,000 and, to some extent, by the Federal Government's old-age pension programme.

Reinvested earnings of corporations are not exempt from the corporation tax, which is levied on all profits whether distributed to stockholders or retained. But reinvestment of a part of a corporation's profits is encouraged by the tax allowance it receives for amortising invested capital.

Ultimately, the rate of capital formation and direction of investment are determined by the outlook for business, cost of production prices and so on. The Government tries to facilitate planning of investments by business men by supplying them with detailed statistics, not only on the flow of production and sales but also on changes in inventories, unfilled orders, consumers' intentions of buying, and investment plans of corporations.

In addition, the Board of Governors of the Federal Reserve (Bank) System has the power to ease or tighten the flow of credit to business and consumers, to stimulate or retard investment by business and spending by consumers.

A question often asked is about the share of the public sector in the American economy. Taxes collected by Federal, State and Local Governments now total approximately 29 per cent. of Gross National Income.

In 1956, total tax collections amounted to more than \$100,000 million, as compared with a Gross National Income of \$343,600 million and a Gross National Product (G.N.P.) of \$414,400 million.

With contributions to social insurance, workmen's compensation, and pension and welfare funds, the part of G.N.P. diverted to the public sector is close to 30 per cent. In a narrower sense, Government direct expenditures on goods and services amounted to about 19 per cent. of G.N.P., or \$79,800 million, in 1956.

The rate was about 5 per cent, before World War I, 8 per cent, in 1929, 13 per cent, in 1935, 14 per cent, in 1940, reached nearly 50 per cent, in 1944-45 during World War II, sank to 15 per cent, in 1950, and has increased to the current level under the pressure of rising expenditures for national security.

This rate will decline, if and when a relaxation of international tension permits reduction in armaments. There has been a general upward trend, however, in the share of the public sector in the G.N.P., as a result of the expanding responsibility of Government—Federal, State and Local—for the welfare of the people—a phenomenon common to the U.S. and other free countries.

Role of Small Business

Contrary to popular belief abroad, the United States is not a nation of "big business." While it is true that America's large corporations are strong, dynamic, and world-famous for their production and distribution techniques, the fact is that these large concerns are relatively few in number, since more than 95 per cent, of all the business establishments in the U.S. are small.

There are today more than 4,000,000 of these small companies, and the U.S. Government is vitally interested in seeing to it that small business remains strong and healthy. Small business has always been the backbone of the American free enterprise system, since it keeps open the door of opportunity for people of vision and courage, people who want to go into business for themselves.

In recent years, the U.S. Government has set up specific programmes in its various departments and agencies to assist small business. The most significant action taken in recent years for helping small business was the establishment by Congress, upon recommendation by President Eisenhower, of the Small Business Administration (S.B.A.) in 1953. This is the first comprehensive peace-time agency devoted wholly to small-business problems and is an independent agency under the general direction and supervision of the President.

Besides the S.B.A., numerous other committees, departments and agencies are concerned with problems of small business and are actively helping small businesses in many ways. These include the various committees of Congress, the Departments of Commerce, Labour, Justice, Defence, and Treasury, and such independent federal agencies as the Housing and Home Finance Agency, the Securities and Exchange Commission, and the Federal Trade Commission.

The Small Business Administration has four principal types of assistance available to small firms:

1. Counselling with credit problems and helping them to obtain adequate financing at reasonable rates;
2. Providing them advice and assistance in solving management and production problems;
3. Providing financial assistance at low interest rates to owners of homes and businesses damaged by tornadoes, floods,

and other natural catastrophes; and

4. Helping small concerns to get a large share of the Government's purchases of goods and services.

Accent on Competition

Competition is the driving force in the American economic system. Business men continually vie with each other to produce better and cheaper goods and services that will coax people to buy.

Year after year, American companies, large and small, engage in a constant race to offer newer, constantly improving, more saleable goods. The list of such goods is long and varied. Each year, for instance, brings new model automobiles—bigger, faster, safer, easier riding, more colourful than those of the previous year. As a result, there are some 55 million automobiles running on American highways today. Again, there are television sets, more than 40 million, with bigger screens and sharper pictures at lower prices; farm implements that perform more agricultural tasks more quickly and cheaply; clothing made of fabrics that wear longer, look better, and need less pressing.

Many observers note the direct link between the economic force of competition and the continual search for improved products to please the consumer.

Constituting only less than 7 per cent. of the world's population and occupying 6.3 per cent. of the land area of the world, the American economic system produces over two-fifths of all goods and services in the world, and between half and three-fifths of all manufactured goods.

The Power of Labour

The growth in the power of labour in the past three decades constitutes another important factor in the American economy, and has made a significant contribution to its strength. Today some 18 million workers are members of labour unions, a 500 per cent. rise since 1930. The increase in the labour force itself, from 38.7 million in 1933 to more than 66 million today, has contributed materially to the growth of unionised labour's power.

The increased power of labour unions, coupled with the increased efficiency of new labour-saving devices, has enabled labour to press for continuous wage increases and fringe benefits. In the years following World War II, organised labour used rising living costs as a basis for demand for wage increases. But, in recent years, many unions have demanded and obtained higher wage rates based on increased productivity and on the ability of the employer to pay. Organised labour also has succeeded in obtaining for its members fringe benefits in increasing amounts, including hospitalisation and pensions, and more recently so-called supplementary compensation benefits for periods of unemployment.

Until 1955, the Federal minimum wage was 75 cents per hour. In that year, it was raised to \$1 an hour. However, the average hourly wage of all factory workers has been slightly more than \$2 for the past many months.

Today, the national income is being shared more evenly than it used to be. Early in the century only one in every 10 American families had an income of \$4,000 or more yearly. Today, half of all U.S. families have incomes of \$4,000 or more. And because American income-taxes are based on ability to pay, the proportion of income left after taxes is larger for lower-income groups than for the higher-income groups. The Federal personal income-tax rate

ranges from 20 per cent. on \$2,000 of taxable annual income to a maximum of 91 per cent. on taxable income of \$200,000 or more. All corporations, having annual taxable income in excess of \$25,000, pay taxes at the rate of 52 per cent.

This progressive income-tax system has reduced the share of the rich (top 5 per cent. of the population) in total disposable income, which declined from 26.1 per cent, in 1929 to 17.9 per cent, in 1948.

Role of Foreign Trade

The United States is vitally interested in exchanging goods with other countries, and is, in fact, the foremost importer and exporter in international trade. This is mainly because it does not produce or is short of a number of important foodstuffs and raw materials—coffee, cocoa, sugar, some fruits, wood, pulp, iron ore, non-ferrous metals and some chemicals. As time goes on, its dependence on imports is likely to increase. The search for new sources of raw materials has, to a large extent, determined the direction of U.S. foreign investments.

However, foreign markets as outlets for domestic products and capital investment are of secondary importance for the United States, except perhaps for agricultural commodities and a few other products. This is because 96 per cent. of the total output in goods and services (gross national product) is consumed at home, and exports have amounted only to four per cent. This export ratio is among the lowest in the world, and compares with 20 to 30 per cent. for most West European countries. Even India and Ethiopia have a higher export rate than the United States.

The United States has very little incentive for capturing foreign markets, first, because its own domestic market is tremendous and, secondly, because its capacity to absorb imported merchandise is limited. As a result, post-war U.S. loans to foreign countries have been in the form of aid rather than commercial investment. American loans and grants to other countries, since the end of World War II, have totalled more than \$50,000 million, including more than \$1,000 million to India.

Among the powerful stimulants to the American economy is the tremendous outpouring of new products, new machines and new equipment which research laboratories are spawning. Americans now are spending well over \$5,000 million a year for research and product development of all kinds, or more than 50 times as much as was spent in the 1920's.

Thus, American business, while carrying out its task for the present market, is steadily planning for and anticipating the future.

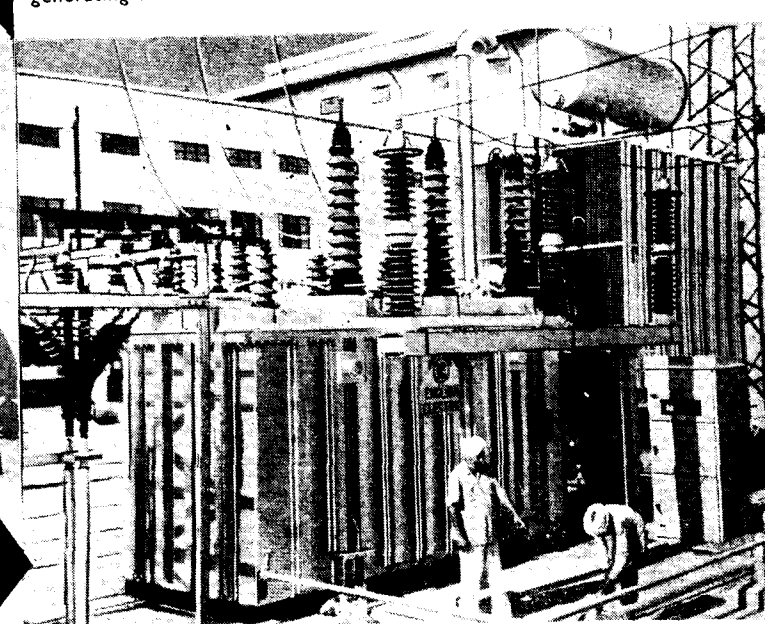
The development of automation is going to have a profound impact upon the future society and economy. It harbours many potential risks for America's working population. However, with the co-operation of business, labour, Government and science, ways and means will be found to make the process of adjustment as smooth as possible through retraining workers, social security and other devices.

Americans believe that systems, economic or other, should be judged on the basis of results evaluated in terms of final goals and aspirations. The goals are clear, as proclaimed in the Declaration of Independence. They are: "Life, Liberty and the Pursuit of Happiness." Americans are satisfied that their own brand of free, competitive enterprise, with all its many defects, has given good results. And there is no evidence in past and present experiences that a different system would give better results.—All Rights Reserved.



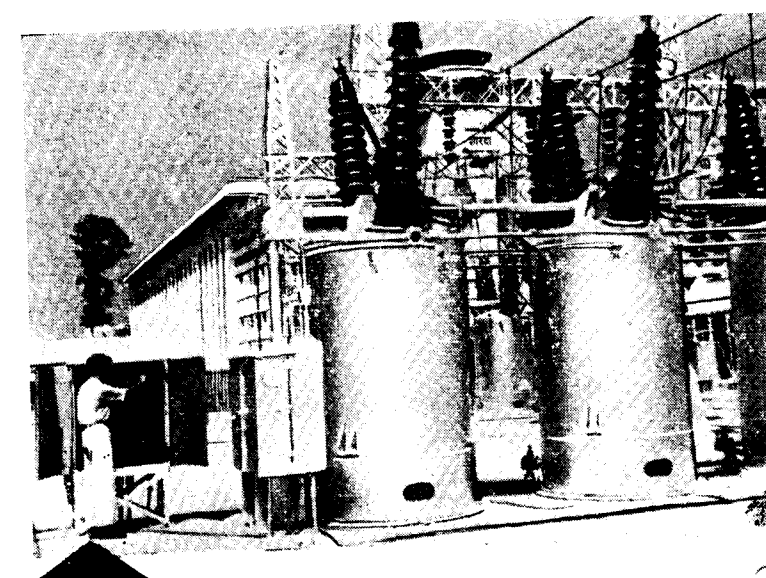
'English Electric' 38,000 KVA Transformers installed at the Delhi Grid Sub-station distributing BHAKRA NANGAL POWER to Delhi.

For the Hirakud Dam Project in Orissa two 37,500 KVA generating units are being supplied by the Company. Alongside is shown one of the generating units.



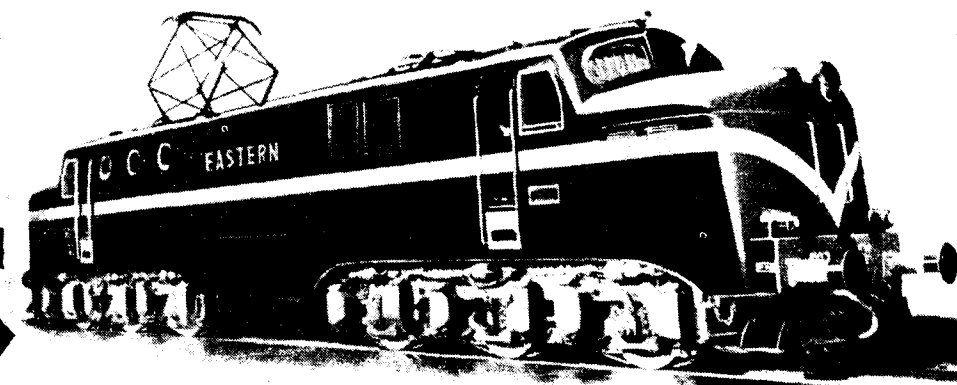
'ENGLISH ELECTRIC'

TAKES PART IN INDIA'S DEVELOPMENT



The Sarda Power House has an installed capacity of 41,400 KW and is the largest hydro-electric station in Uttar Pradesh. The English Electric Company supplied, erected and commissioned all the plant for this Power House. Above is shown one of six 'English Electric' 132 kV Oil Circuit Breakers installed at this site.

One of the twelve 3,120 H.P. electric locomotives built by 'English Electric' for the Eastern Railway, India.



THE ENGLISH ELECTRIC COMPANY LIMITED

(Incorporated in England. Liability of Members Limited)

Partners in Progress with Vulcan Foundry, Robert Stephenson & Hawthorne, Napier's and Marconi's
Members of the English Electric Group.

NEW DELHI CALCUTTA BOMBAY MADRAS LUCKNOW

Manufacturers of the famous CANBERRA Jet Bombers

ECONOMIC TRENDS IN THE U.S.

Soviet Threats Halt Recession

(By Our Special Correspondent)

NEW YORK, 15th December

AN erratic business climate prevails as the United States is entering the New Year. Despite soft spots, most statistical indices remain at a high plateau. There is every reason for optimism so far as the ensuing year is concerned, if figures and rational opinion are analysed.

Emotion, however, is just as much part of human nature as reasoning and sometimes emotion supersedes rationale. This was illustrated vividly last year and again by the Sputniks and by President Eisenhower's mild stroke this year which resulted in panicky reaction in the U.S. There was no reason to assume that the Sputniks meant immediate atomic war, or that the death of the Chief Executive could possibly change the destiny of the 170 million people in this country.

Unfortunately, public reaction is often measured by such obvious yardsticks as newspaper editorials and the Stock Exchange. The printed word may be dramatic and a severe sell-off of stocks may be ominous, but they do not always reflect public opinion. This was proved again last November. Shortly before the closing at the New York Stock Exchange, President Eisenhower's indisposition was finally made public by the White House. In the remaining few minutes of trading, floor traders liquidated their positions in the expectation there would be large-scale public selling the following day. The reverse was true. Private and institutional investors bought heavily instead. Thus, it is almost impossible to predict public reaction and one must always be prepared to cope with both the rational and irrational approach.

Election Year

Even under circumstances of greater tranquillity than are in evidence now, Congressional election years in the U.S. are always fraught with uncertainty. The year 1958 is, therefore, likely to be an erratic one. As things look now, the Republicans may command a better majority. Mr. Richard Nixon, the present Vice-President, who is a Republican, has grown steadily in stature through the series of illnesses of President Eisenhower.

Mr. Nixon has been given far greater responsibility than Vice-Presidents of the U.S. have carried heretofore. Their normal functions in the past were merely to preside over the Senate, appear at public functions as stand-in for the President. While being members of the Cabinet, they were hardly considered major policy-making factors.

All this has changed. Over a period of time, Mr. Nixon has emerged as a real Vice-President. On many occasions here and abroad, he has been the acting head of State and as such he has made very few mistakes. His success has, naturally, generated some antagonism within the Republican Party, but there is nothing that succeeds like success. Moreover, Mr. Nixon has an open approach to life, and to his fellow men which is characteristic of California and the Far West of the U.S. He has worked hard and nobody can accuse him of any shady connections. There are no whisperings about his private life either.

Thus, Mr. Nixon might well bear watching abroad, as the star of President Eisenhower is setting, as a public figure. Mr. Eisenhower's achievements as a general are history, but it remains to be seen how future historians will appraise his role as President. His genuine character and sincerity, his devotion to duty cannot be denied by anybody, but his wisdom and leadership as a politician were questioned for some time.

Dollar Stabilised

The two great issues which beset the U.S. are national security, security of the Western world and how to achieve that without ruinous inflation. The Eisenhower Administration, befitting the thinking of a professional soldier, has preached security and has taken measures which they thought would promote that end. It was overtaken by the Sputniks and the policies, earnestly conceived, became questionable. The Eisenhower Administration also engaged in a successful programme to conserve the purchasing power of the U.S. dollar. It achieved a degree of stability with a reform in fiscal matters.

In the economic field, too, the wisdom of the Administration is being questioned. Keeping the brakes on inflation, naturally, produced some setbacks. Overtime was eliminated in many industries. The over-zealous activity of the last 20 years was reduced to normal. An atmosphere of caution was generated in order to create stability.

The question which is being asked now by thoughtful people is "Has all this been for naught?" Is the U.S. now, by force of circumstance, being plunged into a new inflationary spiral because of a hysterical fear of Russian superiority? Will the craving for national and Western security be tempered with sufficient wisdom so that extremes may be avoided? The chances are that this will be the case. It is a question of degree.

Debt Limit

As this annual review appears in print, the Congress of the U.S. is reconvening. By the end of January it should be quite evident what the temper of the lawmakers is. There is no question but that the Administration will ask for the enactment of a higher national debt limit. In the last two months of the year, the Treasury has had considerable difficulty in staying within the prescribed limit of \$275,000 million. The fiscal managers resorted to financing through various Government agencies whose securities have equal standing with the Treasury, but their issues, technically are not considered a direct obligation of the national Government and, therefore, they are not subject for consideration under the debt limit.

On balance, the clamour for spending in order to overcome Soviet superiority will probably be as great as the voices suggesting caution to avoid excessive inflation. These are the two great issues which will no doubt carry over into the election campaign.

The integration issue is another knotty problem. Most commentators believe the use of Federal troops, as ordered by President Eisenhower in 1957, will lose many votes for the Republicans. I was at Little Rock in November. It was

the centre of most disturbances over the attendance of several Negro children in a formerly white school. Most of the Federal troops have been withdrawn, but bitterness is still great.

Much will depend, of course, on the attitude of the Democratic Presidential candidate. The Democratic Party is split wide open on this issue. Perhaps, Mr. Stevenson could heal the rift, but it will not be easy. The Republican Party is also split open between the Eisenhower Republicans who have to depend on the Democrats for legislative support and the old guard followers of the late Senator Taft. Their outstanding proponent is Senator Knowland of California who will seek to be elected Governor of that State next November, while the present Governor Knight will probably run for Knowland's senatorial seat. Such are the vicissitudes of American politics as they will unfold in 1958.

No Depression

All this will have a profound influence on the economy. One thing is certain. No U.S. Government of whatever political hue can afford to bring on by its policies a social upheaval such as a depression. At such threats, the stability of the dollar is reduced to just a pious phrase and nothing matters but maintenance of productivity. In this respect, Soviet threats have been a great economic stimulus so far as the U.S. economy is concerned. They will prove so again in 1958, wiping out most of the major symptoms of a recession which have been in evidence for some time in some fields.

It is quite astounding that most of the polls among U.S. business men, industrialists and bankers which were made at the turn of the year show continued optimism. It comes under the heading of rationalizing. Even in areas where cutbacks occurred, the slack has been taken up by public works programmes. These latter are based on long-range planning and they are far from completion.

There is much to catch up with in the way of new schools, roads, airports and other facilities, in view of the constantly expanding population and of the long interruption of building caused by the war.

Consumer spending remains high. It is estimated that the 1957 total will probably be \$200,000 million, or \$10,000 million higher than in 1956. This spells confidence by the people as a whole for the future of the U.S. if it does anything at all. The man in the street is really not as much worried, as the editorial writers or the brokers on the Stock Exchange. Life will go on, regardless of what happens.

There is some concern here of further Communist inroads in the Orient. American intelligence outposts report Red gains in Laos, Indonesia as well as in Guatemala. Laos has taken two Communists into its Government which was part of the Prime Minister's deal with his Communist half-brother to end guerrilla fighting. Hundreds of Red soldiers are expected to join the country's U.S.-financed army. Guatemala's crucial time is the first month of 1958 when elections will be held. Many Communists have filtered back into the country and are stirring up trouble. Indonesian

Communists, according to reports to the U.S., are gaining strength in the villages.

In the pre-Sputnik era this would have caused some eye-brow raising, but in the post-Sputnik time it expressed itself in demand for higher Government spending. Some military technologists insist that they need \$3,000 to \$10,000 million more for their projects over the next few years. This would mean, all other factors being equal, that military expenditures might reach \$45,000 million by 1960. The present Budget, as a whole, is \$72,000 million and present military spending is about \$38,000 million, or more than one half of the total.

Hard Facts

As much as this may be lamented by the pure economists, these are the hard facts. While there is naturally waste in all such operations, the other side of the story is that estimates place the initial capital outlay for a single wing of an inter-continental ballistic missile at \$1,000 million. This includes, among other things, research, engineering and manufacture.

Business inventory and expansion plans will no doubt be influenced by these facts. As a by-product of Government-sponsored engineering in all fields, industry is apt to benefit by greater productivity but at a greater cost owing to more complicated machinery. The accumulation of inventories in recent months has been negligible and in some fields more reductions are expected before the pick-up starts again. This is particularly true of the durable goods industries where there was notable overproduction. The reverse is true in soft goods, but total figures are more influenced by the heavy categories, such as steel and automobiles where sales have been lagging.

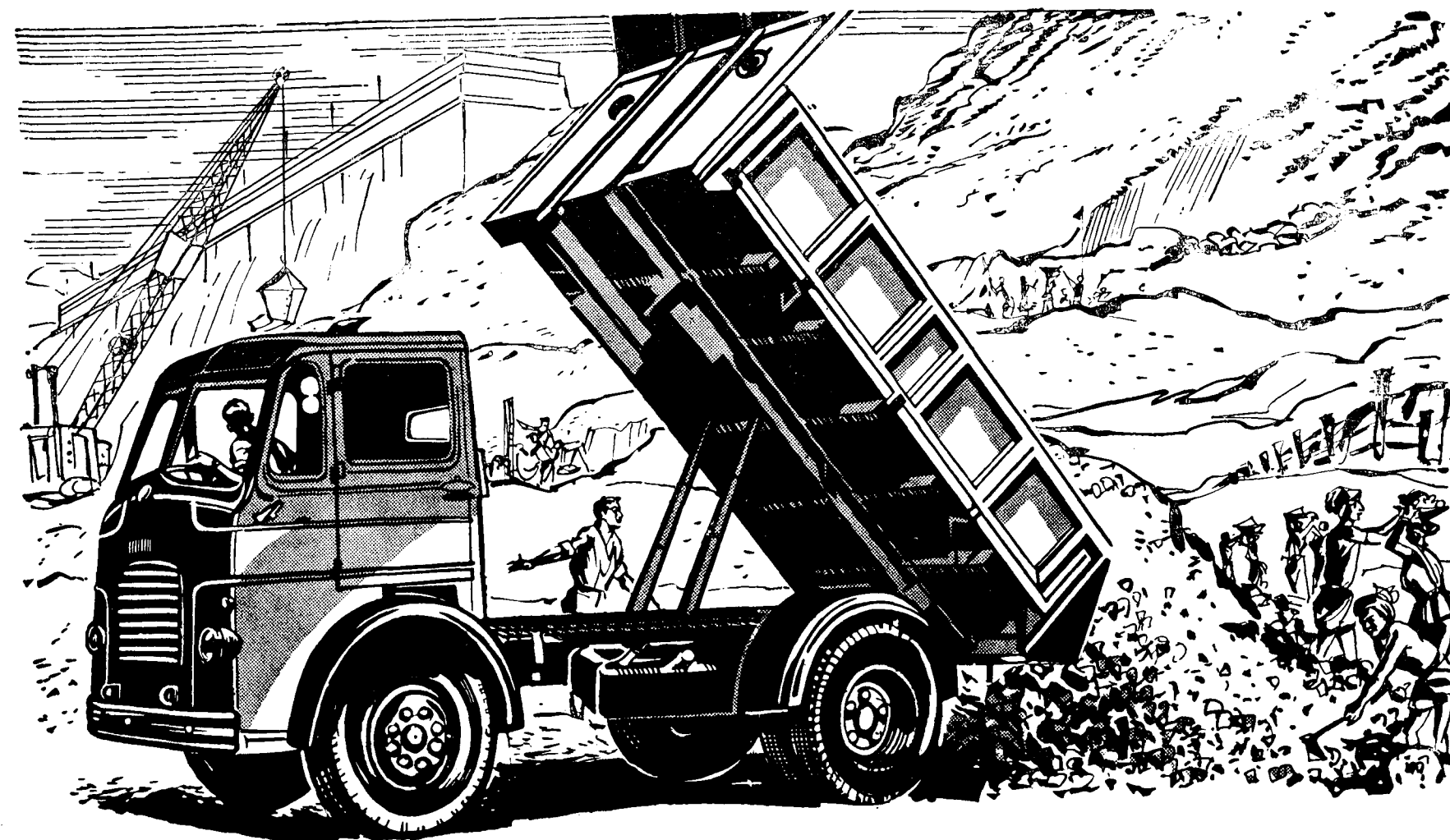
In the U.S. money market, there is conflict between those who want to avert inflation and those who are fearful that the fractional recession might get worse. The latter group will no doubt have the upper hand, particularly in view of the large spending required for the arms effort. Thus, easier money rates may be expected.

Capital Outlays

One big question is that of capital outlays. Various surveys would seem to indicate that, on balance, there will not be much change from 1957. Manufacturing organisations will probably spend less, railroad and communication industries are planning cutbacks, but aircraft and trucking firms will be expanding. Office building has levelled off, owing to a squeeze on mortgage funds. Capital outlays by farmers are expected to increase, on the other hand. In the entire economy, about \$50,000 million were spent for all these purposes in 1957. The corresponding figure for 1958 is now projected at about \$49,000 million, subject to adjustment later.

Most of the companies which cut-back on their original plans would have had to borrow substantially. Decisions for postponement were based on two prime considerations, higher interest rates during most of 1957 and uncertain future market conditions. Coupled with these two factors were higher costs and fractionally declining profits.

The final determining factor for economic conditions in the U.S. will be the status of the world markets and the big question mark is whether or not East-West tensions will rise to new highs or subside. This cannot be predicted at this time, but, barring wholly unforeseen events, there is little reason to believe 1958 will not turn out to be a good year.—All Rights Reserved.

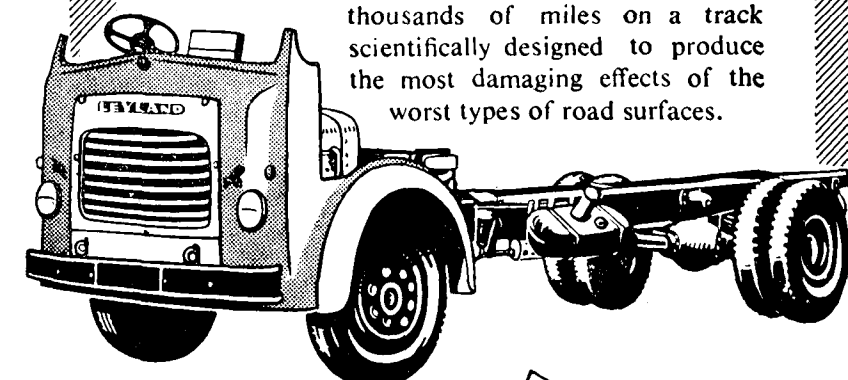


Wherever there's heavy duty work to be done
use **LEYLAND Comets**
for **SPEED and ECONOMY**

A Leyland Comet can carry in two trips what others do in three or more

EVERY project in the private sector or the public must be completed in record time to get maximum value out of investment. The Leyland Comet with its large body space and 7½ ton payload capacity, helps you transport more goods more frequently with maximum efficiency. The fast, powerful, Leyland Comet trucks, tippers and tractors, have proved their reliability and exceptional fuel economy in well over 50 countries.

The design of the Leyland Comet Chassis is the outcome of experience of operating conditions in most countries of the world on roads good and bad and on worse cart-tracks. Additionally, the Comet has behind it the design features developed from extensive testing over all sections of the Motor Industry Research Association's proving ground in Britain. The Comet stood these tests over thousands of miles on a track scientifically designed to produce the most damaging effects of the worst types of road surfaces.



Leyland 'COMET'
The only 7½ ton payload chassis made in India

MAIN DEALERS:

For Jammu & Kashmir:
Jay Kay Automobiles
Residency Road, SRINAGAR (Kashmir)

For Uttar Pradesh:
Dharam Singh Ram Singh
(Motors) Private Limited
25 Bhopal House, Lal Bagh, LUCKNOW

For Bombay State & Andhra Pradesh:
Automotive Manufacturers
Private Limited
108 Bazaar Ward, Kurla, BOMBAY 37

For Madras & Mysore: **George Oakes Private Limited**, 36 D, Mount Road, MADRAS 2

For Delhi, Himachal Pradesh, Punjab & Rajasthan:
Globe Motors Private Limited
Saraladam, 1/2 Jhandewala, NEW DELHI

For West Bengal, Bihar & Assam:
Associated Indian Enterprises
(Private) Limited
206 Lower Circular Road, CALCUTTA 17

For Madhya Pradesh & Orissa:
C. Eduljee & Company
Kamptee Road, NAGPUR



Ashok Leyland
LIMITED

Ennore

Madras

INDIA, LANCASHIRE AND THE TEXTILE WORLD

By C. HENNIKER-HEATON

DIRECTOR, FEDERATION OF MASTER COTTON SPINNERS' ASSOCIATIONS LTD.

[The views expressed are personal and do not necessarily represent the opinions of the Federation.]

INDIA is now a world power in textiles and is approaching a stage in its development through which other great textile powers such as England and Japan passed long ago. There is, however, one very big difference. As England and Japan successively reached their zenith, there were large areas of the world and mighty populations which could not supply their own needs in textiles or which could not meet those requirements at mass-produced factory price levels.

Before the time when India reaches her peak, this will no longer be true: today, already, there are few countries which do not have either their own cotton industry or very close political ties with existing suppliers. Governments in general regard a cotton industry as basic to their national economy, because of its importance in peace and war. No other instance comes to mind of a country which has opened its gate so widely to duty-free imports as has the United Kingdom and with the rivalry between Hong Kong, India and Pakistan, the market here is not unlimited.

If, therefore, India is to be a big expanding and long-term exporter, she must be able to count on free or low tariff access to big markets, on supplies of raw material for her mills at favourable prices and on sheer competitive efficiency. How far will any or all of these conditions apply, say, 20 years hence?

Outlook

Despite all the efforts made under the G.A.T.T., it does not seem likely that textile goods will move much more freely about the world as a whole. The U.S.A. has shown itself very sensitive to textile imports and has increased tariffs or come to voluntary agreements when threatened. The European Economic Community has made it clear that it regards harmonisation of social conditions to be a prerequisite for completely free trading. The Communist bloc believes in a managed economy and will certainly not allow its internal markets to be disturbed. The underdeveloped countries, through much trial and error, are nearly all building up their own textile industries under close protection. The most recent example is that of Sudan which now draws a large part of its internal requirements in cotton goods from India, but which is determined to fend for itself as soon as possible with its own spinning and weaving mills using the cheaper variety of cotton grown in its own territory.

How long also can India rely on being able to supply cotton to its own mills at below the world price through restrictions on exports? The American crop forecasts will fight on India's side for the present, but world raw cotton prices are still too high in the context of other prices and they will inevitably come down at a time when India's cost of raw cotton growing is still rising.

Can India compete in world markets on the base of sheer productive efficiency and comparatively low wages? Some of us who have had the good fortune to see them have been greatly impressed by the efficiency of India's most modern mills and the overall average may be improved, but she has also some disadvantages not easily overcome. It is far from easy for her to make the most productive use of labour, the employment of women is subject to the strictest limitations, the cost of social services is high in relation to the general standard of living and

there is the burden of assistance to the hand-spinning and handloom section of the industry to be borne. It is hard to believe that India can become competitive to the extent that Japan has become competitive, that is, to be able to overcome tariff barriers and the cost of long transport hauls, high interest on capital, etc. Even Japan has frequently had to resort to subsidies, which are economically unsound.

The subsidisation of exports may have sometimes been necessary to a country such as Japan which has relied far too much on one industry for its foreign exchange and which now is seeking greater diversification, but it is bad economics and only invites competition on the same lines. It will be a bad day for India and for the standard of living of her people, if she has to rely on subsidised textile exports.

A Truism

It is an unfortunate truism that the industrial success of a country—and the U.K. wishes wholeheartedly for India's success both because of past ties and because of future business prospects—may contain for some of its first developed industries the germ of destruction or at least of limitation. As the standard of living in a country increases with successful industrialisation, the costs of production may tend to increase in labour-intensive industries or, as they become less labour-intensive owing to improved mechanisation,

the original advantage of cheaper labour tends to become less important.

The cost difference between them and their competitors narrows or may even disappear. England has already gone through this stage. Japan might have done so, if it had not been for the great increase in its population and its particular social framework which provides a source of disciplined and inexpensive young labour. Nevertheless, the gap between Japanese costs and European costs is much smaller than before the last war and in the next 20 years will become still smaller.

Future Pattern

Thus, the pattern of future world trade in cotton textiles inevitably emerges. International exchanges in yarn and in grey cloth will continue to decrease in terms of a percentage of total production, however much this process may be camouflaged by overall increases in demand. Twenty or 30 years hence such business will almost have disappeared because the margins will be so cut that it simply will not be worthwhile. The only way in which healthy home markets can be preserved will be by one country having regard to the desirability of not destroying the home market of another country, lest it in turn be the sufferer.

It is for this reason that the agreement reached between the U.S.A. and Japan—and Mr. Abe of the All-Japan Cotton Spinners' Association

announced at Venice this year that it was freely negotiated—is of particular interest, as are the talks which have taken place in such a friendly atmosphere between Lancashire and Indian leaders.

Does all this mean that there will be little international trade in textiles in the years to come? I think not, but the trade will be of a very different kind from the bulk international trade which we have seen in the last 100 years. There will only be a marginal business in yarns and grey goods, even this being largely of a speciality nature or to meet temporary shortages in one market or another.

The international trade of the future will be in finished materials and in made-up goods, very largely of a fashion or novelty nature. Blending of cotton with new fibres and the latest finishes will greatly add to the variety available. India may rely for exports not on the grey cloth production of automatic looms, but on the ever-green appeal of handwoven materials and on the superlative skill of her designers and colourists. The U.K. may be sending to India super-quality novelty goods to meet the perceptive needs of a discerning clientele with an increasingly high standard of living. Let us hope that some such happy picture may be fulfilled, for it is in accordance not with wishful thinking, but with the natural developments of existing patterns.—All Rights Reserved.

"I know the answer!"

Of course, he does—he knows that the paper for his books is made at the Titaghur Paper Mills.

For 75 years the makers of Elephant Brand papers have supplied fine quality printings and writings for every type of educational publication.

Titaghur paper has brought the benefits of education within the reach of millions, and continues its service to the younger generation.

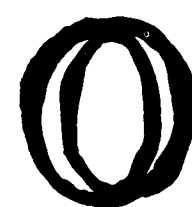


TITAGHUR PAPER



The Titaghur Paper Mills Company Limited, Calcutta-1

TP 1529R

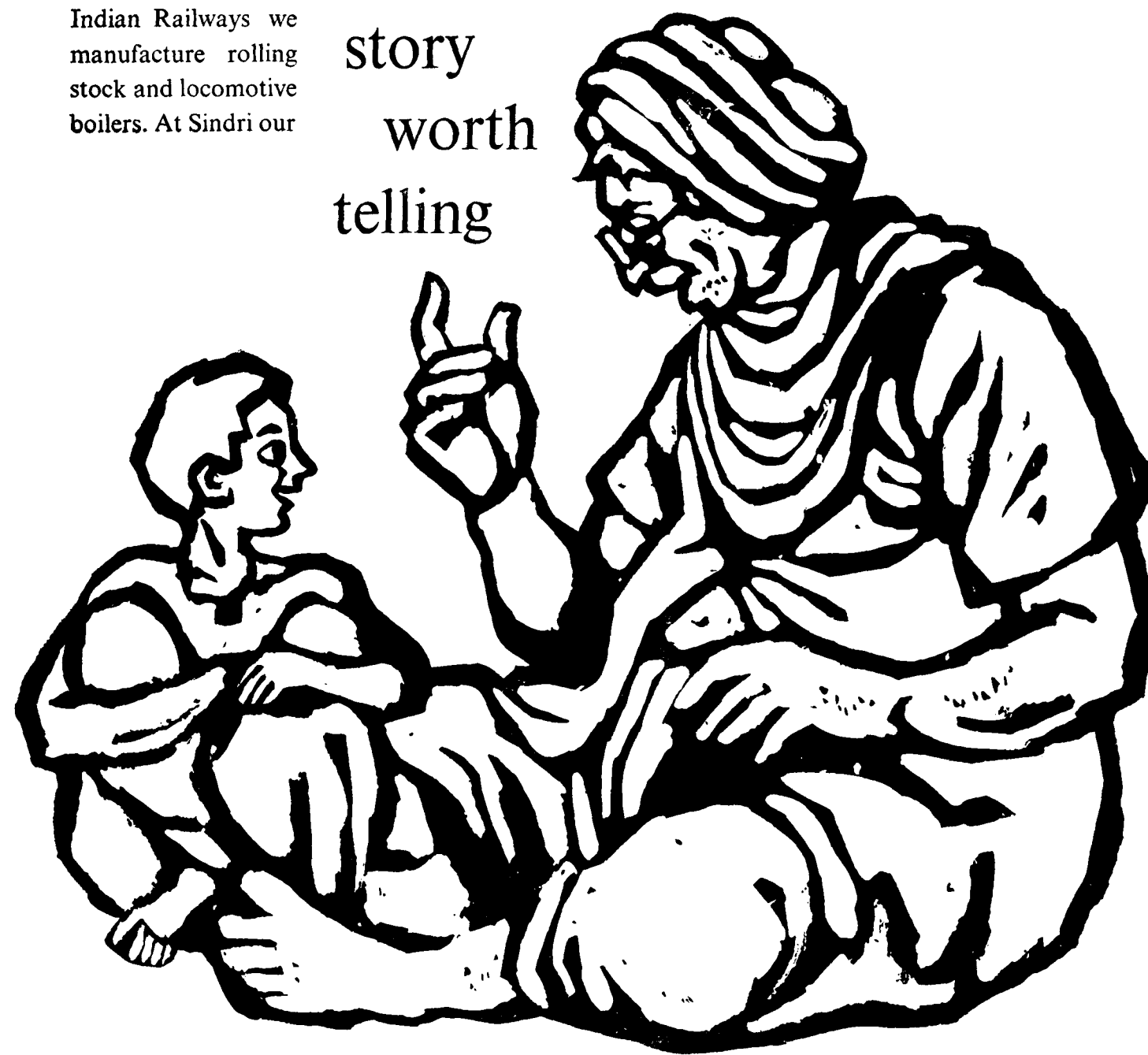


URS is a story worth telling.

It is really a chapter in the story of our country's industrial progress. India's first ring spinning frame rolled off our assembly lines in 1946. We have since added other firsts to our credit—the Lancashire type boiler and the water-tube boiler. Some of the largest sluice gates in India have been erected by us at Rupar.

At Hirakud we have provided giant penstock liners. For the Indian Railways we manufacture rolling stock and locomotive boilers. At Sindri our

a
story
worth
telling



Textile Machinery

Corporation Limited

TXC-20

CLOTHING INDIA'S MILLIONS

Main Problems Facing Cotton Industry

By E. D. SHEPPARD

NEXT to food and shelter, clothing is a prime necessity in any community. Unlike food and housing, however, purchasing habits as applied to clothing have a high degree of elasticity, and this factor needs to be borne in mind fully when considering its consumption. How far can this be done with the prevailing notion that the greatest possible number of people should be employed in the cotton textile industry? Is the rigid thinking of those in authority over this matter conducive to the aim of clothing the millions? After all, will not the general expansion in the economy visualised by the execution of successive Five-year Plans promote sufficient employment opportunities in other sectors to absorb labour displaced by the streamlining of industry?

These reflections lead to a brief review of the cloth production in the country. The number of cotton mills in India is 400 of which 286 are composite mills and 114 spinning mills. The number of spindles in the composite mills is reckoned at 9.5 million and there are 1.9 million in the spinning mills, making a total spindleage of 11.4 million. The looms number a total of 200,000. The production of cloth in cotton mills is 5,300 million yards, and the total of yarn produced is 1,670 million pounds. The mills on their part provide direct employment to 800,000 people and handlooms provide occupations for about two million families. Of the total production of 7,100 million yards of cloth by mills and handlooms, 720 million yards are exported and 6,380 million yards are consumed internally.

Targets

The Cotton Textile Enquiry Committee—known as the Kanungo Committee—assumed that the population of India will go up to 400 million by 1960, and on this basis, allowing for an annual consumption of 18 yards per head, the Committee placed the total internal demand at 7,200 million yards per year. The overall production requirement would then be 8,200 million yards. Production by mill industry, according to the Committee, was to be frozen at the level of 5,000 million yards per annum, the rest of the demand being met by the revived handlooms and power looms. The Planning Commission has fixed a target of 8,400 million yards in all the sectors of the industry.

It would appear that neither the Planning Commission, nor the Kanungo Committee earlier, has fully appreciated the potential demand for cotton textiles in the country by the close of the Second Five-year Plan. When the Plan visualises an increase in the national income by some 25 per cent, during the quinquennium one should also take into consideration the corresponding increase in the consumption outlay of the people who, by and large, live on the margin of subsistence. With the *per capita* consumption of cloth at 16.5 yards per year in 1956, the target of 18.5 yards *per capita* per year by 1960 set by the planners seems quite unrelated to facts. The wiser course would have been to accept the figure of 22.8 yards *per capita* as visualised by the cotton textile industry. On this basis, the target for all the sectors in the textile industry could be placed at 10,000 million yards, out of which the mill sector should be allotted

7,800 million yards, handlooms 2,000 million yards and powerlooms 200 million yards.

With the exception of some 350 million yards for exports out of the cloth produced from new automatic looms and the unallotted quantity of 150 million yards, the entire additional output of 1,700 million yards is earmarked for the handloom and powerloom sectors. On the basis of past performance, it is problematical whether these sectors will be able to fulfil the assignment set for them. To quote the recent booklet* issued by the Bombay Millowners' Association:

"Large sums of money are spent for development of the handlooms and, since February 1953, the mill industry has been paying an additional cess for the purpose. And yet the performance of the handlooms has by no means been impressive. In fact, they have not even attained the target of 1,700 million yards prescribed under the first Plan, the output of handloom fabrics in 1956 being only 1,500 million yards."

This situation indicates that, whatever may be other intangible advantages the country may derive from the expansion of the decentralised sector, there are genuine doubts if the target of 700 million yards of additional output by the handloom industry (with mill yarn) will be achieved. Equally doubtful is the practicability of obtaining the additional production of 560 million yards of cloth from yarn to be made available from Ambar Charkha. Therefore, without in any way belittling the importance of the Kanungo and Karve reports, one could not be accused of scepticism if one doubted the wisdom of the proposition to freeze the output of the mill sector at 5,000 million yards per annum. This hypothesis is contrary to the basic realities of the situation.

On the score of finance alone, there are doubts whether the extra production required could be achieved by the handloom and powerloom industries, quite apart from the difficulty of co-ordinating and organising the output of such a widespread and loosely-knit industry.

The future of the handloom industry depends directly on the extent to which it makes use of the co-operative agency—more than 50 per cent, is said to be outside the co-operative fold—and thereafter it has to think more in terms of loan than of grants and subsidies. In the decentralised field also, as in the mill sector, there is need to rationalise.

Rationalisation

However, in view of its heavier responsibilities both at home and abroad, rationalisation is more urgently needed in the mill industry, if it is to meet the growing needs of the indigenous population and sustain and expand the export market. Otherwise, in the long run there might be an artificially created scarcity of cloth—the present situation when the mills are carrying stocks for the entire trade must be considered a temporary phenomenon—with all the attendant evils that follow in the wake of shortages.

Resistance to modernisation derives from fears of technological unemployment. That these fears are unfounded were the findings of the

*The Indian Cotton Mill Industry.

International Planning Team of the Ford Foundation, which, at the invitation of the Government of India, made a study of opportunities directed towards increasing both industrial production and employment of people engaged in the small-scale industries, in its report submitted to Government as early as in March 1954. The following extracts from the Team's report are very pertinent:

"Modernisation, on the other hand, creates employment. Improvements mean more and better products at lower and lower cost price, and result in greatly expanded demands and markets, and thus expanded job opportunities. Reluctance or failure to appreciate this concept is not only responsible for many of the difficulties observed, but are real obstacles in the way of any organic effort towards improvement. Many of these fears stem from the belief that rationalisation is an overnight process, throwing workers out of job in masses, as machines and labour-saving methods are introduced. On the contrary, rationalising industry, is a relatively slow evolutionary process which takes years and which India should accelerate. In large part, workers displaced by improved methods will be shifted to other jobs created by modernisation process. Any temporary unemployment should be absorbed by setting in motion a challenging public works programme; a capital investment in the human welfare of the people of the nation which should be made. Without modernisation, Indian industries which cling to obsolete equipment are condemned to mediocrity and eventual elimination. Only by adopting efficient methods of production, as soon and as widely as possible, can small and village industry take advantage of the good opportunity it now has to lay a basis for a promising long-term development."

These remarks should apply with equal force to large-scale industry with heavy capital investment. Against these positive approaches, the principle of protection for the less economic handloom industry has continued to predominate.

The vexed question of rationalisation came in for further examination at the fifteenth session of the Indian Labour Conference held in July 1957. In considering the problem, the Sub-Committee of the Conference, which reviewed the problem in detail, whispered a measure of lukewarm approval. In the interest of increased productivity, rationalisation, that is better utilisation of men, machines and management in industrial undertakings, "has assumed importance." Having conceded this, the effect has been considerably whittled down by a number of qualifications. For instance, arrangements are to be made "to ensure that measures of rationalisation which do not serve real economic interest in the present conditions of the country" are to be avoided. In effect, the whole issue has been made unreal by the stricture that, in any process of rationalisation, "there should be no retrenchment or loss of earnings to the existing employees."

Wage Policy

A brief discussion here on wage policy, especially in the context of the Wage Board appointed in respect of the cotton textile industry, would not be out of place.

The income of a mill worker in the City of Bombay during the year 1955 has been assessed at Rs. 112 per month, i.e., Rs. 1,344 a year. Other benefits, like bonus and provident fund, estimated at Rs. 300 a year, bring the total earning of the worker for 12 working months of 26 days to Rs. 157 per month.

The trend in the index of real earnings of factory workers in India has been of the following order:

Year	Index of earnings (1939 = 100)	All-India consumer price index (1939 = 100)	Index of real earnings (1939 = 100)
1939	100	100	100
1946	208.6	285	73.2
1954	381.2	371	102.7

Similar figures for the Bombay cotton mill industry are as follows:

Year	Index of earnings (1939 = 100)	All-India consumer price index (1939 = 100)	Index of real earnings (1939 = 100)
1939	100	100	100
1946	215	236	91
1954	365	342	107
1956	361	333	109

There has also been considerable increase in average wages in the textile industry over the average wage in all other industries. Viewed internationally, the I.L.O. Report on textile wages indicates the following position in respect of average hourly earnings in all textile industries as a percentage of average hourly earnings compared with other industries:

Country	1949 average
India	107.1
U.S.A.	85.3
U.K.	84.7
Canada	81.5
Italy	86.1
Germany	79.0

What of labour productivity in the cotton textile industry? Productivity is a measure of general efficiency in the use of labour and, if one were to relate the ratio of employment to production, the situation revealed in respect of the textile mills in Bombay City is one of wages well ahead of productivity.

Year	Average number of workers employed per day	No. of spindles per worker	No. of looms per worker
1937	109,479	21.21	0.54
1946	126,798	20.7	0.49
1955	111,097	25.0	0.55

It is hoped that these aspects will be fully borne in mind by the Wage Board, so that, in any recommendation it makes, the capacity of the industry to function economically will not be compromised.

Variable Factors

The fortunes of the cotton mill industry are closely interwoven with the price and supply position of the basic raw material, namely, cotton, and the changing pattern of the economy, in general, which will have their repercussions on the industry. These are variable factors.

One point which needs stressing here is the rate of return to the industry. The Labour Appellate Tribunal in its first bonus award fixed the rate of return on paid-up capital at 6 per cent, when the Bank rate was 3 per cent. With the Bank rate moving up to 4 per cent, since, the industry still continues to be subject to an out-of-date formula.

Overshadowing all the problems is the need to modernise the industry and yet the issue is being dealt with unrealistically. All important changes in methods of production make for a certain amount of labour displacement—a process which is inevitable till the balance is readjusted. It is within reason to hope that such adjustment could easily be sustained by the country's economy following the development visualised by the Five-year Plans.



...spells a better future for all!

EXPANSION means new products, new methods, new ways to meet modern needs. Expansion means opportunity — opportunity for our technicians to express their special talents and skills, opportunity for the masses to find employment in new factories and businesses.

NATIONAL CARBON COMPANY is continuing its expansion rapidly and extensively in pace with the general development of the country. Beginning with a small dry battery plant in Calcutta 30 years ago, the Company today has large factories in Calcutta and Madras producing "EVEREADY" batteries for flashlights and radios and technical equipment.

A NEW FACTORY was established in Calcutta recently to cater to India's requirements of zinc strips. And now another modern plant has been completed at Lucknow and is producing the world-famous "EVEREADY" flashlight cases, saving valuable foreign exchange for the country and generating considerable new employment.

ANOTHER STRIDE will soon be taken when manufacture commences at National Carbon's new Chemicals and Plastic plant which is being built at Trombay. Polyethylene, the wonder plastic, and Organic Chemicals will be added to the list of National Carbon products made in India.

NATIONAL CARBON COMPANY (INDIA) LTD.

Products of National Carbon include

"EVEREADY" DRY CELLS & BATTERIES • "EVEREADY" "MINI-MAX" RADIO BATTERIES • "EVEREADY" FLASHLIGHT CASES & BULBS • SYNTHETIC ORGANIC CHEMICALS • "UNION CARBIDE" POLYETHYLENE • ZINC STRIPS • "NATIONAL" CINEMA CARBONS & CARBON BRUSHES • "KARBATE" CHEMICAL EQUIPMENT • "VINYLITE" PVC COMPOUNDS & RESINS.

BANKING EDUCATION IN INDIA

Big Banks Can Do A Lot More For Its Promotion

By M. L. TANNAN, O.B.E., I.E.S. (Retd.)

THERE is plenty of evidence to show that, even prior to the advent of occidental ideas, India was not a stranger to the conception of banking. "Loans and usury were well understood in those days and *Rishis* (who, we should always remember, were worldly men in those days and not hermits or anchorites) occasionally lament their state of indebtedness with simplicity of primitive times" (*Civilisation in Ancient India* by R. C. Dutta, revised edition, Vol. 1, p. 39). Reference is often made to debts contracted at dicing. Allusions are also made to debts contracted without intention of payment. This shows that giving and taking of credit in one form or another must have existed as early as in the Vedic period. The transition from money-lending to banking must have occurred before Manu, who has specially dealt with the subject of deposits and pledges. He says, "A sensible man should deposit his money with a person of good family, of good conduct, well acquainted with the law, veracious, having many relatives wealthy and honourable (Arya)" (*Laws of Manu* by Buhler, *The Sacred Books of the East*, Vol. XXV, p. 286, 1866).

From times immemorial, the banker has been an indispensable pillar of Indian society. The introduction of the division of labour brought in its wake the use of money without which there was a peculiar complexity and trouble in the matter of exchange. Money economy could not in its turn do without the institution of banking for any considerable time. It is, however, to be remembered that banking in those days differed very much from the modern banking, and must have meant largely money-lending, financing kings and their wars, though certain rudiments of modern banking were not unknown to the bankers of those days. There was neither the need nor the scope for the activities of modern joint-stock banks which, besides receiving money on deposit and making loans, perform a large variety of functions unknown to the bankers of those days. Thus, the business remained in the hands of a few rich families and was passed on from one generation to another. There was, therefore, hardly any need for banking education and the training for business was limited to practical training imparted and received by the members of the family in the course of their business.

Modern Banking

Joint-stock banking did not start in India till the last quarter of the eighteenth century, when the Western ways of trade and commerce gained a foothold in this country. With the expansion of trade and industry, requiring accommodation on a large scale which the indigenous bankers were unable to provide, and the development of foreign trade requiring technical knowledge of various matters such as foreign exchange, insurance, etc., joint-stock banks had to supplement the banking facilities provided by the indigenous bankers. The services of modern banks go much ahead of what could be expected from the indigenous bankers and, consequently, the need for joint-stock banking was felt.

In the earlier stages, joint-stock banks were started by the British Agency Houses in Calcutta, engaged mainly in the foreign trade of the country. This accounts for the fact

that the foreign exchange business had till recently been the monopoly of the Exchange banks, working in India. Although these banks were able to attract deposits even from Indians at very favourable rates, they did not extend their activities, beyond port towns and a few large centres of trade, to even comparatively large cities in the interior, possibly owing to the fact that, as they wanted to employ their own countrymen for important appointments, they did not think it profitable to open branches at such places.

It was not till about the beginning of this century that Joint-stock banks came to be started with Indian capital and under Indian management largely as a result of the *swadeshi* movement. The Bank of India was started in the year 1906 and was followed by the Central Bank of India Ltd., in the year 1911 with the late Sir Sorabji Pochkhana-wala as its General Manager. It is believed that the Central Bank of India came into existence as Mr. Pochkhana-wala, who was first employed in an Exchange bank and later in the Bank of India Ltd., realised that there was not much scope for Indian employees in the said banks, to be entrusted with work of responsible nature. Even in the case of banks started with Indian capital and Indian directors, services of British personnel for higher appointments had to be engaged for want of trained Indians competent enough to occupy positions such as those of managers and accountants. For instance, the first General Manager of the Bank of India Ltd. was Mr. H. P. Stringfellow, who was succeeded by a number of Britishers, until a few months ago when its present General Manager, Mr. T. R. Lalvani, an old student of the Sydenham College of Commerce and Economics, Bombay, was appointed to the post.

Neglected in Early Days

For many long years, Indians were employed more or less for clerical work, as banking or even commercial education found no place in the educational system of this country, largely due to the fact that even in England, commercial education did not receive much attention. Older British universities did not think it worth their while to give any place in their curriculum to higher commercial education. It was only in the first decade of this century that the new universities such as the University of Birmingham, the University of Manchester, the University of Liverpool and the University of Leeds instituted the degrees of Commerce and the London University followed in their footsteps many years later. In India, it was the late Mr. K. S. Iyer, a pioneer of secondary commercial education in Madras, who came over to Bombay and began to interest people of this city in the cause of this branch of studies. After working hard, he was successful in getting the University of Bombay to institute the B.Com. degree in the year 1912 and, subsequently, prevailed upon the Government of Bombay to start the first college of its kind in India for preparing students for the said degree in 1913. All the students taking up the course were required to have, along with several other commercial subjects, at least an elementary knowledge of currency and banking and "Advanced Banking" was prescribed as one of the four optional subjects for the said degree.

The Government College of Commerce, which later came to be known as the Sydenham College of Commerce and Economics, was, in the first instance, housed on the second floor of the old Whiteaway Laidlaw buildings in 1913, and, for many years, the total number of students taking up the said course remained to be less than 200. It was not till the year 1922, when the College was provided with a building of its own, that the institution could expand its activities by providing also regular evening courses of lectures on banking and allied subjects largely for the benefit of persons employed in banks and commercial offices. In this connection, I am reminded of an instance showing the petty-mindedness of the directors of a bank. A few years after the College was started, a course of six evening lectures was arranged for the benefit of bank employees in Bombay. A small fee of Rs. 5 per head was fixed. A circular in this connection was issued to most of the banks in the city and it was suggested that the banks sending their employees to attend the course should pay the fees. It is understood that the manager of the Bombay Branch of a certain bank sent a copy of this circular to its head office and recommended that two or three members of its staff be asked to attend this course, but the proposal was turned down with the remark that there was no reason for the payment of the fees by the bank if the said course was going to benefit the clerks.

Institute of Bankers

Banking education did not, however, make much progress, as the British bankers working in India believed in the adage, "An ounce of practice is as good as a ton of theory." While the Institute of Bankers in London offered some facilities to employees of banks in India by holding its examinations at a few centres in this country, it was soon found that the said examinations did not suit the requirements of employees of banks in India, because the courses prescribed did not take into account the differences in the conditions between Great Britain and India. Moreover, differences were also found not only in the banking laws of the two countries but also in the customs of the bankers. No suitable provision was made for lectures on the subjects prescribed for these examinations, except to a small extent in Bombay. On several occasions, it was found that the British bankers working in India who believed that the Indian banking law did not differ from the English banking laws, were found to be wrong in the interpretation of the law as was evident from several decisions of the Indian Courts. The Indian Negotiable Instruments Act of 1881 was amended more than once so as to bring it in line with the provisions of the Bills of Exchange Act of 1882. It was, perhaps, partly because of the said belief that the British bankers in India did not favour the proposed Indian Institute of Bankers.

The writer of this article, with the help of the late Mr. Srinivasan, a senior clerk of Messrs. Thomas Cook and Son Ltd., tried hard to get the support of the banks in India in this connection but without any success. During one of his visits to London, however, the writer had a talk with the late Mr. Sykes, the then Secre-

tary of the Institute of Bankers, London, and convinced him of the fact that the Institute in London could not meet the requirements of the bank staff in India. Mr. Sykes was good enough to confirm this opinion in writing. It was only after the receipt of the said letter that progress in this direction could be made. Credit is due to the then Finance Member who asked the authorities of the Imperial Bank of India to take necessary steps to start the said Institute. The late Sir Narcot Warren and Sir Norman Murray, Governors of the Imperial Bank of India, convened a meeting of the representatives of the leading banks in Bombay on Thursday, 17th March 1927 to discuss the proposal. The matter was then referred to a sub-committee which decided to have the Institute registered under the appropriate Act.

Draft Approved

The draft of the memorandum and articles of association of the Institute, prepared by a firm of solicitors approved by the Sub-Committee, was placed before the representatives of the banks interested in the formation of the Institute on 18th July 1927. As copies of this draft had not been circulated before the meeting, it was suggested by the representative of a bank that it would be better to adjourn the meeting so as to enable the representatives of banks other than the members of the Sub-Committee, who had not even the chance to have a glance at the draft, to go through it before placing their seal of approval, but the suggestion was turned down on the plea that the constitution could, if found necessary, be amended later. The said draft was thus approved and I am glad to say that the Indian Institute of Bankers was brought into existence in 1928.

The Institute's work has, for the past nearly three decades, been mainly confined to banking education. It not only holds examinations and grants Institute's diplomas but also provides, at some centres, lectures on banking subjects, besides making available the facilities of suitable libraries to bank employees at different places. The Institute has been making such alterations and additions to the rules laid down for its examinations so as to meet the changing requirements of the bank employees and has recently introduced Co-operation in the list of subjects for the Institute's Diploma examination. Most of the leading banks give cash prizes and special promotions to the members of their staff on getting the Institute's Diploma. The following tables give some idea regarding the number of members and examinees:

Year	Ordinary members
1928	468
1933	1,958
1938	3,658
1943	5,170
1947	9,564
1952	10,837
1957	14,572

Year	No. of examinees for Institute's Diploma in	
	Practice and Law of Banking	Other subjects
1929	71	269
1936	599	3,194
1943	791	5,046
1950	2,359	16,796
1957	3,290	20,385

The need for banking education has been felt more particularly during the last ten years and the reasons are not very far to seek. The replacement of British officers by Indian hands in most of the

(Continued on page 194)

DUMPER DR 50

The ideal means for any short haul bulk transport.

High-power four-cylinder 60 BHP Diesel-engine.

Capacity 4 cu. metres.

Maximum payload 6 tons.

Hydraulic rear wheel brakes.

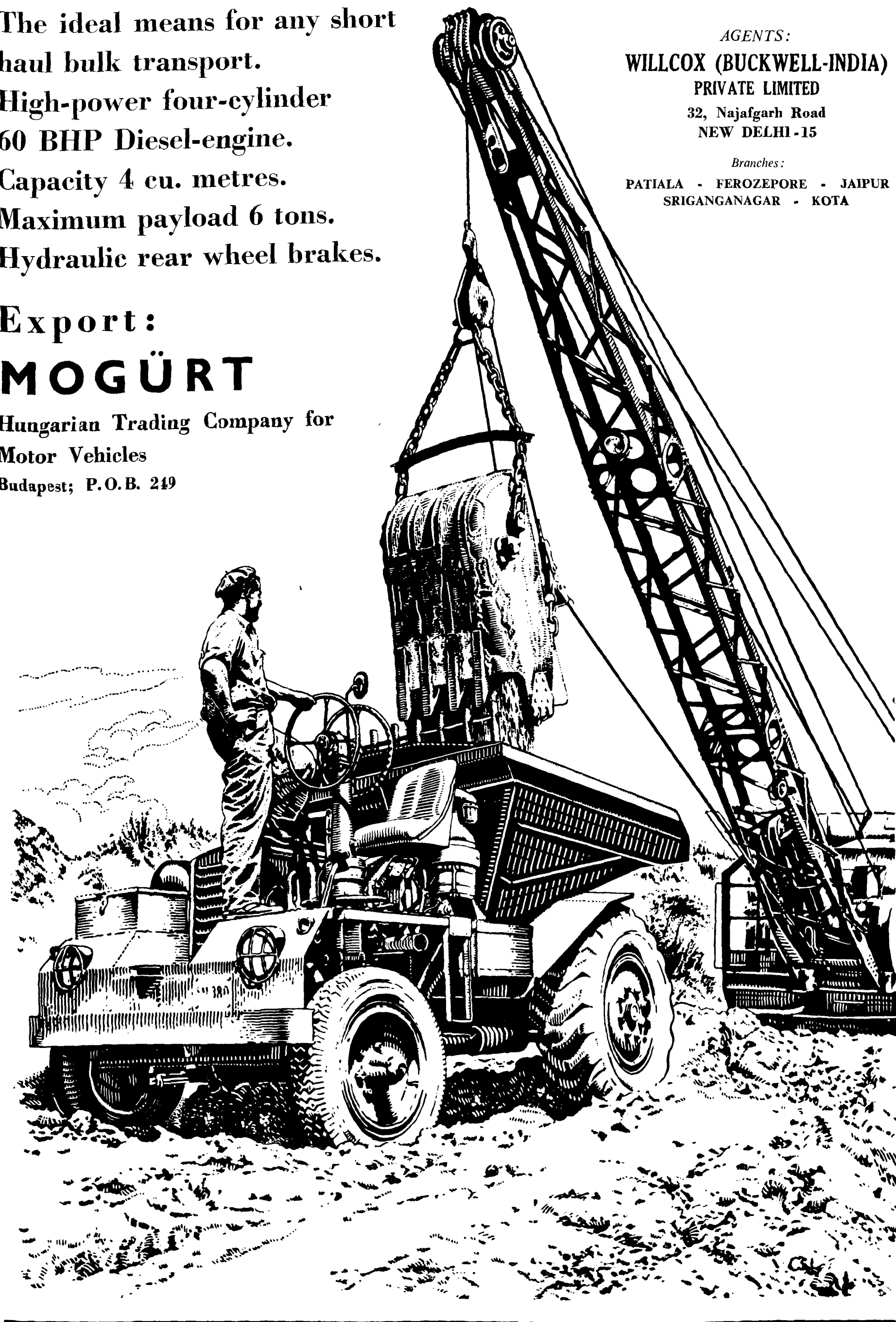
Export:

MOGÜRT

Hungarian Trading Company for

Motor Vehicles

Budapest; P.O.B. 249



AGENTS:

WILLCOX (BUCKWELL-INDIA)

PRIVATE LIMITED

32, Najafgarh Road
NEW DELHI-15

Branches:

PATIALA - FEROZEPUR - JAIPUR
SRIGANGANAGAR - KOTA

INDIAN BANKING

Its Achievements and Problems

By Dr. S. G. PANANDIKAR

AT the end of the last year, the Finance Minister of the Government of India, in a public speech at Madras, charged the bankers in the private sector, as well as the officials of the Reserve Bank and the State Bank, with possessing a clerical mentality, being completely ignorant of the character of India's economy, desiring autonomy for exploiting the people, and being moribund. This was followed, at the beginning of the present year, by Parliament passing the Banking Companies Amendment Bill on the last day of its session, in a great hurry, within a fortnight of its introduction, at the pressing request of the Finance Minister, after rejecting the motion of a Congress member of the Lok Sabha to refer it to a Select Committee. The Act has given Government and the Reserve Bank very wide and sweeping powers of interference with, and control over, the working of joint-stock banks in India. Finally, some politicians have been periodically demanding the nationalisation of all joint-stock banks in India.

All this may have created the impression in the public mind that joint-stock banking in India is in the hands of incompetent persons and is in a state of disorder and that such a situation may hamper the implementation of the Five-year Plan and the rapid economic development of the country. Impartial and expert observers, who know the working of Indian joint-stock banking, realise that any such impression would be entirely incorrect; that the sweeping remarks of the Finance Minister against all bankers, including officials of the Reserve Bank and the State Bank, merely indicate that it is impossible to please him; that the passing of the Banking Companies Amendment Act has been in pursuance of the present Government policy of arming itself with more and more drastic powers over free enterprise in India, so as to bring about a rapid completion of the socialist pattern of society which has been adopted by the party-in-power as its creed; and that politicians demanding nationalisation of joint-stock banks are doing so merely in pursuit of their leftist creed.

Creditable Record

Indian joint-stock banking has a creditable record during the last 75 years, since the establishment of the first Indian joint-stock bank in 1881, although, under foreign rule, it had to face many difficulties and obstacles and had to pass through many vicissitudes. Until the establishment of the Reserve Bank of India in 1935, it did not get any help or guidance from any authority. The foreign Government was apathetic to it in its difficulties and the foreign banks operating in India indirectly placed many obstacles in its way. It is true that some of its difficulties were due to its own inexperience and shortage of capital. But organised banking in all free countries experienced these latter difficulties in the earlier stages of its development and was able to overcome them with the guidance and help of the national Governments of the free countries. Indian organised banking also got over many of its difficulties and obstacles, for many years slowly, as it had to depend entirely on its own efforts, on account of the apathy of the foreign Government, and later quickly, with the guidance and help of the Reserve Bank, which has been functioning under the Reserve Bank Act and is assisted by the Banking Companies Act.

Indian bankers have thus succeeded in establishing a solid structure of Indian joint-stock banking and sound banking traditions. In recent years, they have been looking upon banking not merely as a commercial or industrial activity, but also as a public utility service. This concep-

tion is justified, because banking is an activity which affects all branches of economic life of the nation and has a direct bearing on the nation's trade, commerce, industry and agriculture. Unlike a commercial or industrial concern, a bank does a greater part of its business with other people's money, its deposits being 10 to 20 times its own funds in the shape of paid-up capital and reserves. Indian bankers, therefore, like their fellows in other advanced countries, realise the necessity of maintaining complete soundness and integrity in their operations, a high standard of efficiency and a spirit of service to the nation. They do not believe that mere legislation can solve their problems. They firmly believe in what Mr. C. D. Deshmukh once stated, when he was Governor of the Reserve Bank, namely, "Good banking ultimately depends only on good bankers and their sense of responsibility to the community as custodians of its savings."

Some Compliments

At the time of opening the new premises of the Bank of India Ltd. in Bombay on 24th April 1950, Dr. John Mathai, who was then Finance Minister, expressed the opinion that the banking system in India was comparable to that in the U.K. and the U.S. in soundness and efficiency, although less mechanised, that, although it had passed through numerous vicissitudes and had been subjected to severe strain, its current trends were quite encouraging and that the credit structure in the country was sound. The Reserve Bank has been carrying out a programme of systematic periodical inspections of all banking companies, one after another, and the advice, which it has been giving to banks on the basis of these inspections, has been strengthening, all round, the traditions of careful and prudent management of banks. In each successive annual report on "Trends and Progress of Banking in India," it has been stating that the position in general of banks as well as banking in India has been steadily improving. In the face of these statements of Dr. Mathai and the Reserve Bank, it is not possible to appreciate the disparaging remarks of the present Finance Minister against bankers or the necessity of the drastic legislation hurriedly enacted by Parliament at the beginning of this year or the demand for nationalisation of banks.

The total deposits of Indian (undivided) scheduled banks, except the Imperial Bank, and of non-scheduled banks were only Rs. 9 crores at the beginning of the present century. They increased to Rs. 18 crores by the time of the outbreak of the First World War, to Rs. 80 crores by 1921 and to Rs. 113 crores by the outbreak of the Second World War. They increased phenomenally to Rs. 673 crores by the end of the Second World War. Partition of the country and serious dislocation caused by it in several parts of the country gave a setback to the deposits. But, through great efforts, these banks overcame the setback by 1954 and, at the end of 1956, their deposits stood at Rs. 800 crores, i.e., Rs. 127 crores more than the figure at which they stood on the eve of partition. This progressive increase of deposits was brought about by the banks by establishing more and more branches throughout the country, especially in the interior parts,

thereby rendering banking service to the people, educating them into the saving and banking habit, and mobilising their savings for the welfare of the nation, at considerable cost and labour to themselves. They had to overcome the prejudice of people who, through ignorance, had been distrustful of banks, and win their confidence, so as to induce them to deposit their money with banks and to take advantage of other banking facilities. This development could not have taken place unless the Indian bankers possessed initiative, a spirit of enterprise, energy, vision and patriotic zeal.

Indian banks would have shown a much better progress of deposits, if they had not been subjected to keen competition by Government itself in recent years. Government has been obtaining large sums of money from the public by offering them National Savings Certificates, which yield at maturity 4-1/16 per cent. interest, free of tax, Treasury Savings Deposit Certificates yielding 3 1/2 per cent. interest, free of tax, interest payable half-yearly, and Post Office Savings Banks accounts at 2 per cent. interest. By these means, Government was in possession of Rs. 398 crores belonging to the public at the end of March 1957. But for this competition, most of this money would have gone to banks and would have made their task of maintaining uneconomic branches in the interior of the country less difficult.

Labour Legislation

Another difficulty of Indian banks in establishing branches in the interior has been the prevalence of industrial disputes and the awards of industrial tribunals. Labour Legislation, enacted to suit mills or factories, has been applied to banks, without realising the fundamental difference between the workmen in a mill or factory and those in a bank. While the former are generally illiterate or semi-literate, the latter, except the subordinates, are educated and have a career to work for. Moreover, a factory is a single establishment located in one place. But a bank is a group of a large number of unitary establishments working in different places, under different conditions. Hence a dispute in one office of a bank should not be made the dispute of other offices of that bank. But labour legislation has ignored these special features of a bank. It has drastically curtailed the control of banks over their employees and has provided an elaborate and lengthy procedure for dealing with cases of indiscipline and even of fraud thereby bringing about an appreciable lowering of efficiency, discipline and will to work. Its cumbersome legal machinery, involving delays, vitally impedes the working of banks, which have been prevented from terminating quickly the services of incompetent or dishonest employees.

Labour legislation and awards of tribunals have increased considerably the establishment expenses of banks. In 1947, the total earnings and establishment expenses of Indian scheduled banks were Rs. 29.83 crores and Rs. 9.61 crores, respectively, but, by 1955, they had increased to Rs. 41.45 crores and Rs. 16.08 crores, respectively, the percentage of the latter to the former thus increasing from 32.2 in 1947 to 38.8 in 1955. The percentage of

establishment expenses to gross profits of banks has increased from 33 to 38 during the last eight years in the U.S., the richest country in the world. But, in India, this percentage increased from 44.8 in 1948 to 55.8 in 1955. In 1956, the total earnings and establishment expenses of Indian scheduled banks were Rs. 49.14 and Rs. 17.20 crores, respectively, but this was an exceptional year. The awards have ordered every bank to give a substantial basic pay to start with and an increment every year to every employee for the next 20 years and more, whether the ability or work of an employee justifies it or not and whether the earnings of a bank can bear the burden or not. Many of the directions of the awards, given without taking into account banking procedure, practice and responsibilities, amount to directions to banks as to how they should conduct their work, thereby making the work of bank managements very hard.

Effect on Expansion

On account of these handicaps, banks find it very difficult and risky to add to their liabilities by opening new branches and expanding their activities, even if there is scope for doing so. It is very creditable on the part of banks to continue their policy of increasing the number of their offices, undeterred by all these difficulties. The offices of Indian scheduled banks, excepting the Imperial Bank, and of non-scheduled banks were only 182 in 1916. They were increased to 384 by 1921 and to 1,085 by 1938. By 1946, they were increased to 4,853. Partition compelled the banks to close most of their offices in Pakistan. The heavy burden imposed by labour legislation and awards and the hostile attitude of employees compelled them to close a few more, so that the number of their offices fell to 3,198 by 1952. But, in a patriotic spirit, they struggled hard against these handicaps and increased their offices to 3,462 by 1956. Had it not been for these handicaps, they would have established many more offices in the interior, so as to inculcate the saving and banking habit among the people and to mobilise their savings.

The enterprising spirit, foresight and patriotism of Indian bankers are also seen in their establishing banking offices beyond the shores of India since the end of the Second World War. Up to the end of the war, Indian banks had hardly any branches outside India. Today, they have 44 branches in foreign countries, excluding Pakistan, in which country the number of their branches has been diminishing every year on account of the policy pursued by the Government of that country. These foreign branches have not only been helping and promoting trade and commerce between India and the other countries, but have also been helping the expansion of our invisible trade and foreign exchange earnings and the establishment of greater goodwill between India and other countries.

Provision of Credit

Indian banking has played its part creditably in the implementation of India's first Five-year Plan and in the economic development of the country. On account of the rapidly rising tempo of economic activities in the country, it has been giving increasing advances to the commerce, industry and agriculture of the country and discounting and purchasing more bills, although this has imposed a considerable strain on its resources. The value of advances made and bills discounted and purchased by Indian scheduled banks, except the Imperial Bank, and of non-scheduled banks at the end of each year from 1949 to 1956 were Rs. 303.92, 315.39, 349.40, 314.98, 334.97, 375.85, 439.56

BATTERIES
are our
business

For over 60 years Chloride have been making batteries and nothing else. Our products provide an unfailing source of power in Generating Stations, Sub-Stations, Telephone Exchanges, Industrial Factories, Railway Coaches, Aircraft and Exide Batteries are fitted on more motor vehicles in India, new and old, than any other make.

Industries, Electrical Supply and Development Projects. Railways and Transport Operators depend on Chloride and Exide products as do India's motor vehicle manufacturers. They are thus assured of a quality product unequalled in performance and reliability and backed by an efficient and comprehensive Service Organisation.

Manufacturing more than 150,000 Storage Batteries per year of all kinds, the Exide Factory near Calcutta is India's largest and foremost producer and ranks with the world's leading and best equipped Storage Battery Factories. Continuous research and development keep us consistently ahead of the times in all that is new in battery development.

Exide

Chloride & Exide Batteries (Eastern) Private Limited

EBSC-18

and 520.83 crores, respectively. Further, banks have been helping the contractors of Government departments and semi-Government concerns by giving them credit against supply bills drawn on these departments and concerns. This work has proved to be troublesome and of little benefit to banks, owing to the great delay in the payment of these bills, on account of red-tapism, and the long and cumbersome bureaucratic process of scrutiny through various sections of the departments, thereby locking up the funds of banks for a long time. Nevertheless, banks have been doing this work and bearing its strain and risk out of patriotic motives, as it has been helping the implementation of the Plans. With the same noble object, banks have been giving guarantees to Government departments on behalf of contractors for the due performance of contracts, although this work also has been troublesome and hardly profitable to banks, on account of the dilatory methods of Government departments mentioned above. Finally, every year, banks have been subscribing very liberally to the loans floated by the Union and State Governments and giving substantial financial help to their customers to do the same. The investments of scheduled banks in the securities issued by the Union and State Governments amounted to Rs. 378 crores at the end of 1956.

Aid to Industry

Actuated by the same motives, Indian banks have helped in the long-term financing of industries and programmes of development by subscribing to the shares of Industrial Finance or Development Corporations, although, on account of the unattractive terms and non-marketability of these shares, investment in them has involved locking up of appreciable funds of banks almost indefinitely. Further, with the same motives, the larger banks have invested substantial amounts in the debentures and shares of industrial companies. Such investments of 83 scheduled banks amounted to Rs. 11.22 crores at the end of 1956. Moreover, some of the larger banks have been helping sound industrial companies, by underwriting or sub-underwriting their issues of debentures. Finally, they have been giving substantial advances to sound industrial companies, for the latter's working capital and even expansion. Although these advances are short-term in theory, banks have allowed many of them virtually to become long-term, by renewing them, from time to time, in order to help industries, in spite of the prevailing stringency in the money market. In December 1956, advances of all scheduled banks to industries amounted to Rs. 305.53 crores, out of their total advances amounting to Rs. 793.55 crores. In June 1955, advances of Indian scheduled banks to industries amounted to Rs. 185.6 crores out of total advances amounting to Rs. 454.5 crores. Banks have been doing all this work in order to help in the implementation of the Five-Year Plans, though they have been organised on the British model, which regards such work as unorthodox. Banks would have rendered greater assistance to industries in the ways mentioned above, if the Reserve Bank or the State Bank had been willing to advance to them, in case of necessity, against sound industrial bonds and shares held by them and if the Reserve Bank had been willing to rediscount documents of medium and long-term advances given by banks to industries. Banks have been making such proposals to the Reserve Bank and the State Bank, which, however, have not yet seen their way to accepting them.

Yet another obstacle in the way of rapid development and expansion of

banking is that bankers are not allowed to concentrate on this work, as they are compelled to familiarise themselves with more laws and regulations than their fellows in other countries. In addition to the usual laws of contracts and negotiable instruments and other mercantile laws, they have not only to study and follow carefully the existing provisions of special laws such as the Reserve Bank Act, Banking Companies Act, Indian Companies Act, Industrial Disputes Act, Trade Unions Act, Shops and Establishments Act, Payment of Wages Act, etc. but also to be on the look-out for the frequent changes which are made in them. On account of alleged special Indian conditions, these laws contain many special features and are complicated. Further, a sufficient amount of case law has not yet been developed with regard to them, so that lawyers and authorities have been placing different interpretations on many of its provisions. Hence, bankers have to spend a great deal of time and labour in studying and applying the provisions of all these special laws and are thereby prevented from applying their mind properly to the real creative part of their business. If this legislation is simplified and curtailed, the smooth functioning of banking and its expansion in India will be facilitated to a great extent.

Prerequisites to Growth

The scope for expansion of banking by establishing more and more branches of banks in different parts of the country for the purpose of developing the saving and banking habit among the people and securing more and more deposits, is large in India. Bankers are very keen on playing their proper part in the execution of the second Five-year Plan and subsequent Plans of the country by making finance available to a larger extent to the commerce, industry and agriculture of the country. They realise the need of adopting more positive, helpful and flexible policies to help the country's urgently needed economic growth, without thinking always of immediate profit. They appreciate fully the necessity of combining sound banking with wise banking. Sound banking means protecting and promoting the interests of the depositors, the shareholders and the institutions generally by making caution, efficiency and integrity the basis of banking practices. Wise banking means operating the banking system in a spirit of service, in the wider economic interests of the country as a whole, without neglecting the interests of the individual banking institutions.

What is needed for the realisation of these aims of Indian bankers is a

proper climate and certain facilities. They appreciate the inspections of banks carried out periodically by the Reserve Bank and the advice and guidance based on these inspections given to them from time to time by the Reserve Bank. What they need is freedom from too many burdens, too many restrictions, constant interference and political pressure, direct or indirect, so as to have adequate scope for the exercise of their initiative and enterprise. They also desire equal opportunities with the State Bank of India, instead of the present Government policy of diverting the flow of deposits to this Bank by various methods. At the same time, they desire the formulation by Government and the Reserve Bank of a positive, dynamic and long-term policy of giving encouragement and support to Indian banking in all its legitimate activities for progress and expansion. Some of the aspects of this policy were indicated in the report of the Committee on Finance for the Private Sector appointed by the Reserve Bank in 1954, known as the Shroff Committee. If these facilities are given by the Government and the Reserve Bank, Indian banking will render a still better account of itself in the immediate future than it has done up to now.—All Rights Reserved.

The announcement by the Chancellor of the Exchequer of the United Kingdom's decision to defer payment of the annual instalment of principal and interest on the United States and Canadian loans is said to be only a simple exercise of the right so conceded under the new financial agreements negotiated with the United States and Canada in March 1957. It has involved no fresh inter-Government consultations other than the formal intimation which, under the financial agreements, the United Kingdom has agreed to give the United States and Canadian Governments that, in view of the "present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves," it wished to defer payment.

The British decision certainly does not imply that the present or prospective conditions of international exchange, or the level of gold and foreign exchange reserves, are unsatisfactory. On the contrary, sterling is maintaining its steady recovery and the reserves are probably mounting in consequence. It is, however, the desire and intention of the United Kingdom Government to create as large a cushion of reserves as possible in view of current and future commitments, and deferment of payment of the annual instalments on the United States and Canadian loans is one way of doing this. It will help considerably, for example, to meet the more rapidly maturing obligation to repay the U.S. Export-Import Bank credit.

FOREIGN AID FOR INDIA'S SECOND PLAN

(Concluded from page 44)

Both Indian and foreign enterprises are subject to Government regulation and control and no harm can result to Indian economy or the Indian people if foreign enterprise is given a freer scope for investment in certain cases.

Assuming that the required amount of foreign aid would be available, would it be possible to carry through the second Five-year Plan as it is? The answer is in the negative. If foreign aid is available, it would be possible to import the necessary machinery and raw materials to complete the projects which have already been started and to set up some other projects. But the actual size of the Plan is limited by inflationary conditions in India. Prices of foodgrains, consumer goods, cement, steel and other materials have already increased to a high level and they will rise still further if the rate of investment is maintained at the level envisaged in the second Five-year Plan.

It has been argued that India's population at the present rate of increase would double itself in some 35 years and in order to give the people a somewhat better standard than they are now having we should provide for doubling the national income and output in 25 years, otherwise the people would be disheartened and disillusioned and a democratic Government cannot afford to take such a risk. Unfortunately, it is not sufficiently realised by the powers-that-be that the rate of economic growth is conditioned not by the rate of increase in population but by the capacity of the people to increase output and productivity. Under the existing conditions, it is not possible for us to increase production of foodgrains, consumer and other goods at a sufficiently rapid rate so as to keep the inflationary forces under check. The conclusion, therefore, is irresistible that the rate of investment should be reduced. This means a curtailment of the second Five-year Plan. But, if we get foreign aid not to the extent of Rs. 1,200 to Rs. 1,500 crores but of a much larger amount and are able to import not only machinery and raw materials but also sufficient consumer and wage goods so as to keep the inflationary forces in check, it is possible to complete the second Plan as it stands. But, since foreign aid of this magnitude would not be available, we should curtail the second Five-year Plan to, let us say, half its present size.—All Rights Reserved.

SAHU JAIN INDUSTRIES

contributing to a stable economy
through progressive
industrial expansion

SAHU JAIN LTD.

11, Clive Row, Calcutta-1

ROHTAS INDUSTRIES LTD.
Dalmianagar, Bihar

ASHOKA CEMENT LTD.
Dalmianagar, Bihar

BHARAT COLLIERIES LTD.
11, Clive Row, Calcutta

DEHRI ROHTAS LIGHT RAILWAY CO. LTD.
Dalmianagar, Bihar

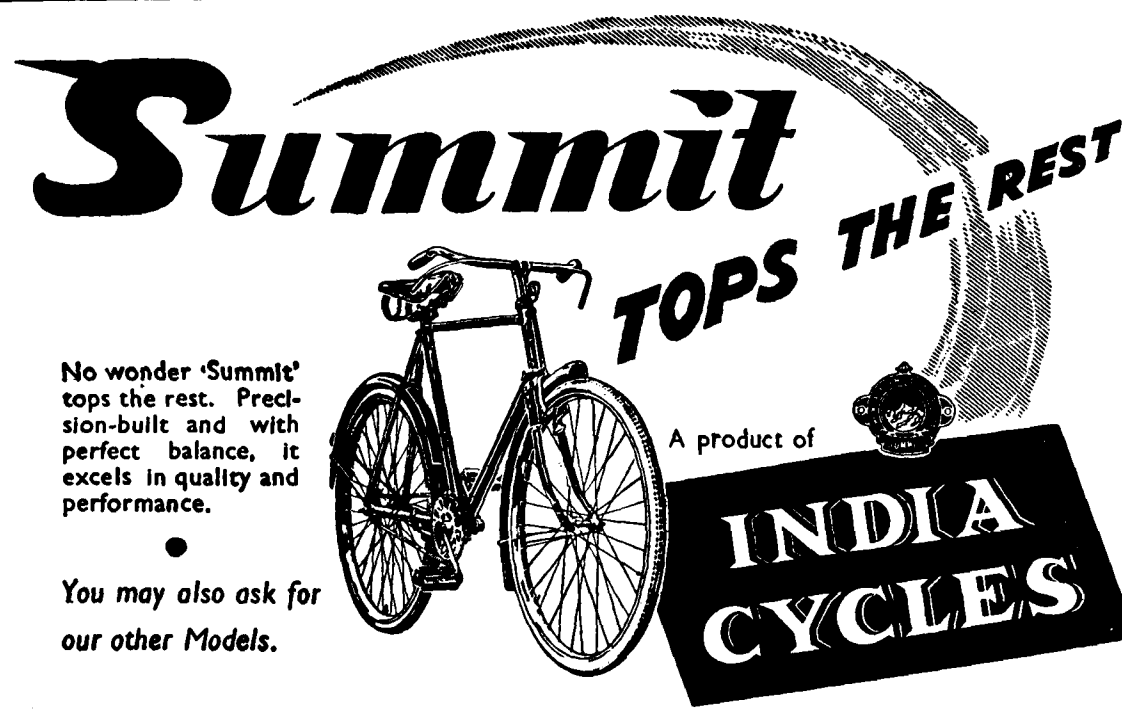
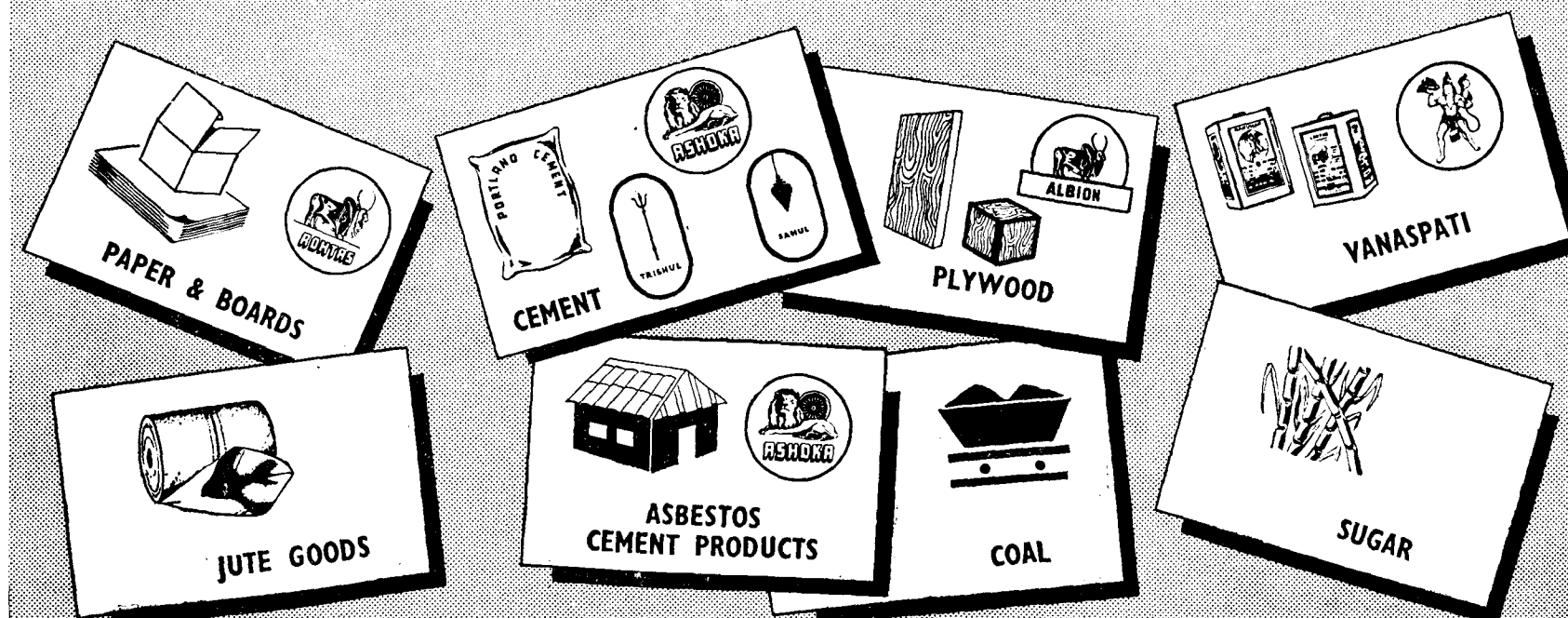
NEW CENTRAL JUTE MILLS CO. LTD.
11, Clive Row, Calcutta

THE JAIPUR UDYOG LTD.
Sawai Madhopur, Rajasthan

SHREE KRISHNA GYANODAY SUGAR LTD.
Hathwa & Lauriya

ALBION PLYWOOD LTD.
Budge Budge

BENNETT COLEMAN & CO. LTD.
Bombay
Times of India Publications



INDIA CYCLE MFG. CO. LTD. CALCUTTA 1

Monetary Policy and Control of Inflation

Significance of Recent Developments

By Dr. D. BRIGHT SINGH
READER IN ECONOMICS, UNIVERSITY OF MADRAS

IN recent years monetary methods have come back into the foreground as a reliable means of regulating national economic activity. This revival has been due, to some extent, to the gradual disappearance of factors responsible for the abeyance of monetary policy in the war and early post-war years. But the most important factor which necessitated its restoration was the development of inflationary conditions in most countries of the world, since the outbreak of the Korean War. It is true that the severity of the inflationary problem eased considerably in 1952-53, but, since then, with increasing outlays by national governments for rearmament purposes and for economic reconstruction and development, there has been a further forcing up of prices. Between 1954 and 1956, gross fixed capital formation increased by about 20 per cent. in Western Europe, while output rose by only 10 per cent. Similarly, in the U.S.A., the output of business construction and producers' durable equipment increased by 15 per cent., against a rise of only 10 per cent. in the gross national product. In underdeveloped countries, heavy public expenditures on development schemes, and deficit financing on a large scale have created circumstances favourable for inflationary price trends.

Apart from the exigencies of the situation, what helped in the restoration of monetary policy is the fact that at no time was the faith in it altogether lost. Even when monetary policy was proved to be of little value in regenerating economic activity in the days of depression, it was realised that it could be used as a powerful tool for counteracting over-expansionist forces. It is not, therefore, surprising that, of late, there has been a general veering round of expert opinion in favour of monetary policy as a means of controlling inflation. Theoretical support to such a policy is based on the premise that, even if investment demand is on the whole interest inelastic, changes in interest rates do affect the supply of funds to the capital and money markets and thereby influence investment opportunities. The increased sensitivity of the supply of funds to interest rate changes has been due to the growing importance of public debt as an influential factor in the money markets of the advanced countries of the world and the role played by institutional investors in recent years.

Bank Rate Policy

But the monetary policy that has now been revived in most countries does not represent a swing back to the orthodox methods. The two traditional methods of quantitative credit control—the control of rediscounting facilities and open market operations—have lost much of their popularity. Some form of the first method is still used in France and Western Germany where the Central Banks control credit by fixing a ceiling for rediscounting. But, in the other countries of Europe, as well as in the United States of America, rediscounting of commercial bills has ceased to be a common practice. Similarly, open market operations have also become less common as a means of credit restraint, probably because of the policy adopted in most countries in the early post-war years of maintaining a low and stable level of interest rates. In their

place, variable cash reserve requirements and direct qualitative controls have become increasingly popular with monetary authorities as useful tools of control.

Among the quantitative measures, however, great reliance is still placed on variation in Bank Rate as an effective means of regulating credit. In the last three years or so, there has been a fairly steady upward trend in interest rates all over the world. Since 1951, when the United States allowed bond prices to be unpegged, the discount rate has been an effective instrument of monetary policy in that country. From the low of 1½ per cent. in April 1954, the discount rate of the Federal Reserve Bank of New York rose by ½ per cent. stages until it reached 3 per cent. in August 1956 and then moved up to 3½ per cent. in August 1957. Three months later, in November 1957, five of the Federal Reserve Banks first lowered the rate to 3 per cent. and the other seven followed suit in a few days. The French Bank Rate rose from 3½ per cent. in September 1953 to 5 per cent. in August 1957. The German rate moved up from 3 per cent. in March 1954 to 5½ per cent. in May 1956 but, thereafter, the rate has been brought down by ½ per cent. cuts to 4 per cent. in September 1957. In the United Kingdom, the upward movement in interest rates started in 1951 and rose to 5 per cent. in February 1957. The latest rise from 5 per cent. to 7 per cent., in September 1957, is quite a sharp increase, the present rate being the highest since 1920. On the whole, since the middle of April 1957, no less than nine of the more important commercial countries have raised their rates, two of them twice.

Effects

The principle on which a higher Bank Rate as a means of credit restraint is based is that, when the Bank Rate is raised, money rates would harden, the restraining influence will ripple outwards in ever-widening circles and thus set in motion corrective forces. It is assumed that a higher rate would be regarded as the signal of a restrictionist policy by business men who would thereby be forced to draw in their horns. Furthermore, where the money market is well organised, rise in short-term rates would produce a similar effect on long-term rates also. The fall in liquidity brought about by a rise in short-term rates would persuade holders of long-term securities to sell them. This depresses the prices of these securities and raises interest rates on them.

But, in actual working, the Bank Rate is less precise and traceable than what theory would suggest. The fact that changes in the upward direction had to be frequently made in the last three years by the currency authorities in most countries of the world itself indicates that Bank Rate has not been very much effective in restraining credit expansion. And the reasons are not far to seek. The demand of business men for advances is not very sensitive to interest rates, but is dependent, to a large extent, on the level of trade activity and the general attitude of the investors. Empirical investigations carried out by the Oxford Economists' Research Group and by Professor Ebersole of the Harvard Business School in the late 1930's

and by the McGraw-Hill Department of Economic Surveys, the Minnesota Business School and the French National Institute of Statistics and Economics recently show that, in general, investment demand for funds is interest inelastic. On the whole, excepting in really long-term investments such as housing and public utilities, a high interest rate is not much of a deterrent. If interest elasticity of investment demand is low, it means that even a small autonomous increase in demand threatening to generate inflationary conditions would necessitate considerable increase in interest rates and restriction of credit.

Public Sector

The expansion of the public sector, which is immune to interest rate variations, is another factor that has taken the edge off the Bank Rate policy. In most countries, governments have come to dominate both the money and capital markets and this makes monetary discipline ineffective. Even in the case of private investment by the corporate sector, the response to credit conditions is limited, as the bulk of corporate investment in some of the advanced countries of the world, is financed from retained earnings. A sample of public companies in the U.K. in 1955 showed that cash reserves were nearly three and a half times as high as the total of bank overdrafts and loans. Apart from this, in so far as there are many means other than bank credit available for the public, it is difficult to control inflation merely by checking bank advances. For the expansion of most businesses, credit is available not only from banks but from other sources also, like hire purchase, merchants' credit to customers, share capital, etc. Further, in every country, there are likely to be pools of idle funds which are quite sensitive to interest rate variations and are drawn into active use when the interest rate is put up. Thus, increase in the velocity of circulation of money offsets, to some extent, the restrictive effect of a higher interest rate.

Interest, after all, is the price offered for the use of borrowed funds. Like any other price, therefore, the rate of interest depends as much upon demand as on supply conditions. In a period of inflation, when the value of money falls, borrowers would know that, in repaying their debts, they would be parting with money worth less than when they borrowed. They would, therefore, be willing to pay higher interest. In such a situation, a rise in the cost of credit will have little restrictive effect.

Short-term Rates

Lastly, the assumption that a rise in Bank Rate would raise short-term money rates and thereby push up long-term rates is not always true to facts. The extent to which long-term rates would move in sympathy with short-term rates depends on the attitude of the holders of these securities. Thus if business men feel that the rise in short-term rate has reached the maximum and would not go up further, they would be willing to accept a lower rate of return for long-term investment. In 1951-52, the rise in Bank Rate in the U.K. helped in raising long-term rates only by one-eighth per cent. Between November 1951 and May

1952, the yield on Consols rose by only 0.32 per cent.

While the effectiveness of a high rate of interest against inflation is limited, the dangers arising from too much reliance on it are quite serious to be ignored. To the extent that government is a borrower, any rise in the rate of interest directly adds to the interest burden of its debt. Higher Bank Rate policy in the U.K. in the last six years has raised the budget cost of servicing the National Debt by over £150 million per annum. It is calculated that the recent raising of the rate to 7 per cent. would increase the cost of servicing overseas debts by another £50 million. This then is an important factor to be considered in countries where public investment outlay for development purposes is large.

It is also worth remembering that at best the Bank Rate method can only have a general restrictive effect on all industries, without discriminating between industries which deserve encouragement and those which, in the interests of national economic development, could better be weeded out. Bank Rate is said to be more a cumbersome bludgeon than a fine instrument. Increase in the rate of interest will not cut investment optimally. This is particularly so, if monopoly distorts the system. But the worst danger involved in this technique is that the psychological effect on which it depends much for its success is likely to be overdone, in which case the remedy becomes worse than the disease. If the Bank Rate proves to be ineffective, it is more often due to the uncertainty that it creates than to the cost of borrowing. This is the reason why this method, when moderately used, is mostly ineffective, but when pushed to extremes courts disaster.

Underdeveloped Countries

Underdeveloped countries, even at an early stage in their development, find themselves face to face with the problem of inflation. This is mainly because of large investment outlays by governments which have taken upon themselves the responsibility of initiating the process of rapid economic growth. As a result of such investment outlays, a good part of which is commonly deficit financed, the level of money income in the country is raised, while at the same time, there is no quick increase in the output of consumption goods to match the increase in purchasing power. Inflation in these countries constitutes a real threat to stability and growth and, therefore, needs to be controlled.

But the measures adopted in underdeveloped countries to control inflation are generally less effective than those in developed countries. This is chiefly because of the fact that economic underdevelopment is reflected in the underdeveloped state of the capital and money markets. In these countries currency is more important than bank deposits, so that, even when the Central Bank is able to control the volume of commercial bank credit, it leaves mostly out of control the more important section of money supply. In the absence of adequate investment opportunities, there is a dearth of rediscountable assets and the banks maintain large cash balances. As a result, the Central Bank finds itself out of touch with the money market and

Telegrams:

"JAYSUGAR" BOMBAY

Telephones:

37137—37138—37139

**EAT MORE SUGAR
OUR SUGAR IS
SWEETER**

**THE BHOPAL SUGAR INDUSTRIES LIMITED
SHREE CHANGDEO SUGAR MILLS LIMITED**

ROYAL INSURANCE BUILDING

14 JAMSHEDJI TATA ROAD, BOMBAY 1

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in Hong Kong with limited liability)

HEAD OFFICE: HONG KONG.

Capital Authorised - - - - Hk. \$ 50,000,000
Capital Issued and Fully Paid-up - - - Hk. \$ 50,000,000
Reserve Funds - - - - - Stg. £ 8,000,000

BRANCHES:

BORNEO Colony of North Borneo Jesselton Labuan Sandakan Tawau State of Brunei Brunei Town Kuala Belait Seria	EUROPE Hamburg Paris HONG KONG Hong Kong Kowloon Mongkok North Point INDIA Bombay Calcutta JAPAN Kobe Osaka Tokyo Yokohama MALAYA Colony of Singapore Collyer Quay Orchard Road Federation of Malaya Cameron Highlands Ipoh	MALAYA—contd. Johore Bahru Kuala Lumpur Malacca Muar Penang Sungei Patani Teluk Anson PHILIPPINES Iloilo Manila THAILAND Bangkok Suaph Road, Bangkok UNITED KINGDOM London U.S.A. New York San Francisco Los Angeles VIETNAM Saigon
--	--	---

Correspondents Throughout the World.

Banking Business of Every Kind Transacted.

A COMPREHENSIVE SERVICE AS TRUSTEES AND EXECUTORS IS ALSO UNDERTAKEN BY THE BANK'S TRUSTEE COMPANIES IN HONG KONG, LONDON AND SINGAPORE

THE HONGKONG AND SHANGHAI BANKING CORPORATION
OF CALIFORNIA
(Incorporated under the State Laws of California)

LONDON OFFICE: 9 Gracechurch Street, E.C. 3.
NEW YORK OFFICE: 72, Wall Street.
CALCUTTA OFFICE: 31, Dalhousie Square.
BOMBAY OFFICE: 16, Veer Nariman Road. F. R. BURCH, Manager.

An Indian Enterprise with

High Traditions

dedicated to

India's Progress

KILLICK INDUSTRIES LIMITED

ELECTRICITY, COTTON TEXTILES,

MANGANESE, COAL, CEMENT

AND

LIGHT ENGINEERING.

the scope for open market operations and variable reserve requirements is considerably reduced. The existence of foreign banks in these countries which have direct access to the financial resources of their parent institutions and branches abroad further adds to the difficulty of controlling credit.

In view of these special difficulties, it is not surprising that the Bank Rate technique, used as an anti-inflationary device, met with only very limited success in a country like India. In November 1951, the Bank Rate in India, which had remained at 3 per cent. for 16 years, was raised to 3½ per cent. This step was necessitated by the inflationary conditions then prevailing in the country, fostered largely by the Korean War and the world-wide drive for rearmament and stockpiling. As a further means to tighten the grip, the Reserve Bank announced its decision not to buy Government securities directly from the banks in the busy season save in exceptional cases, but expressed its willingness to grant loans and advances at the new Bank Rate against Government securities. Shortly after raising the Bank Rate, the Reserve Bank also introduced the usance bills scheme, which enabled the banks to borrow from it against their advances. On 1st March 1956, the Bank raised its lending rate under the Bill Market scheme from 3 per cent. to 3½ per cent. (i.e., ½ per cent. below Bank Rate) and later to 3¾ per cent. effective 21st November 1956. But, at the same time, some relaxation was made in the Bank's policy of open market operations. From the beginning of November 1956, the Reserve Bank started making discriminating purchases of Government securities and also liberalised, to some extent, the facilities under the Bill Market scheme. In the current year, however, further measures to tighten credit have been adopted. The stamp duty on usance bills was raised, so that the effective borrowing rate of Scheduled banks against usance bills further increased by ½ per cent. Simultaneously, the Bank's lending rate on advances against Government securities was increased from 3½ to 4 per cent. With effect from 16th May 1957, the Bank Rate itself was raised to 4 per cent., but the stamp duty on usance bills was reduced to one-fifth of 1 per cent., so that the effective borrowing rate of Scheduled banks against usance bills came to be lowered to 4-1/5 per cent.

Increase in Credit

The latest measures to restrict credit further were necessitated by the reappearance of inflationary symptoms in the economy due to considerable increase in the annual outlays on development schemes and heavy deficit financing. But, since these measures were adopted on the eve of the slack season, it is difficult to estimate their effect on credit conditions in the country. It is, however, possible to assess the results of the earlier measures of control. On the face of it, it would appear that there was an immediate and significant effect. The increase in the money supply with the public in the busy season of 1951-52 was much less than it was in the corresponding season of the previous year. Compared to the busy season of the year 1950-51, Scheduled bank credit in the busy season of 1951-52 increased by about Rs. 96 crores as against Rs. 173 crores and advances made by the Scheduled banks for commercial purposes increased by Rs. 5.8 crores against Rs. 64 crores.

These figures, however, have to be accepted with some reserve. The maximum reached by Scheduled bank advances in March 1952 was higher than in the previous year.

The ratio of advances to deposits of the Scheduled banks reached 70 per cent. in March 1952 against 64.8 per cent., the previous highest. It should also be remembered that the decline in the foreign assets of the Reserve Bank in the busy season of 1951-52, as against a substantial increase in the busy season of 1950-51, must have exerted a downward pull on money supply. The raising of the Bank Rate by a mere ½ per cent. could then have had only a very limited effect on the credit situation in the country. Nor should it be forgotten that the tight money policy adopted by the U.K. at this time had a world-wide influence and the symptoms of recession that appeared in India were, to a large extent, the result of this external influence.

Qualitative Credit Controls

The limitations of the ordinary monetary methods of controlling inflation have necessitated the adoption and use of other measures of a discriminatory nature which spot out and control those lines of investment or methods of advancement of funds which have in them the greatest inflationary potential. Such qualitative credit controls may be general or specific. Voluntary credit restrictions or restrictions by exhortations and moral suasion are of the general type, while controls of particular credit institutions or of credit facilities granted to specific purposes belong to the specific category. Individual credit institutions are controlled by varying their reserve requirements or by influencing their assets structure. Restrictions with regard to the purpose for which investment is made are imposed by fixing ceilings for investments, by direct stipulation of the purpose for which loans can be used, by the adoption of a selective rediscount policy by the Central

Bank, by prior deposit requirements as in the matter of imports, by margin requirements as collateral for specific loans, etc.

Since 1951-52 variation in reserve requirements as a means of credit control has been largely used in New Zealand, Germany, Colombia, Brazil, Peru, France and Austria. The Voluntary Credit Restraint Programme was initiated in the U.S.A. in March 1951. Sweden also relies considerably on this method. Advances by banks to particular trades constituting a source of inflation have been restricted in Norway, Greece, Chile and Paraguay. In September 1953 the National Federation of Bankers' Association in Japan decided to adopt voluntary measures to control bank lending for speculative and non-essential purposes. Similarly, the Commonwealth Bank of Australia recently urged the trading banks to be less generous in respect of new credit to capital expenditure schemes. The novel method of requiring importers to deposit with the authorities in advance of their purchase of foreign exchange, a part of the local currency equivalent of their imports, prevails in Peru, Ecuador, Colombia, Finland, Israel and Indonesia.

Apart from these, the method of moral suasion involving the issue of directives and requests by the currency authorities to commercial banks to restrict advances is now recognised as an essential part of the monetary policy in the U.K., Australia, Canada, New Zealand, the Netherlands, Norway and Sweden. Thus, when the Bank Rate in the U.K. was recently raised to 7 per cent., the Chancellor of the Exchequer made an appeal to the banks to keep private sector loans to the average of the previous 12 months and told the Capital Issues Committee to take a more restric-

tive and critical attitude towards applications to borrow and in particular towards applications for large amounts.

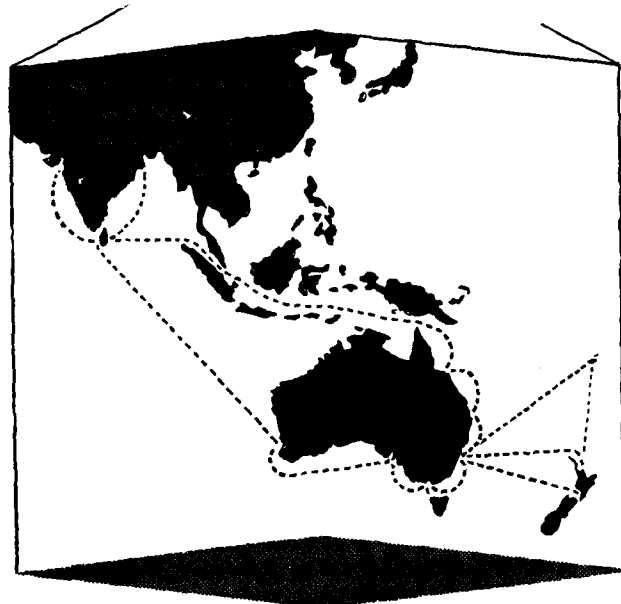
In India, the Reserve Bank had recourse to the directive method for regulating the expansion of bank credit on two occasions during the war and later in 1946. But the appeals then made by the Governor of the Reserve Bank to check excessive lending by banks against certain agricultural commodities and to restrain the expansion of loans to the stock market met with little success. It was, however, only in 1949 that the necessary powers to exercise this sort of control were conferred on the Reserve Bank by the Banking Companies Act. Later, by the Reserve Bank Amendment Act of 1956, the Bank acquired powers to exercise credit control by varying the reserve requirements of the Scheduled banks.

Armed with these powers the Reserve Bank has started to put into operation the methods of selective credit control. The directive issued on 17th May 1956 to banks to refrain from excessive lending against paddy and rice produced good results. This restriction was removed at the end of 1956 but was renewed on 9th February 1957. Selective credit control was extended on 13th September 1957 to cover bank advances against wheat, other coarse grains, gram and pulses and cotton textiles including yarn. A further directive to all Scheduled banks (and three State associated Non-scheduled banks) was issued on 29th June 1957 to bring down substantially their advances against foodgrains. On the whole, these control measures have been effective in reducing the pressure of demand originating from bank credit.

Wide Scope

It would appear that qualitative credit control measures have come to stay in both developed and under-developed countries. What a developing economy requires when it is faced with the threat of inflation is some means to curb it with the least harm to growth and stability. It is possible to argue that, if Bank Rate is raised sufficiently high or if the monetary authorities indicate their willingness and purpose to go to any lengths with the discount rate in order to control inflation, there will certainly be the required restrictive effect. But it is quite likely that such a result would be achieved at too great a cost. To the extent that selective credit controls can be aimed at specific sources of inflation, they may be expected to produce better results with lesser chances of danger than the Bank Rate technique. The argument that the implementation of a qualitative credit control policy would endanger political freedom cannot carry much conviction in countries where Governments have started schemes of economic development and expansion. Planned development involves and necessitates the use of controls and restrictions. Furthermore, there is great scope for making use of qualitative credit control measures to promote development along desired lines. This method for channelling financial resources into the production of goods and services deemed important to the national economy has been tried with success in Paraguay since 1953. With the growth of industrialisation and the development of credit institutions and with improvement in administrative standards, it is likely that qualitative measures of credit control will be more widely used by the less developed countries not only for purposes of controlling inflation but also as a positive means to guide economic development.

Trade with Australia, New Zealand, and Fiji



Businessmen who are interested in trade with Australia, New Zealand, Fiji, Papua and New Guinea are invited to use the complete banking services provided by the Bank of New South Wales.

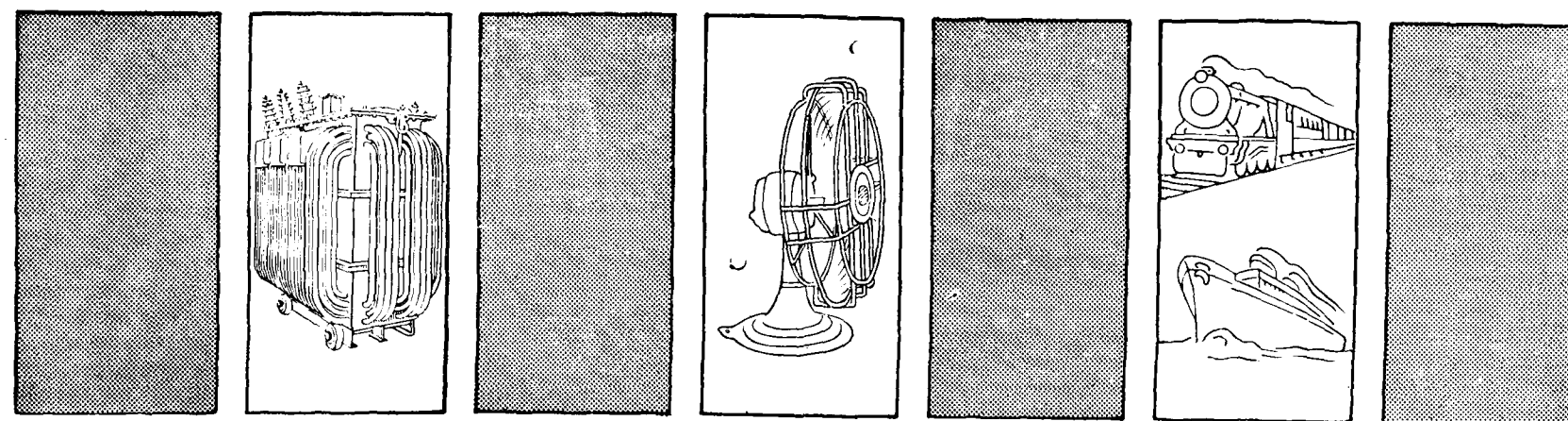
The services include trade and industrial introductions, economic and market information, and assistance with travel requirements.

Enquiries may be made through your own bankers or direct to

BANK OF NEW SOUTH WALES

Oldest and largest trading bank operating in Australia, New Zealand, Fiji, Papua and New Guinea, with two branches in London and over 7,000 agents and correspondents throughout the world

HEAD OFFICE: SYDNEY, AUSTRALIA
British and Foreign Department — John W. McEwen, Manager
(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)



Paint Suppliers

to the Industries of India

since 1902

SHALIMAR PAINT COLOUR & VARNISH CO. PRIVATE LTD.

BEATING INFLATION IN BRITAIN

Productive Investment Needs To Be Encouraged

By G. O. HOSKINS

LONDON, 30th November

THE British Chancellor of the Exchequer, Mr. Thorneycroft, at a recent Actuaries' Dinner, expressed the Government's great concern over saving and the position of pensioners in every walk of life. "The over-riding problem," he declared, "is the falling value of money, a depreciating currency causes anxiety and hardship among pensioners, it creates difficulties for those prudent citizens who endeavour to plan for their old age long years ahead. Moreover, it puts at risk the ability of the State to maintain and still more to improve the real value of retirement pensions for the population at large. The number and proportion of old people is increasing steadily.... As our post-war experience has taught us, production cannot grow safely while inflation persists.... We have a special interest in beating inflation... we must restore sound money. That is the object of the Government's policy and it will be pursued with the greatest determination." After-dinner speeches often have an advantage that the speaker is expected to say much in a few words at the risk of boring his audience. And the Chancellor put Government policy more cogently on that occasion than it has ever been put in Parliament.

The Chancellor was taking the most significant, though often the most ignored, aspect of the national problem of inflation. Yet, why has this national problem, which has been with us since 1940, assumed such significance in 1957? There is not an economic item of statistical significance which does not record the continuous progress of inflation over the past eighteen years. If one takes a period only as short as five years, one observes that the currency in circulation, which is 1952 averaged £1,370 million, will, end this year at £1,900 million, an increase of 40 per cent. The prices of manufactured products (excluding fuel and food) have risen over the same period by 12½ per cent. and, over eight years, the increase has been 50 per cent. Retail prices have risen 50 per cent. over the past ten years and by 70 per cent. within the last two years. Wage rates are now three times their pre-war level and over the past ten years average weekly earnings in industry have increased by 100 per cent. Over the past two years, wage rates have risen by 12 per cent. Over the past twelve months alone, retail prices have increased by 4 per cent. and weekly wage rates by 5 per cent. The process of inflation has been as steady but unspectacular over the past months as over recent years which again prompts the question of what is its significance in 1957.

Money Supply

The peak of the inflationary movement is now recorded as the late summer of this year when commodity prices, for instance, reached their top levels. Since that time industrial shares have slumped by 20 per cent. to their lowest level for three years. Bank Rate has jumped 2 per cent. and the yields on Government stocks—the mirror of their prices—have reached their highest level since 1920. Why has this happened? It has happened, because, ever since the summer, the battle with inflation has been joined in deadly earnest. Whether it has been joined in the right way is

another matter, but that it has been joined and has caused immense repercussions is the significance of 1957. The Government have taken the essentially simple view that, since wages and prices were spiralling, they had to make money short to stop the one chasing the other, and they had to set their face against wage increases. They could not directly set their face against price increases, because there is no means of controlling prices in the free economy which the Government is determined to maintain. Instead, demand had to be cut down and the essential weapon for that is the limitation in the supply of money. Indeed, the Chancellor has gone as far as to say that he would attempt to limit the supply of credit to prevent employers paying higher wages indiscriminately. As far as the Government is concerned, they would like to see no more wage increases without corresponding increases in production and productivity.

The Crisis

In all this, the crisis over sterling in the late summer and early autumn of this year is a side issue, though one which touched off the Government's reaction. It was dramatic to watch the fall in reserves and the Government's attempts to stop the fall which of course included the increase in the Bank Rate of 19th September. But the strain on sterling is not the essential problem; it was the result of the continuous inflation and of the vulnerability which the inflation induced on a country which is the world's international banker. There were contributory factors: the dollar gap had emerged at the beginning of the year; sterling was more convertible than it had been since 1939; the sterling balances were being run down by their owners. These things made sterling available for sale on a large scale but it would not have been sold (even in the case of the sterling balances they would have simply changed hands), if there had not been some grounds for fearing sterling depreciation.

Britain's vulnerability lies in this fact. In mid-1957, the Colonies held £1,309 million in London, the rest of the sterling area held £1,616 million and the rest of the world held £1,229 million—a grand total of £4,154 million. Against this, the gold and dollar reserves amounted to only £850 million before the drain began.

Sterling Regains

Now sterling has regained a comfortable parity with the dollar and the speculators against the pound are back again in sterling prepared to wait and take their high yields on short-term in this country until anything else arises to disturb their confidence. It is, perhaps, poor consolation that their confidence in sterling is less likely to be disturbed, because they are now likely to have less confidence in North American funds! It is a very negative sort of assurance that the pound is helped because American investors are less confident and because money has stopped flowing to Canada or to Western Germany; particularly since it is generally accepted that an American depression would increase rather than improve this country's balance of payments difficulties.

The Government, having taken steps with the banks to make them restrict their advances below the

average level of the past year and having taken direct steps with the nationalised industries to limit their spending, will be able to do little more than be recalcitrant when it comes to wage demands to which it is in any way a party. It is difficult, indeed, to imagine what new weapons the Government can introduce in the month in front of us. On the other hand, it would not be surprising if, because of some development in the general internal economy—there are many who fear that both in America and in the United Kingdom there will be a sudden downward dip in activity—the Government may have to reverse its policies. It has expressed the greatest confidence in being able to do so, should the need arise.

World Deflation

It must not be forgotten, in assessing the position of the United Kingdom, that, particularly as regards its balance of payments, it is at the moment enjoying, as a manufacturing country, with a heavy import bill, the first fruits of world deflation. It is benefiting from the dramatic fall in commodity prices which began in the summer of this year. The terms of trade have been steadily moving in this country's favour, export prices are going up while import prices are coming down, but the other side of the medal is the purchasing power of the primary producing countries. Within the Commonwealth, the country which is being watched closely at the moment is New Zealand, which has enjoyed unparalleled prosperity since the war, but which prosperity is only being maintained out of accumulated funds, so that farmers are enjoying incomes based not on the lower prices their products are now fetching, but on the accumulated resources of the past year. That way, however, lies inflation and, moreover, the process cannot be continued indefinitely—thus the New Zealanders are beginning to impose import restrictions. Their progress multiplied throughout the Commonwealth and other primary producers will ultimately cause a diminution in British exports. Imports would be cut still further, the balance of payments would remain in balance but the level of business activity would fall.

However, all that is taking a pessimistic view of the picture as it may develop in the months ahead. So far as 1957 is concerned, one can only observe the measures taken to deal with each aspect of the situation as it has turned up. The principal criticism to make against the Government is that they rely solely upon more or less indiscriminate constriction of the volume of money, without any attempt at physical controls. And the sad thing about the purely financial approach to inflation is that a study of banking figures suggests that the financial system has always been under control. Total bank deposits in 1955, for instance, were £6,108 million. Over the following year they fell by £66 million and then rose in the succeeding year by £132 million to reach in September 1957 £1,174 million. But, over the two years, net deposits have only increased by 1 per cent., not a very inflationary figure, and, if one takes the increase over the past year alone, then that is only 2 per cent. Similarly advances in September 1957 at £1,954 million were actually £128 million

less than they were two years ago, although they were £94 million up on the past twelve months. Even if we take this last increase, it is only some 5 per cent.

Admittedly loans to private industry plus local authorities have increased by more than the figure indicated overall since loans to the nationalised industries were severely reduced. A good deal depends upon the exact period of comparison taken and, indeed, the nine months after Suez, that is, from December 1956 to September 1957, showed an increase in bank advances of £105 million against a reduction in the corresponding period the previous year of £43 million. But, when one remembers that over the four years 1952 to 1956 national income increased by £4,000 million, while in September of this year advances were on the same level as in the spring of 1952, the restriction of bank credit is astonishing. Nor can the trend in clearing bank deposits be regarded as inflationary, when one recognises they have risen only 1 per cent. over two years, while the cost of living alone has risen by 7 per cent.!

The Answer

In the long term the most sinister aspect of inflation will be not even the effect on insurance benefits and on fixed interest funds. It will be the effect on the country's productivity, because, in spite of pious assertions that essential investment is not being restricted when banks have to keep their advances below a certain level and when investors have been faced with a falling stock market, there is little incentive to encourage productive investment which by its nature may be a long time in bearing fruit. This country's need for capital re-equipment is as great as it has ever been. In the past seven years, labour costs per unit of output have increased 38 per cent. in the United Kingdom; in the United States, the increase was 21 per cent. and in Western Germany only 8 per cent. The answer is not in cutting wage rates—it is in increasing capitalisation. There will be greater confidence in the Government's anti-inflation policies, if they could be coupled with a real drive to encourage productive investment.—All Rights Reserved.

GOLDEN OPPORTUNITY

"You are living in an age of golden opportunity—do not throw it away," advised Sir Henry Spurrer, Chairman and Managing Director of Leyland Motors Ltd., when addressing the boys of the Lancaster Royal Grammar School at their annual speech day and prize distribution recently. It has been said that the pioneering days are gone for ever. "Don't believe a word of it," said Sir Henry. "I can assure you that there are greater opportunities today for any one who is prepared to seek them than ever before."

Science in every form was developing at a rate never dreamed of in the past. Scientific development was being pursued and applied in a thousand and one ways. Within the last few years, it had opened up the vast territories of the world and placed them at our own front door, ready for advancement and development on a scale and of a complexity that would tax the resources and ability of men and women with pioneering spirit for generations to come.

Over 100 new schemes for fostering development in British Colonies were started in the past year (1956-57), according to the annual report of the Colonial Research Council. Grants aggregating £2,202,888 were made during the year, bringing the total sum allocated to Colonial development and welfare research schemes since 1940 to nearly £16,000,000. Expenditure on research schemes amounted to about £1,540,000, as compared with £1,374,323 in the previous year. Most of the schemes started during the year will continue till March 1960. Among the most notable projects were large programmes for agricultural research and land-use planning in Africa, cotton-pest research in Nyasaland, and the compilation of official histories of Uganda and Kenya.

100 Years

War of Independence 1857

Indian National Congress 1885

Non-Cooperation 1920

Dandi March 1930

Congress in office 1937

Quit India 1942

Independence 1947

Indian Republic 1950

First Plan 1951-56

Second Plan 1956-61

10 years of Building

"The noble mansion of free India" Nehru

TVS. UNITS

45 Years in Road Transport, Automobile & Allied Industry

T. V. SUNDARAM IVENGAR & SONS PRIVATE LTD.,
MADRAS - 6
MADRAS - BANGALORE
SOUTHERN ROADWAYS PRIVATE LTD.,
MADRAS - 6
MADRAS - COIMBATORE.

SUNDARAM INDUSTRIES PRIVATE LTD.,
PUDUKOTTAI - MADRAS.
INDIA MOTOR PARTS & ACCESSORIES PRIVATE LTD.,
MADRAS - 2.

OBJECTIVES OF TAXATION

India's New Taxes May Retard Development

Dr. R. BALAKRISHNA

PROFESSOR OF ECONOMICS, UNIVERSITY OF MADRAS

TAXATION may be made to subserve a variety of objectives. The most elementary among them is to treat taxation merely as a method of collecting public revenue. But, even here the State should be careful to see that it is done for a public purpose. This rule has been developed by the courts to curb governmental expenditure. Even when taxes are levied only for augmenting the State revenues conflicts may arise within a community, because taxation is a process of secondary distribution. Over differences in amount collected or in its geographical distribution there could be conflicts between different sections of the community. But, ultimately, the differences could be harmonised on account of the existence of neutral groups within a society and because of certain common interests and group loyalties of the people. However, as far as possible, the State should aim at a certain degree of reasonableness in taxation. This may not be very difficult to achieve if the social utility principle of taxation is maintained and the taxes are made to fall as far as possible on social surplus, instead of social costs. In fine, it is necessary to realise that taxation will not be neutral in its effects, even when the objective of the State is to make it serve merely as a source of public revenue. Taxation exists for the service and promotion of institutions. It is not a passive instrument. It is an active force affecting the social structure and altering the course of social evolution.

Welfare Function

Proceeding one step higher in the scale of the purposes of taxation, we come across what may be termed as the welfare function of a tax. Here it is intended to remove as far as possible inequalities of wealth and income existing in a community. This is, in other words, an egalitarian objective having a welfare ideal and trying to approximate towards a Welfare State. When this becomes the objective of tax policy, taxes are chosen not for their formal power of yielding a particular revenue but for their economic and social effects. In a Welfare State, special emphasis will be laid on particular forms of taxation and there will be a change in the composition of the tax structure. Income-tax, for instance, is considered as a major instrument of income redistribution. With its emphasis on the ability principle and the application of steep progression, it tries to attain greater equity in fiscal policy. As subsidiary measures the differentiation principle between earned and investment income and taxation of capital gains are adopted in the tax structures of fiscally advanced countries.

Harmful consumption is considered as immoral in a welfare society and taxes are imposed as a deterrent to such consumption. A welfare society may also discourage conspicuous consumption through the fiscal method. High taxes on luxuries and heavy purchase taxes, as, for instance, in the U.K., are conceived essentially for steering consumption away from certain luxuries, in order to free the resources required for their production to other purposes. While luxurious living may be discouraged, a welfare society should maintain

adequate living standards for the bulk of its people. It is towards this objective that exemptions of various types, such as of sales tax on necessities, exemption limits on income-tax, etc., are incorporated in tax structures.

The third group of objectives of fiscal policy consist in an attempt to balance aggregates of expenditure, income and investment in a community. The attainment of full employment equilibrium has been an important objective of economic policy. Towards it the tax structure must be so devised as to accelerate propensity to consume and the inducement to invest. Redistributive taxation may be attempted for achieving this purpose, maintaining a balanced budget. This will subserve the objective of preventing the community from saving in excess of current investment. When this policy is not sufficiently efficacious, the attempt to balance the budget may be given up and the State could indulge in deficit financing for controlling the unemployment potential in the economy.

Cyclical Variations

The cyclical variations in economic activity are another phenomenon requiring appropriate tax policy for maintaining equilibrium. Contra-cyclical budgeting is the device that is generally adopted to meet this situation. An automatic variation of taxes with the phases of the trade cycle is a feature of this tax structure. Tax reductions during depression and tax enhancement during booms are expected to neutralise the effects of a trade cycle. Fiscal policy may occasionally go beyond this by adopting the policy of pump-priming to aid rapid recovery from a depression. Apart from such cyclical variations, what are known as mature economies may also suffer from secular stagnation. It is generally manifested by a long period of declining propensity to consume. Compensatory spending as a remedy for it is now being included in the armoury of fiscal policy. If public expenditure to remedy the situation has to go beyond the limits of orthodox finance, the modern prescription of functional finance could also be adopted. It proves that taxation need not necessarily be a limiting factor of public expenditure. Thus, economic policy in all its varied forms could be subjected to fiscal control.

Monetary Policy

Monetary policy of a country also needs the support of appropriate tax measures. To cover inflationary and deflationary gaps and attain economic stability, it is necessary to regulate the spending power that is left with the taxpayers. So the function of taxation is not merely to acquire revenue for the State but also to control the purchasing power that is left in the hands of the taxpayer. The adoption of a cheap money policy by a government presupposes the application of certain anti-inflationary measures through the fiscal machinery. The imposition of heavy export duties after devaluation and taxes on expenditure in one form or another are meant to subserve this purpose. Similarly, the trade policy of a country can also be fostered by an appropriate fiscal policy. For the maintenance of the balance of payments, the imposition of tariffs to

restrict imports is essential. Protective policy for industrial development is an essential requisite of underdeveloped areas. Restriction of the export of raw materials through suitable export duties is another measure for the maintenance of the tempo of economic development within a country. Thus, monetary and trade policies are invariably aided by tax measures.

Incentives to work, save and invest could also be safeguarded by a suitable fiscal policy. An avoidance of very steep graduation of taxes on personal incomes is invariably actuated by motives directed towards the preservation of incentives for enterprise. The shift of emphasis to outlay taxes is essentially due to a desire to reduce the high taxes on income which are disincentive in their effect. Just as in the case of taxes on personal incomes, the taxes on corporate incomes are also adjusted in a manner that is conducive to development through reinvestment of profits. It may be in the form of a grant of higher depreciation allowance, a rebate on undistributed profits or a consideration for losses incurred by a corporation.

For the fostering of incentives to work, taxes should, as J. A. Hobson says, be made to fall on surplus instead of on costs. A distinction ought to be made between ability to pay and ability to serve. Any unearned increment may enhance the ability to pay which should necessarily be intercepted by the State. But earning through industry indicates the ability to serve among individuals and the tax measures ought not to interfere with this process.

Maximising Production

From the national standpoint, the maximisation of the gross national product is a significant objective and, towards the achievement of it, development rebates and tax holidays may be granted. From an institutional standpoint existence of excess capacity in a manufacturing establishment is a national loss. To reach installed capacity, appropriate tax measures can be devised. If corporate taxation is on the basis of a sliding scale, varying with output, there will be an encouragement to reach installed capacity. Even the location and structure of an industry can be determined by a suitable tax structure. Lower income-tax rates and local rates may be levied on establishments in a trading estate to induce location. To avoid integration of industry where it is not desirable, the single-point sales tax may be preferred to the multipoint system.

In the modern context, an important objective of taxation is to make it subserve the needs of planning. Planning presupposes a proper resource allocation and the attainment of certain priorities. Towards this end, there can be an exemption from income and corporate taxes in the initial years of the life of a corporation. There can also be differential rates of direct taxation according to the source of income. These measures are necessary for offering inducement in the private sector to make its development fall in line with the overall pattern of the Plan. A desired industrial structure, such as small and medium-scale industries in preference to mass produc-

tion, can also be attained by lower rates of direct taxation among them and through the grant of higher depreciation allowances.

The planned economy can also aim at fostering particular sectors of industry, such, for instance, as the labour-intensive methods of production. Their products could be exempted from excise duties and sales taxes. Cesses may be levied on products which compete with them and the revenue from it utilised for the development of small-scale industries, as is being done at present in India for the encouragement of handloom weaving.

Capital Formation

A high rate of capital formation is an essential condition of successful planning. The State has to appropriate increased incomes for investment in the public sector. This objective can be reached by lowering the exemption limit for taxation in order to prevent liberal consumption. Conversely, there should be an avoidance of a very steep progression in direct taxation for encouraging saving. Simultaneously, to prevent the diversion of investible funds, heavy taxes on luxuries can be imposed. Corporate savings meant for being ploughed back may be encouraged by a rebate on undistributed profits. It is not impossible to encourage risk and uncertainty bearing through fiscal policy, though so far it has not been attempted. Direct taxation could be made to vary with the degree of risk in each industrial enterprise. Finally, planning may also necessitate fiscal measures in the shape of protective tariff to insulate the national economy during the period of the gestation of its schemes.

Public Debts

One other objective of taxation is the servicing of public debts. High taxation may be levied for counteracting the inequality generated by the servicing of public debts. The burden of public debts depends on national income, the tax system and the dispersion of security holdings. An optimum public debt can be achieved only in conjunction with an appropriate tax structure. So the tax system should be such as to reduce the burden of public debt. National income is interdependent with taxation and hence taxation should not be made to fall on investible funds. Occasionally, there may even be a justification to make current revenue share the burden of economic development. In such a situation, taxation should be more than what current expenditure may warrant, thus preventing to some extent the growth of public debts.

From the foregoing account it should be obvious that taxation, in particular, and fiscal policy, in general, have varied objectives. With an increase in the number of national ideals, the responsibility of the tax structure has become greater. In the present context, it may not be wrong to say that all fiscal measures are instruments of public policy.

Kaldor's name is now almost a household word in India. He has made a few proposals for tax reform in India, based essentially on the ideas presented in his book on *Expenditure Tax*. With the background provided in the previous section, it may not be difficult to appreciate the objectives of his proposals. He has laid special emphasis on some of the purposes of taxation enumerated in the foregoing pages. At the outset, he emphasises the importance of encouraging economic growth in a country like India which is underdeveloped. He points out that economic growth depends on the proportion of the com-

THE ORIENT PAPER MILLS

MANUFACTURE

FOR PACKING:

- | | |
|--------------------------|----------------------|
| (a) M. G. RIBBED KRAFT | (c) WATERPROOF KRAFT |
| (b) M. F. UNRIBBED KRAFT | (d) CREPE KRAFT |

FOR WRITING AND PRINTING:

- | | |
|--------------------|-------------------|
| (a) WHITE PRINTING | (c) SEMI-BLEACHED |
| (b) CREAM LAID | (d) UNBLEACHED |

FOR PACKING AND WRAPPING:

BROWN WRAPPING

POLYTHENE COATED POLYKRAFT AND POLYBOARD

FOR MAKING BOXES, CARTONS, ETC.:

- | | |
|----------------------|------------------|
| (a) CARTON BOARD | (e) DUPLEX |
| (b) M. G. GREY BOARD | (f) CARTRIDGE |
| (c) M. F. GREY BOARD | (g) TICKET BOARD |
| (d) TRIPLEX | (h) COVER BOARD |

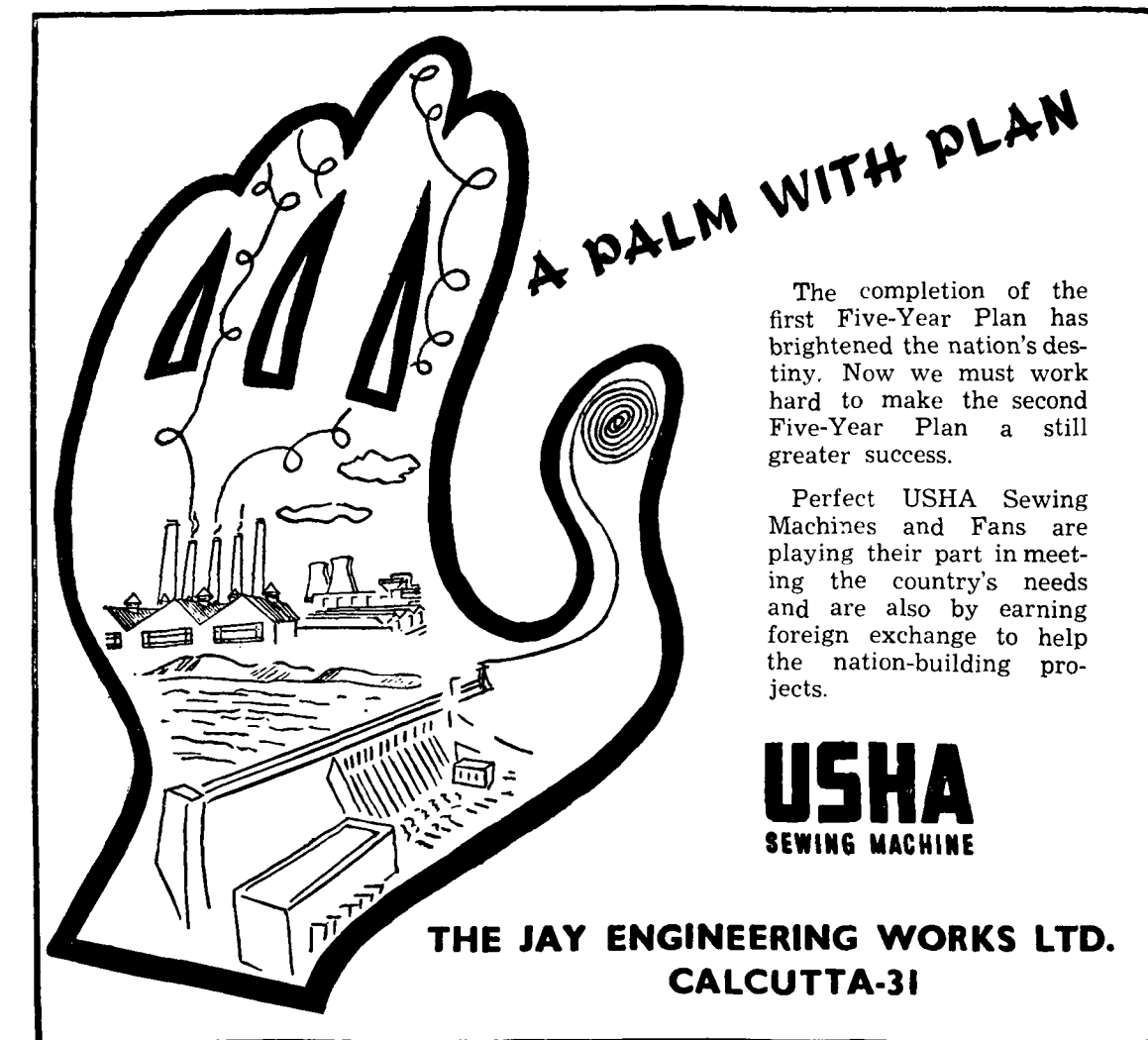
ORIENT PAPER MILLS, LIMITED

Managing Agents:

BIRLA BROTHERS PRIVATE LTD.

8, INDIA EXCHANGE PLACE, CALCUTTA 1.

Mills at: **BRAJRAJNAGAR (ORISSA)**



Bombay Agents:

M/S. BOMBAY PREMIER TRADING COMPANY

317, Dadabhoy Naoroji Road, Fort, Bombay-1

THE NATIONAL BANK OF INDIA, LIMITED

Established in India 1863. (Incorporated in the United Kingdom.)
The Liability of Members is Limited.
Registered in London under the Companies Act of 1862,
on 23rd March, 1866.

**BANKERS TO THE GOVERNMENT IN KENYA, UGANDA,
ZANZIBAR AND ADEN.**

Subscribed Capital - - - £4,562,500
Paid-up Capital - - - £2,851,563
Reserve Funds - - - £3,104,687

HEAD OFFICE: 26, Bishopsgate, London, E.C. 2
WEST END OFFICE: 13, ST. JAMES'S SQUARE, LONDON, S.W. 1

BRANCHES:

INDIA .. Calcutta, Calcutta Chowringhee, Bombay, Madras, Madras Mount Road, Bangalore, Amritsar, Kanpur (Cawnpore), Delhi, New Delhi, Tuticorin, Cochin.
PAKISTAN .. Karachi, Karachi Saddar, Lahore, Chittagong, Chittagong Agrabad Road, Narayanganj, Khulna.
BURMA .. Rangoon, Mandalay (not yet reopened).
CEYLON .. Colombo, Kandy, Nuwara Eliya.
ADEN .. Aden, Steamer Point Aden, Little Aden (Sub-Branch to Aden).
SOMALILAND PROTECTORATE .. Hargeisa, Berbera.
ZANZIBAR ISLAND .. Zanzibar.
TANGANYIKA TERRITORY .. Tanga, Dar-es-Salaam, Mwanza, Lindi, Moshi, Mtwara, Mikindani, (Sub-Branch to Mtwara), Bukoba, Mbeya.
KENYA .. Mombasa, Mombasa Kilindini Road, Nairobi, Nairobi Delamere Avenue, Nairobi Industrial Area, Nairobi River Road Branch, Kiambu (Sub-Branch to Nairobi), Thika, Fort Hall, Embu (Sub-Branch to Fort Hall), Karatina (Sub-Branch to Fort Hall), Nakuru, Naivasha (Sub-Branch to Nakuru), Kisumu, Kakamega (Sub-Branch to Kisumu), Kericho, Sotik (Sub-Branch to Kericho) Eldoret, Nyeri.
UGANDA .. Entebbe, Fort Portal, Kampala, Masaka, Mbarara, Jinja, Kamuli (Sub-Branch to Jinja), Mbale, Soroti, Tororo, Gulu.
Agency: GALLE, CEYLON Messrs. Clark, Spence & Co., Ltd.

BOARD OF DIRECTORS:

J. K. MICHIE, Esq., Chairman.
A. N. STUART, Esq., C.B.E., Deputy Chairman.
T. T. K. ALLAN, Esq. **W. G. LELY, Esq.**
N. W. CHISHOLM, Esq. **Rt. Hon. A. R. W. LOW, C.B.E., D.S.O., M.P.**
Rt. Hon. LORD COLGRAIN, M.C. **W. H. MILES, Esq.**
Sir H. G. COOPER, M.C., D.C.M. **A. M. McGRIGOR, Esq.**
E. J. MACKENZIE HAY, Esq. **Sir ROBERT N. REID, K.C.S.I., K.C.I.E.**
General Manager - - - **W. KERR**
Deputy General Manager - - - **G. T. GILLESPIE**
Assistant General Manager - - - **H. D. CAYLEY**

NORTH BRITISH AND MERCANTILE

INSURANCE CO., LTD.

(INCORPORATED IN GREAT BRITAIN)

★
Established in 1809
and for over 140 years a
GOOD COMPANY
for All Classes of General
INSURANCE

★
Branch Office:

"Macmillan Building," 276, Dr. Dadabhai Naoroji Rd.
BOMBAY 1

munity's income devoted to saving and capital accumulation. His main thesis, therefore, is that the fiscal policy should be such that it should facilitate saving and capital formation.

Equal emphasis is also placed by him on equity in taxation. The country, according to him, must proceed towards an egalitarian society retaining efficiency in operation and the rate of economic progress. Work incentives have to be fostered by keeping the marginal rates of taxation at a reasonable level. He is of opinion that steep progression is more injurious to work incentives than even the aggregate tax burden. He distinguishes between what he calls the income effect and the substitution effect of taxes, the former depending on the total amount taken in the form of taxes and the latter on the marginal rates of taxation. While the income effect may induce people to work harder if the aggregate tax burden is such as to cut into their standard of living the substitution effect may reduce the incentive to work by substituting leisure for increased income through greater effort.

Thus he argues for a reduction in the marginal rates of taxes, while making good the loss of revenue by other means. At a higher level of work risk taking is an essential feature which deserves to be encouraged. The inclusive type of income-tax is considered by him to be injurious to risk taking. While emphasising these objectives of taxation, Kaldor does not lose sight of the necessity for large revenues, particularly in view of the planning effort in the country, and suggests methods of preventing evasion.

Three Fundamentals

In laying such emphasis on a selected number of objectives of taxation, Kaldor is not cutting any new ground. His departure from his contemporaries consists in emphatically pointing out that these objectives cannot be achieved by merely raising the level of taxation or by lowering the exemption limit in order to bring within the tax net a larger percentage of population. According to him, three fundamental changes are essential for achieving the purpose. They are: a change in the tax-base, a broadening of the tax-base and a provision for a comprehensive tax return. Hitherto income has been the tax-base and Kaldor suggests that it must be substituted by an expenditure base. Since taxable capacity is the ultimate criterion for the imposition of taxes, it is indicated that income is a defective measurer of it. Taxable capacity means spending power and thus income is not the only measure of taxable capacity. Besides, income is not a stable base as it could often be converted to capital gains to escape taxation so long as the latter is exempt from taxes.

A tax on income, particularly when it is very steep, interferes with the incentive to work, earn, save and take risks. A tax on expenditure, according to him, does not discriminate against savings and risk bearing. It is also considered to be less disincentive in respect of work as compared with a progressive income-tax. It is claimed that expenditure is a better index of the individual's responsibility to compensate society. Kaldor quotes approvingly Hobbs from his *Leviathan* to show that it is by spending and not by earning that the citizens impose a burden on the rest of the community. Riotous spending is against social interest, but it cannot be successfully brought within the scope of commodity taxation, as it would necessitate a rearrangement of expenditure by the individual which may not be in the larger

interests of society. An expenditure tax obviates this difficulty and, if it is made progressive, it can equalise the standard of living much better than an income-tax.

His second suggestion of broadening the base of taxation claims equal importance, as any amount of pyramiding of taxes on a narrow base may neither give commensurate revenue nor cover the loopholes of evasion. Four important taxes are suggested for broadening the base, namely, a wealth tax, a capital gains tax, a gifts tax and an expenditure tax, in addition to the existing taxes on income. The purpose of an annual tax on wealth is to bring into charge many forms of wealth accrual which are now exempt from taxation. Such a tax would also eliminate the existing inequality of liability between income earners and property owners. It would also prevent the encouragement offered by the existing fiscal system to hoard wealth in unproductive forms. Capital gains are to be included in the concept of income to prevent the present practice of converting taxable income into tax-exempt capital appreciations.

Far-reaching

A reduced rate of income-tax would be applicable to all forms of capital appreciation, but when they are actually spent they would be subjected to the expenditure tax. While this would not act as a disincentive to saving, it would discourage dis-saving and at the same time broaden the base of taxation, reducing the opportunity for evasion. A gifts tax is proposed to prevent an escape from inheritance taxes through gifts *inter vivos*. The idea is to ultimately replace death duties by gifts taxes. An expenditure tax beyond a reasonable amount of expenditure for a family is proposed to augment the saving potential in a country. When such a broad tax-base is adopted the demand for a comprehensive tax return becomes meaningful. It would be self-checking in character and provide for larger tax revenue. In this theoretically neat scheme, Kaldor hopes to achieve the salutary objectives of taxation which he emphasises. The changes appear far-reaching, but the burden would be more equitably distributed. The weight of taxation would fall where it ought to and the ingenuity to evade would be more difficult to exercise.

Kaldor Criticised

Criticisms against his approach have emanated from various quarters. Academic opinion even in his own country has not always been in his favour. Prest, in an article in *Lloyds Bank Review*, points out that his emphasis on equity is non-economic. But the objectives of taxation could as well be political or social. Still it would be difficult to answer Prest when he asks whether equality of consumption should be the criterion of equity. Should fiscal policy aim at preventing the differences in the levels of spending? Perhaps equity is more intelligible in terms of income *ex-post* rather than levels of spending. In fact, the system proposed by Kaldor aims more at making people spend less than at making them work more. Kaldor, however, seems to think that his objective would be achieved, if he stopped people from spending in excess of current incomes.

Mrs. Hicks, in her article in the *Oxford Economic Papers*, is of the opinion that work incentives cannot be accentuated by a change in tax-base as proposed by Kaldor. She goes to the extent of saying that the expenditure tax proposed would be less work incentive than the existing British income-tax. Mrs. Hicks feels that there is always a necessity

for functional inequalities of income in a developing economy. The claim made by Kaldor that his structure of taxation would increase saving is also being refuted. Since there is an expenditure tax when people dis-save, it would cancel the advantage of a lower tax on income which may encourage saving. Besides, speculative investments may also be discouraged, as an expenditure of profits arising out of such transactions may attract heavy expenditure taxes.

Specific Points

There are also a few specific criticisms levelled against expenditure taxes as such. It is pointed out that it would be inequitable in the case of families which are large and have perforce to spend more than those that are small. Fluctuations in expenditure are more common than fluctuations in income and the incidence of the tax would be inequitable. Further, the expenditure tax may bear lightly on a richer man whose proportion of expenditure to his total income may be much smaller than in the case of those who are relatively poorer. It is also feared that the proposed exemption of savings from taxation through the system proposed may ultimately lead to greater inequalities as accumulations become easier.

Finally, criticisms are also levelled against the inclusion of capital gains in the concept of income. It is pointed out that capital gains are illusory if they are the result of mere money appreciation. Besides, capital gains may be a reflection of a fall in interest rates rather than a genuine rise in the value of income assets. It is also common knowledge that capital gains are invariably casual rather than regular to justify their inclusion in the normal category of income.

Kaldor Undaunted

Undaunted by any of the foregoing criticisms, Kaldor has made his proposals for India in his Report entitled "Indian Tax Reform." An expenditure tax is proposed for India in lieu of the super-tax, as was suggested by him for the United Kingdom. The justification offered for this is that economic considerations in an underdeveloped country like India require a restriction of personal spending. Since it cannot be attained by merely increasing income and property taxes, a tax on expenditure is to be levied. It is claimed that the only source of additional savings is from a reduction in personal consumption in relation to current incomes. It is proposed that the income-tax should have a maximum rate of seven annas in a rupee and there should be a differential tax on property in the shape of an annual tax on wealth. A combination of income and wealth taxes would be a better approximation to ability to pay than the reliance exclusively on income. A gifts tax is to replace the present Estate Duty in India. It is categorically stated that the incidence of such a tax would be on the legatee and so the rate of the tax must be determined in relation to the total wealth of the recipient including the gift. Kaldor claims that the expenditure tax and the wealth tax would mitigate the disincentive effects of the existing progressive income-tax.

That there should have been ground for surprise among the people for the implementation of such radical proposals is legitimate. In the budget presented in November 1956, the capital gains tax was imperceptibly introduced. In the usual budget presented in May 1957, the expenditure and wealth taxes have been introduced. India has gone one step beyond Kaldor in imposing a tax on corporate wealth. The gifts

tax has so far not been implemented, but there are sufficient warnings of its adoption in the near future. On the negative side, India has made no reduction in income and super taxes, except for some negligible concessions in respect of the middle income ranges. The marginal rate of the tax has been slightly lowered, but, at the other end, the exemption limit has been lowered, thus bringing within the tax net a larger number of earners.

Psychology

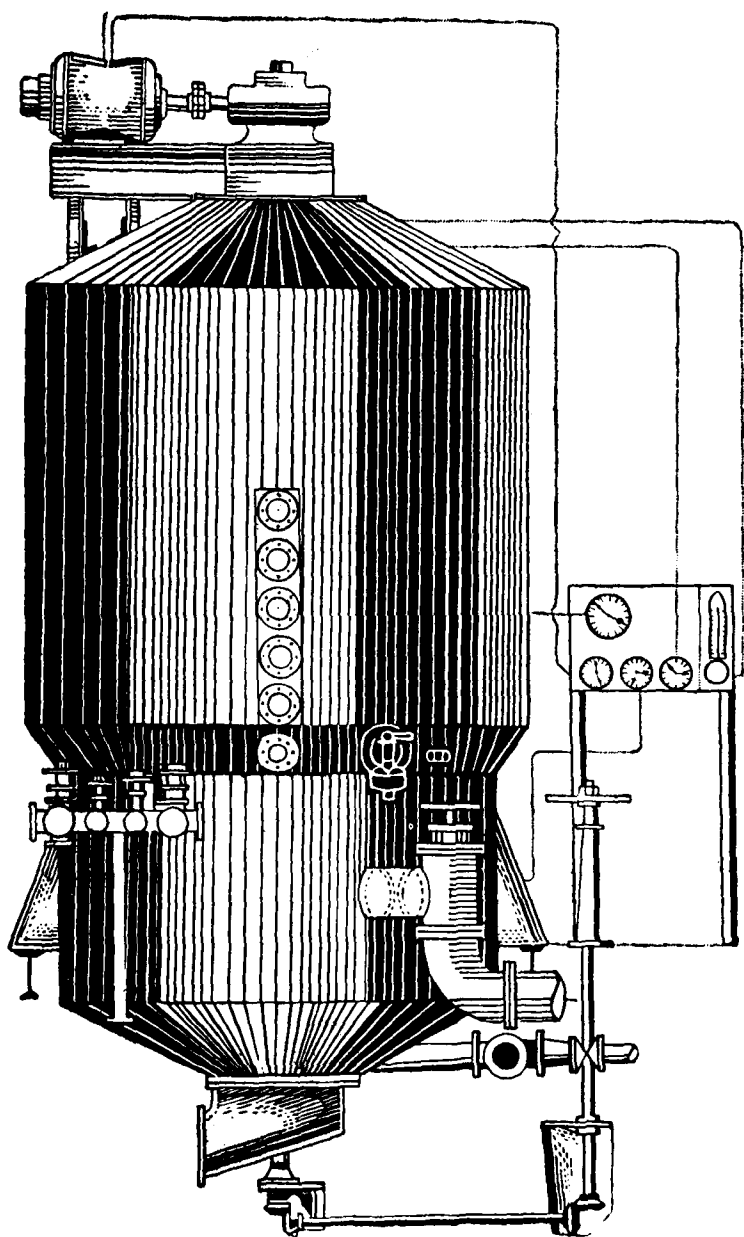
An assessment of Kaldor's proposals in the Indian context ceases to be merely an academic exercise. While in the case of all other countries of the world the proposals have remained only at the level of contemplation, in India they have found a testing ground. The repercussions of it may be widespread and far-reaching. Whether the time chosen for the experiment is appropriate or not is itself problematic. Perhaps, it is the very exigencies of the situation that have compelled the adoption of such a drastic change in the tax structure of the country. It is the pressure of the envisaged expenditure on the Plan which has actuated the implementation of any set of proposals which are likely to maximise the tax revenue. But it is reasonable to question whether the planned expenditure is inflexible and all other considerations of fiscal policy should be subordinated to it. This appears to be, perhaps, the weakest link in the chain of reasoning that has convinced the authorities about the propriety of the proposals. But a fiscal policy that places exclusive emphasis on maximising its revenues cannot be neutral in its effects and may be detrimental to the very purpose for which it is employed, namely, the execution of the Plan. It might undermine saving, investment and enterprise, a trio so essential for the success of the Plan. Theoretically, Kaldor has refuted this possibility, but, in the context of the existing Indian conditions and in a planning set-up where much reliance is placed on the contribution of the private sector, any deterioration in these economic factors is bound to have serious consequences. Apart from the actual weight of the taxes, the refinement of the tax structure may be beyond the comprehension of the ordinary individual. This would impose a psychological burden which may be more difficult to bear than the weight of the real burden imposed.

The Defect

Adaptation of a proposed scheme is a much more difficult process than of wholesale adoption. An expenditure tax without a reduction of income and super taxes was not contemplated by Kaldor. India has started the experiment not realising that a new balance in the tax structure could be attained only when the two sides of the equation are evenly matched. The prospect of its reduction in course of time, mildly stated, may never fructify.

The wealth tax on the assets of a company in excess of Rs. 5 lakhs is another departure from Kaldor. The only justification put forward for this is that it is necessitated by the peculiar economic structure in India. It might have been extremely helpful if this statement had been defined clearly. In the absence of it, each is left to guess the import of the statement. The theoretical justification of a tax on personal wealth is to make it act as a differential tax on property. A similar justification cannot be extended to a tax on the assets of a company which are being productively employed in the interests of the nation.

Even on personal wealth, the tax is likely to have a negative effect. (Continued on page 84)



THE first low head Vacuum Pan complete with Mechanical Circulator, fully manufactured in India by WALCHANDNAGAR INDUSTRIES LTD., is now working most satisfactorily at Walchandnagar.

Mechanical Circulators are manufactured to suit individual needs. The installation of the circulator improves the all-round performance of a Vacuum Pan. It reduces the Boiling Time from 15% to 50% depending on the type of massecuite boiled.

Chief Chemists, Chief Engineers and Sugar Technologists are cordially invited to Walchandnagar to inspect the working of this Pan.

For further particulars write to:

WALCHANDNAGAR INDUSTRIES LTD.,

Post: Walchandnagar - - - Dist: Poona

Tax Policy And Tax Reform in Recent Years

T.T.K.'s Criteria, A Queer Mixture of Conflicting Aims

By Prof. V. G. RAMAKRISHNA IYER, M.A.

THE role of taxation in a planned economy has been receiving increasing emphasis among the problems arising from the implementation of India's Five-year Plan. But official pronouncements have not so far been stated in a clear and compendious form about the criteria for tax policy. It is well, therefore, that Mr. T. T. Krishnamachari, Finance Minister to the Government of India, has stated the four main criteria by which to judge our taxation policy. These are:

- (1) sizable additions to public revenues;
- (2) incentives for larger earnings and more savings;
- (3) restriction of consumption over a wide field so as to check inflation and release resources for investment, and
- (4) initiation of changes in the tax structure such as can ensure responsiveness of tax yields to increased incomes and orderly development of the economy, with due regard to our social objectives.

Doubtless, the principal objectives of new taxation have been chosen with an eye to the present position in the country. It would be wrong, therefore, to claim any high degree of universality for them. The scale of the additions to revenue, efficacy in checking inflationary trends and accordance with social objectives are the three points out of the four which are too closely related to present conditions to have a wider validity. It is not always that a country has inflation to think of, while devising measures of new taxation or a scale of public expenditure out of proportion to current revenues or even the reduction of inequalities of income. And yet, to some extent, these special features of the fiscal and economic situation have come to stay. We seem to live in an age in which we can no longer say that inflation is a passing phenomenon. It is by no means an evil necessity only for undeveloped countries. It is not a mere legacy of the war period. It has little to do with the ideology of the party-in-power. Nearly all countries, whatever the stage of development or the political complexion of the Government, find themselves in the throes of inflation, because mankind has not found the way of maintaining or advancing economic development without generating in one way or another the forces of inflation. The same may be said, though to a lesser extent, of the needs of the Treasury and of the urge to reduce economic inequalities. If we consider each by itself, the four criteria suggested by the Finance Minister will seem reasonable and even necessary. In the context of our needs for financing the second Plan, any levy which may yield but two or three crores a year would hardly be worth Parliament's while to consider. We do need sizable additions to revenue. We can ill afford to blunt incentives to earnings and savings.

A Queer Combination

But these four principles taken together make a queer combination. Can it be claimed that every measure of new taxation adopted during the last one year or more satisfies all these four criteria? Or is it suggested that it is enough if a tax satisfies a reasonable number of them say, two out of the four? If the latter is the case, it would

prompt another question: Does a tax which satisfies a few of these tests, at the same time offend the others? Are all the four mutually consistent, or is a set of principles handed to us, which is individually unexceptionable but which are more or less incompatible when they are taken together?

The most dangerous of the present tendencies is to overlook the conflict between these objectives and to assume that a tax which appeals strongly on one ground is commendable, though perhaps to a degree, on the other three counts as well. Take, for instance, the excise duty imposed on cotton cloth last year. The addition to revenue was certainly of a sizable kind. It has also, in certain conditions, an anti-inflationary value. But is it also the kind of tax that can ensure the responsiveness of tax yields to increases in incomes? One must remember, in this context, the plea that the excise was levied, because the price of cotton cloth was already high and the tax would only divert the excessive profits from the industry and trade into the exchequer. But this would run counter to the claims that, it is an anti-inflationary measure, since it is only enough to deflate profits; there must be a decline in prices through a decline in demand or an increase in production. It helps inflation, inasmuch as it rules out the possibility of a decline in the price to the consumer, through the mills being content with a smaller margin of profits or through a reduction of costs consequent on an expansionary demand and production. By the same token, it offends against the principle of automatic increase in revenue, in step with the increases in national income. Since the increase in excises and the rates of excise duties form so large a part of the increase in the Central Government's revenues, it is pertinent to point out that a very large part of our taxation system is such as to put up the price of goods to the consumer and, therefore, belies the Government's claim to have given the fight against inflation the highest priority.

No Better Showing

The direct taxes, that is, the taxes on incomes and the taxes on capital wealth, do not make a better showing when they are judged by the criteria set out by the Finance Minister. In any approach to these taxes, we have, of course, to remember one essential point, namely, the importance of tax measures as a weapon against economic inequalities. In a country like India, where the inequalities are so wide, there is a strong *prima facie* case for steep progressive rates of taxation on income and, if we are so minded, on wealth, too. But this has to be balanced against the paramount economic consideration of providing sufficient incentives for increased earnings and savings. So long as taxes were confined to current incomes, the case for high rates of taxation on the upper brackets may be regarded as irrefutable. If all that the nation wanted was a less unequal distribution of wealth and income as they are now, nothing could be said against income taxes which leave but a small fraction of the rupee in the pockets of the taxpayer.

But that is no longer true. We want a fair rate of development and increase in the national income and

for this, more must be earned and saved. We want to continue to preserve private property in some form and make the most of a mixed economy, because opinion in the country has not changed sufficiently for more radical changes in economic sense, and impatient changes would cause serious disorganisation and economic loss to the people. What is more important, we have started to tax capital wealth as well. In these conditions, it would be hard to maintain that a progressively high rate of income-tax, a tax on wealth and expenditure in the upper grades, a system of heavy indirect levies on necessities, as well as luxuries, together make up a system which is best suited to our current needs.

While, no doubt, the wealth tax and the expenditure tax at the present rates are not a staggering burden on the classes concerned, they do raise the fear that our system of taxation is fast acquiring a disturbing similarity to the multi-point sales tax, inasmuch as income and goods are alike subject to exactions at every point in their circulation in our economic life. Horror of double taxation, no doubt, belongs to a bygone age. But one must try to visualise the impact of our tax system on the psychology and material prospects of a young man of medium means who inherits a fair sized property in land and in shares of good companies, who can function in our economy as an *entrepreneur*, instead of being a parasite, and who is capable of earning much more than he can get from his inherited wealth. He would be a brave man, indeed, who would contend that the burden of taxes to which he would be subject will not crush all incentive to production out of him. It may be that, at this stage, no Finance Minister can overlook the chances of getting twenty or thirty crores of rupees out of expenditure or wealth taxes. But it is quite a different thing to say that they take us nearer to a rational and well integrated system of taxation. It is a strange irony that, from the moment that the Taxation Enquiry Commission was appointed, the tendency to make unplanned additions to our taxes has been on the increase. If Mr. Chintaman Deshmukh took the cue from the Matthai Commission, Mr. T. T. Krishnamachari is ready to do the same with Prof. Kaldor. But the need for a comprehensive examination of our public finance, on both sides of the account, in the States as well as in the Centre, cannot be denied.

FISCAL POLICY AND ECONOMIC DEVELOPMENT

We may now refer briefly to the change which has taken place in the comparative elasticity of Central and State revenues. Before the war, the Government of India, with income-tax, customs and excise duties, had a comparatively elastic revenue system, while the Provinces, with land revenue and liquor excises had a relatively inelastic revenue system. The States still lean heavily on land revenue. Some of them still rely substantially on liquor excises but much less heavily than before. They now have sales tax and have also found that their taxes contain a considerable measure of elasticity. While the Central Government still has income-tax, customs and excise duties, it no longer has the exclusive use of two of these, namely, income-tax and excise duties. The sharing by State Governments in the proceeds of Central taxes and the institution of substantial grants by the Central Government for both general and specific purposes have, between

them, imparted a measure of elasticity to the State revenues, which was unknown to the Provinces in the pre-war period. Even in the taxes which are both collected and retained by the States, there is a greater degree of elasticity than was in evidence before the war. The really significant factors that make for the difference in elasticity in State revenues between the pre-war and post-war periods, are the increased share of the States in the elastic sources of Central revenues and the larger grants they now receive from the Central Government. To this extent, Central and State revenues really coalesce for purposes of the public finance of State Governments and the old antagonism between Central revenues and State revenues has, therefore, largely disappeared. In fact, the State Governments have now, thanks to the Finance Commission, a much greater financial interest in Central revenues than they had before and, to this extent, an integrated treatment of Indian public finance is now possible.

How far is it possible to use the tax mechanism for obtaining resources for India's economic development? In order to achieve this object, the tax system should aim at restraining consumption and stimulating investment and savings. If taxation tends to increase the volume of public investment and not to swell the administrative and non-development expenditure, additional public investment would take place at the expense not of private investment but of consumption. Hence what is required is a properly diversified scheme of taxation; that is, one having an adequacy of both depth and range. This means additional taxation of a wide range of luxury or semi-luxury products at fairly substantial rates accompanied by broad-based taxation of articles of mass consumption. In the words of the Taxation Commission, "the kind of tax system which would be best adapted to meet the requirements of the Indian economy, having regard to the development programme and the resources required for it, appears to be one which would increase the resources for investment available to the public sector with as small a diminution as practicable of investment in the private sector and which therefore is accompanied by the largest practicable restraint on consumption by all classes. Restraint on the consumption of higher income groups must, of course, be greater than in respect of low income groups."

Mere taxation of articles of luxury would not produce sufficient revenue. It will be necessary to extend excise and sales taxation to the consumption of lower income groups and of goods commonly classed as necessities. Though meagre living standards, frugal consumption levels and the low ratio of India's foreign trade to national income limit the scope for further taxation, the taxation Commission held the view that Indian taxation, on the basis of the existing structure and rates, has not fully tapped the taxable resources of the country. It should not, however, be concluded that the development programme should be financed wholly by taxes. Loans also have an important place in developmental finance. But financing a part of development by budgetary surpluses is a legitimate form of development finance and should, therefore, be employed in India to the fullest extent possible.

The other method of financing development programme is by incurring deficits. The extent to which deficit financing could be employed depends on the avoidance of inflation that is likely to be created by it. It is not correct to assume that all deficit financing would result in inflation. But there is no formula by which the amount of deficit financing could be determined. According to the Taxation Commission, in the light of present conditions and immediate trends in the economy, a moderate measure of deficit financing would not inflict any injury on the Indian economy. But, from the long-term point of view, it is necessary to enlarge the rate of taxation and borrowing in the financing of the development programme of the public sector and to minimise the rate of deficit financing.

A-I.I. can take it



WHEREVER it's got to go, send it by Air-India International. For we operate *thirteen* flights each week, serve *nineteen* cities directly, offer easy onward connections to every city in the world! Fly your cargo by A-I.I. It's quick, it's convenient—and so much, much less expensive in the long run!

- | | |
|---|--|
| 7 flights a week to London | 2 flights a week to Tokyo via Bangkok and Hong Kong |
| 5 flights a week to Beirut | 2 flights a week to Paris, Prague, Geneva, Dusseldorf, Zurich |
| 3 flights a week to Rome and Cairo | 1 flight a week to Sydney via Singapore and Darwin |
| 3 flights a week to Nairobi via Karachi and Aden | 1 flight a week to Damascus |

AIR-INDIA *International*

Cargo Department, Esplanade Mansion, Mahatma Gandhi Road, Bombay 1. Tel: 259191 & 259194



J. K. Organization is not content to rest on its laurels in a spirit of complacency. It is striving with all its vast resources at its command to meet the possible requirements of the country through various sectors.

COTTON TEXTILES

Dhoties—Sarees—Shirting—Longcloth—Coating—Mulls—Prints—Cotton Blankets in multi-check designs and colours and woollen finish—Mineral Khaki Drills—Tapestry—Canvas—Yarn, etc.

WOOLLEN TEXTILES

Woollen Worsteds—Cord Suitings—Tweed—Flannel—Serge—Knitting Wool—Rugs—Blankets, etc.

JUTE TEXTILES

Canvas—Hessian—Bags—Twine—Chair cloth.

HOSIERY

Underwears—Shirts—Knickers—Socks, etc.

ALUMINIUM

Alloys—Sheets—Circles—Coil of Strips—Shots—Expanded Metal—Notched Bars, etc.

STEEL

Bars—Rods—Steel Castings for Sugar Mills, Oil Mills and Railways.

ENGINEERING

Engineers' Files—Baling Hoops for Jute Mills and Cotton Mills, etc.

CHEMICALS

Heavy Acids, Chemicals, Disinfectants, Insecticides, Ayurvedic and Unani Medicines, etc.

PAINTS

Paints for Marine and Industrial requirements, Paints for Buildings and other uses. Enamels and Varnishes and Distempers.

SUGAR

Quality "Majholia" Sugar.

STRAWBOARDS

Strawboards, Mill Boards and Corrugated Boards.

PLASTICS

Electrical Fittings and other household utility materials, etc.

OIL-SOAP-ICE

Industrial Oils, Mustard Oil, Soaps.

SERVICES: COMMERCE - TRADE - INVESTMENT - BANKING - INSURANCE - IMPORT - EXPORT

J. K. ORGANIZATION

KANPUR • BOMBAY • CALCUTTA

India's Great Industrial Centres



In conclusion, we may sum up the main directions along which additional resources for development in the public sector might be secured. These are—an increase in income-tax partially offset by some reduction in the corporation tax with additional reliefs for savings and investment; an increase in excise duties; increase in tax revenue through adoption of suitable pricing policies; moderate land revenue surcharges; increase in rates and extension of territorial coverage of the agricultural income-tax; the more extensive adoption of property taxation and taxes on transfer of property by local bodies; increase in rates of sales tax in due course. Receipts from principal State undertakings like irrigation and electricity could also be improved.

The I.M.F. Report

The broad objectives in general and the financial implications in particular of the Indian Five-year Plan were reviewed by the I.M.F. Mission to India some years ago. The most important part of the Mission's recommendation relates to the problem of financing the Plan. The rate of investment which is proposed to be reached by 1955-56 (that is, 7 per cent. of national income, as compared with the 5 per cent. of the national income in 1950-51) has been described as the 'critical' level of investment necessary for the development of the country. Therefore, an "economy that cannot attain such a level of investment, by use of domestic and foreign resources, will stagnate. While some industries may grow, others will decline and the overall level of economic well-being may remain virtually unchanged."

The Mission observes that the progress of the States in achieving additional resources has often been disappointing and endorses the suggestions of the Planning Commission for raising additional resources through taxation—*increase in land tax, raising the rates of personal income-tax, heavier taxation of luxury goods, betterment taxes and increased irrigation and electricity rates.* But the limitations of these methods must be recognised. For instance, large amounts cannot be realised from consumption taxes on luxuries and semi-luxuries, without seriously depressing further the standard of living of the middle classes. In the case of land tax, systematic reassessment of land is a time-consuming process and it may not be possible to raise land revenue proportionately to the increase in agricultural prices.

If additional resources cannot be voluntarily raised in order to raise the rate of investment to the level of 7 per cent., then deficit financing, to a limited extent, seems to be inevitable, but the I.M.F. Mission warns against inflationary financing on the ground that such a policy will lead to a galloping inflation and thus defeat the whole objective of planning.

Prof. Kaldor's Report

Prof. Kaldor, the British economist, submitted to the Government of India certain proposals. Kaldor's approach to the problem has twofold objectives—the first is the raising of the additional tax revenue needed for the implementation of the second Five-Year Plan and the second is to change the character of the present tax system in India. It is noteworthy that the Taxation Enquiry Commission, headed by Dr. John Matthai, adopted a more or less similar approach to their task and, while in both the enquiries the tightening and broadening of the base of the tax system figure prominently, Prof. Kaldor outlines his arguments and conclusions with unreserved vigour. According to Kaldor, the problem of tax revenue from the point of view of the second Five-year Plan is of vaster magnitude than what is assumed in the Government's outline of the second Plan.

The financial assumptions of the second Plan include Rs. 450 crores by way of new taxation by the Centre and the States in the Plan period, deficit financing to the amount of Rs. 1,200 crores and an unfilled gap of Rs. 400 crores. Kaldor would like to effect a reduction in the size of deficit financing and considers an annual recourse to this method only to the extent of Rs. 150 crores as the safest limit. The maximum limit to deficit financing in the five-year period is to be Rs. 800 crores and new tax revenues must be found for a total of Rs. 1,250 crores in the Plan period or Rs. 250 crores a year and Kaldor confidently declares that such a target can be attained, given certain conditions and granting certain reforms and new levies. According to Kaldor, the present system of direct taxation in India is both inefficient and inequitable—inequitable because the present base of taxation, namely, income, is defective, and inefficient because the limited character of the information fur-

nished by the taxpayers and the absence in India of comprehensive reporting system on property transactions and income makes large-scale evasion easy.

In order to render the tax system both equitable and efficient, Kaldor suggests an integrated base of four taxes. The four taxes are: income-tax, capital gains tax, personal expenditure tax and the gift tax. And all these taxes are to be levied simultaneously on the basis of a single comprehensive return. (1) The maximum rate of income-tax is not to exceed 45 per cent. tax, against the present 92 per cent.; (2) the maximum rate of capital tax is to apply only to assets of capital value above Rs. 15 lakhs; (3) the maximum rate of personal expenditure is to apply to expenditure above Rs. 50,000 per annum per head; (4) the maximum of the gift tax is payable only by persons whose total estate, including the gifts, exceeds Rs. 40 lakhs.

The New Pattern of Taxation

The Indian Taxation Enquiry Commission (1954) suggested the main directions along which existing taxes could be made to yield additional revenue. In the Central sphere, these are an increase in income-tax (partially offset by some reduction in the corporation tax with additional relief to savings and investment), a substantial increase in excise taxes in respect of luxuries and semi-luxuries and even essentials, an increase in non-tax revenues through suitable pricing policies; in the State sphere, an increase in receipts through moderate land revenue surcharges, an increase in rates and extension of agricultural income-tax, more extensive adoption of property taxation and taxes on transfer of property, a widening of the coverage and increase in rates of sales tax, improving the receipts from principal State undertakings like electricity and irrigation schemes.

As regards fresh avenues of taxation, the Taxation Commission has not suggested any altogether new tax which was not included in one or other of the lists of the Seventh Schedule to the Constitution. It, however, considered certain new forms of taxation which might be capable of fruitful use in the future but not for immediate adoption, e.g., an annual tax on total wealth at a low rate as a complement to the income-tax, taxation of capital gains, taxation of unearned increment

in the value of land and other property, the excess profits tax, which it should be noted is valuable only in certain times as in war-time.

In his recent report on the Indian Taxation System, Prof. Kaldor, as already noted, suggested the introduction of several forms of direct taxation, one of which is the 'expenditure' tax. His suggestion is that this form of taxation should partially replace the existing income-tax so far as personal taxation is concerned. The idea of the expenditure tax is that 'expenditure' and not 'income' should be the basis of personal taxation and the advocates further claimed that it would encourage saving. But the validity of some of the economic concepts underlying the principle of the expenditure tax is open to question. The conclusion to be drawn is that much of what the expenditure tax seeks to achieve is capable of being achieved by a less drastic modification of the existing fiscal system.

Many Anomalies

Replying to the debate in the Rajya Sabha on the Wealth Tax Bill, which was passed by the House without altering a comma, the Union Finance Minister invited the members to accept the novel pattern of taxation he was evolving for the benefit of the second Five-year Plan. His new pattern, he claimed, provided sufficient incentives to people to earn and to save and discouraged those who merely sought to live on the income from their property. "Against this broad picture before us," he said, "of giving an incentive to a person to work and earn more, we would be unconcerned with particular individuals and their troubles." In thus dismissing all the criticisms levelled against the wealth and expenditure taxes as the grouse of interested individuals, the Finance Minister was less than just to the large section of the informed public who have expressed genuine concern about the effects of these taxes on the incentive to save and on capital formation which are so vital to the country at the moment. From the

point of view of encouraging saving, it would seem that the expenditure tax should be welcome, but it is obviously too crude an instrument for this purpose. The difficulties of administering the tax have been manifest from the numerous exemptions that had to be provided so as to exclude essential expenditure from the scope of the levy. But even so, there are a number of anomalies and injustices which will become increasingly apparent when the tax is in operation.

While the expenditure tax may work hardship in individual cases, the mischief of the wealth tax in the form in which it has been passed by Parliament will be more far-reaching. The Finance Minister has made no convincing case for its application to companies and its assertion that the tax will not affect investments in industry is not borne out by trends in the capital market. Not only have share values suffered a terrible slump since November last year, when Mr. Krishnamachari presented his mid-year budget, but there are unmistakable signs that the flow of capital into new issues has been reduced to a trickle. The Federation of Indian Chambers pointed out that, since November last year, the additions to the paid-up capital of all companies have been at a very much lower rate than previously. Between December 1956 and March 1957, the total increase in the paid-up capital of all companies was Rs. 6.46 crores, as against Rs. 11.08 crores in the corresponding period in 1955-56. In the first eight months of 1956-57, their paid-up capital increased at a monthly rate of Rs. 5.84 crores, whilst the monthly increase in the four months from December 1956 to March 1957, amounted to only Rs. 1.61 crores. The same dismal tale, is unfolded by the figures relating to capital issues. Applications for capital issues during the first quarter of this year have been about one-fourth of the total for the corresponding period in 1956. If the excess dividends tax, the compulsory deposit of reserves and the tax on bonus issues could have cumulatively such a crippling effect on new investment, is it to be expected that the wealth tax, which comes on top of them, will not further cramp new enterprise and investment? It is true that there has been mitigation of the rigour of the levy by the concession shown to new companies and shipping firms, but the general psychological effect of the tax will be severely to inhibit the desire to invest in industry or launch on new undertakings. The Finance Minister himself admitted in one of his numerous speeches this year that there had been no large fresh equity capital during the last four or five years and complained that "all this expansion in industry that is taking place is on credit finance and not backed by genuine investments." But an inevitable effect of the wealth tax on companies will be to drive them to a greater extent than hitherto to depend on borrowed funds instead of equity capital to finance development.

Tinkering with taxation is no substitute for a positive policy for the promotion of new investment and for encouraging saving. It is unfortunate that the Government, prompted, on the one hand, by a desire for revenue and, on the other, by egalitarian urges, has embarked on taxes the ultimate effect of which will be to undo all the beneficial results produced by their actions in earlier years in giving generous depreciation and development allowances and other tax reliefs to companies. It cannot be disputed that the country's economy is not strong enough to withstand the periodic shocks administered to the structure of taxation.—All Rights Reserved.

THE CHARTERED BANK

(Incorporated in England by Royal Charter, 1853)
(Liability of Stockholders Limited)

Capital (Authorised) - - - - - £4,400,000
Capital (Issued and Paid-up) - - - - - £4,385,798
Reserve Fund - - - - - £5,000,000

Branches throughout India, Pakistan and the East

Branches of THE EASTERN BANK LTD.,

a wholly owned subsidiary of the Chartered Bank, are established in Iraq, Bahrain, Qatar (Persian Gulf), Lebanon and Hadramaut and in India, Pakistan, Ceylon, Aden, Singapore and Malaya.

AFFILIATED BANK IN INDIA:

THE ALLAHABAD BANK LTD., with over 70 offices in India

The Bank offers a complete Overseas Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application.

The Bank's London Office undertakes Trusteeships and Executorships.

Head Office:

38, BISHOPSGATE, LONDON, E.C. 2

West End Branch: 28, Charles II St., Haymarket, London, S.W.1

Manchester Branch ... 52-54, Mosley Street
Liverpool Branch ... 28, Derby House, Exchange Buildings
New York Agency ... 65, Broadway, New York 6
Hamburg Agency ... Borsenbrücke 2A, Hamburg

Branches in Japan: Kobe, Osaka, Tokyo and Yokohama.

Branches in Cyprus: Famagusta, Kyrenia, Larnaca, Limassol, Nicosia and Paphos.

Branches in India: Amritsar, Bombay, Calcutta, Chowringhee (Calcutta), Cochin, Delhi, Kanpur, Kozhikode, Madras, New Delhi.

Branches in Pakistan: Karachi, Sadar (Karachi), Lahore, Lyallpur and Chittagong.

Branches in Aden Colony: Crater and Steamer Point.

Bombay Branch ... 23-25, MAHATMA GANDHI ROAD

G. DODDS, Manager.

HINDUSTHAN GENERAL INSURANCE SOCIETY LIMITED

for
Service and Security

Chairman: Dr. N. N. LAW, M.A., Ph.D.

Managing Director: Mr. P. N. TALUKDAR, M.A. (Cantab.)

BRANCHES AT:

BOMBAY	-	-	-	Dr. Dadabhai Naoroji Road, Fort
MADRAS	-	-	-	105, Armenian Street, G.T.
LUCKNOW	-	-	-	Hazratganj
KANPUR	-	-	-	Shyam Sunder Building, The Mall
NEW DELHI	-	-	-	64, Janapath
NAGPUR	-	-	-	Indian Mutual Building, Mount Road Ext.
INDORE	-	-	-	Sardar Buildings, 622, Jawahar Marg.
AHMEDABAD	-	-	-	Lal Darwaja
BARODA	-	-	-	Palace Road
GAUHATI	-	-	-	Panbazar
PATNA	-	-	-	Rajendra Path
KATIHAR	-	-	-	Amlatola
HYDERABAD	-	-	-	B-17-655, Station Road
CUTTACK	-	-	-	Cantonment Road
JALPAIGURI	-	-	-	Desbandhu Chittaranjan Road
COCHIN	-	-	-	XII/168, Jew Town
ASANSOL	-	-	-	Janaki Bhaban, East End, G. T. Road
DACCA	-	-	-	4, Chittaranjan Avenue
BANGALORE	-	-	-	8, Kempegowda Road

Head Office:

HINDUSTHAN BUILDINGS, CALCUTTA-13

**FIRE - MARINE - MOTOR
MISCELLANEOUS - ACCIDENT**

RAMTIRTH BRAHMI HAIR OIL

Hair and Brain Tonic

Ensures growth of healthy hair. Removes dandruff, protects scalp, increases memory and induces sound sleep. Useful to everyone in all seasons. Rs. 4/- for big bottle and Rs. 2/- for small bottle.

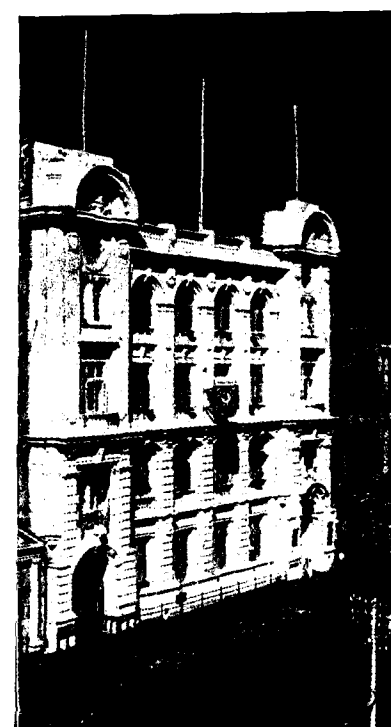
AVAILABLE EVERYWHERE



To be healthy and to keep fit, ask for our attractive ASANA CHART (MAP) showing YOGIC ASANAS, which will be sent on receipt of M.O. for Rs. 2/- including Postage. These ASANAS can easily be performed at home.

Yogic Classes are regularly conducted from 7-30 to 9-30 a.m. and evening from 6 to 7-30 p.m. at the address below. Lectures on every Sunday at 10 a.m.

SHRI RAMTIRTH YOGASHRAM
DADAR (CENTRAL RLY.), BOMBAY 14



Head Office: Calcutta

Balmer Lawrie & Co., Ltd.

MANUFACTURERS' REPRESENTATIVES BOTH
ABROAD AND IN INDIA

ELECTRICAL MECHANICAL STRUCTURAL
ENGINEERS

METAL OIL CEMENT AND BUILDING
MATERIAL MERCHANTS

PAPER FLOUR GALVANIZING CLEARING
FORWARDING AND TRAVEL AGENTS

TEA BUYERS AND EXPORTERS

Head Office: 21, Netaji Subhas Road, Calcutta-1

BRANCHES:

5, Graham Road, Ballard Estate, Bombay

1-5/B, Delhi Ajmeri Gate Expansion Scheme, New Delhi

Grand Trunk Road (West), Asansol

Established
1867

TO DRESS YOU BEAUTIFULLY

The connoisseurs in fashions can now meet their needs in JAMNAGAR'S patterned Suitings, Gabardines, Tropicals, Ladies' apparel in beautiful and choicest shades to suit every style and occasion at moderate prices

Guaranteed, All Wool

Jamnagar Fabrics

Comparable to any Foreign Manufacture

Manufactured by

SHREE DIGVIJAYA WOOLLEN MILLS LTD.

AERODROME ROAD, JAMNAGAR (Saurashtra)

A. V. THOMAS & CO., LTD.

(INCORPORATED IN TRAVANCORE)

Telephone: 625

Telegram: "THOM"

Head Office: ALLEPPEY

Branches: KOZHIKODE, COCHIN and QUILON

Managing Agents of:

THE HIGHLAND PRODUCE CO., LTD.

THE MIDLAND RUBBER & PRODUCE CO., LTD. (AND REDUCED)

THE NELLIAMPATHY TEA & PRODUCE CO., LTD.

THE RAJAGIRI RUBBER & PRODUCE CO., LTD.

THE AYURVEDIC PRODUCTS CO., LTD.

BRUNTON & CO., ENGINEERS, LTD.

THE KALPETTA ESTATES LTD.

Agents for:

THE ISTHMIAN LINES, INC., NEW YORK

THE EASTERN FEDERAL UNION INSURANCE CO., LTD., CALCUTTA

Distributors for:

THE FAMOUS GERMAN INSECTICIDES

Manufactured by

FARBENFABRIKEN BAYER A. G., LEVERKUSEN, GERMANY

EXPORTERS, IMPORTERS, CONSTRUCTIONAL ENGINEERS
SHIPPING AND FORWARDING AGENTS

WAREHOUSING—A NEW VENTURE

By M. R. SHARMA

SECRETARY, CENTRAL WAREHOUSING CORPORATION

WAREHOUSING sounds rather unfamiliar and rather new in this country. In spite of the efforts, so far made, it does not yet catch the public imagination. Not that the fundamentals are anything new or unknown. In this country, as anywhere else, storing which is warehousing in its simplest form has always formed an essential adjunct of the process of marketing. As marketing becomes more orderly, the process of storage has to become more and more specialised. Warehousing aims modernising. The process of storage and providing it with its other complements so as to achieve the specialisation, to cater to the need of orderly marketing.

The need for reorientation of the process of storage has been emphasised in our country by a number of committees and commissions. The Royal Commission on Agriculture focussed attention on our disorganised system of marketing. It was after this Commission that worthwhile attention has been paid to develop organised marketing of agricultural produce and the need for providing scientific storage has been felt. The Central Banking Enquiry Committee laid emphasis on warehousing which could provide the necessary machinery for the expansion of institutional rural credit. This was followed by the recommendations of the Marketing Sub-Committee, Co-operative Planning Committee and Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries.

The First Move

The first tangible move in this direction was, however, made by the Reserve Bank in 1944, when it appealed to all the State Governments to enact warehousing legislation. The Reserve Bank advocated this legislation and the setting up of warehouses, more specifically with the idea of creation of the warehouse receipt which enables its holder to obtain financial accommodation against it, apart from the object of providing all the other advantages such as scientific storage facilities, discontinuation of distress sales by producers, formulation and observance of grade standard, etc. But the appeal of the Reserve Bank did not break much ice, because neither was the legislation enacted in more than two or three States, nor did any warehouse come up even in these two or three States where legislation was enacted.

The causes of this inactivity were to some extent gone into by the Rural Banking Enquiry Committee in 1949 and it was generally agreed that private enterprise would be shy to take up this new business for many years to come and no progress would be possible without the active participation of the State in this new activity. The Committee had, therefore, recommended the Central Government, the State Governments and the Reserve Bank joining hands together to prop up this activity. The recommendations made by this Committee were accepted in principle by the three parties mentioned above. Only further examination was necessary as to the extent to which financial help should come from them. At this stage, the thread was taken up by the All-India Rural Credit Survey Committee, set up by the Reserve Bank in the year 1951 to go into the examination of the whole credit structure available for the rural economy. The question was

thoroughly gone into by this Committee and they recommended, with greater emphasis than the Rural Banking Enquiry Committee had done, that the State participation in warehousing was absolutely essential if the activity was to take a start and to take roots at all.

Machinery Established

The Report of the Rural Credit Survey Committee, which was published in December 1954, forms the basic plan of warehousing, as it stands today. The various recommendations of this Committee in respect of warehousing were fully accepted by the Government and a legislation, called the Agricultural Produce (Development and Warehousing) Corporations Act, based entirely on these recommendations, was passed by Parliament in June 1956, and became law on the 10th of that month. As a result of this legislation, the National Co-operative Development and Warehousing Board came into existence on 7th November 1956, the day on which it was inaugurated by the Prime Minister. This Board, which is a very high-powered body, consisting of 22 members drawn from Parliament and the important Ministries concerned of the Government of India, has two funds at its disposal, one for the development of co-operative activity throughout the country and the other for the development of warehousing. The Warehousing Fund has been initially constituted with a sum of Rs. 15 crores. Whereas the National Board is merely a policy-framing Board in these two fields, the execution of this policy so far as warehousing is concerned has to be undertaken by the Central Warehousing Corporation, which came into being on 2nd March 1957, under the provisions of the same legislation, under which the National Board has been created.

The Central Warehousing Corporation, which has its headquarters at New Delhi, has an authorised capital of Rs. 20 crores of which half has been issued at the time of its constitution, consisting of 100,000 shares of Rs. 1,000 each. This has to be subscribed to by the various bodies as shown below:

	Shares
(i) National Co-operative Development and Warehousing Board	40,000
(ii) State Bank of India	10,000
(iii) Other scheduled banks	12,500
(iv) Co-operative societies	2,500
(v) Insurance companies, investment trusts and other classes of financial institutions	30,000
(vi) Recognised associations and joint-stock companies dealing in agricultural produce	5,000

The share capital of the Central Warehousing Corporation is fully guaranteed by the Government of India as to the repayment of the principal and payment of annual dividend at the minimum rate of 3½ per cent. It is gratifying to note that the co-operative societies, which were intended to be the main active partners and the most benefiting sector of the community in this activity, have more than fulfilled their obligations. It is now under contemplation that the maximum limit of shares which the co-operative societies can subscribe to should be very substantially raised. The response from certain other categories has not, however, been very satisfactory, indicating mostly, we believe, the lack of understand-

ing of the prospect for this industry in the coming years. We believe that this misunderstanding will very shortly melt away.

Corporation's Programme

The Central Warehousing Corporation has a programme of setting up about 100 warehouses of capacities ranging upto 20,000 tons at places of all-India importance. These warehouses will accept all types of food and agricultural commodities such as oilseeds, cotton, jute, seeds, cattle fodders including concentrates and oilcakes, fertilisers and agricultural implements. All these warehouses will be structures of the latest designs constructed with a view to taking the fullest care of the commodities to be stored therein. Whereas the scientific storage which these warehouses will provide will be of the utmost importance, an equally important attraction for the depositors of goods in these warehouses will be the warehouse receipt which will be issued by the warehouseman, or the warehouse manager as he would be, at each warehouse. This receipt will be issued under the provisions of the licensing legislation in force in each State under which each warehouse will obtain a licence. The warehouse receipt is ultimately intended to be a fully negotiable instrument and the legal provisions to give it this status are at the moment under examination. Even as it is, the warehouse receipt is transferable by endorsement and can be pledged with the bank as a very safe and acceptable security for the purpose of obtaining loans from the State Bank of India, any of the Scheduled Banks or the District Co-operative Banks. Arrangements have been made to see that, wherever the holder of a warehouse receipt goes to a bank to obtain loan against it, the bank not only accepts it most readily for this purpose, but would be prepared to consider as far as possible the advancing of loans against it at a concessional rate as against the rates prevalent for loans obtained against hypothecation of goods.

Beginning Already Made

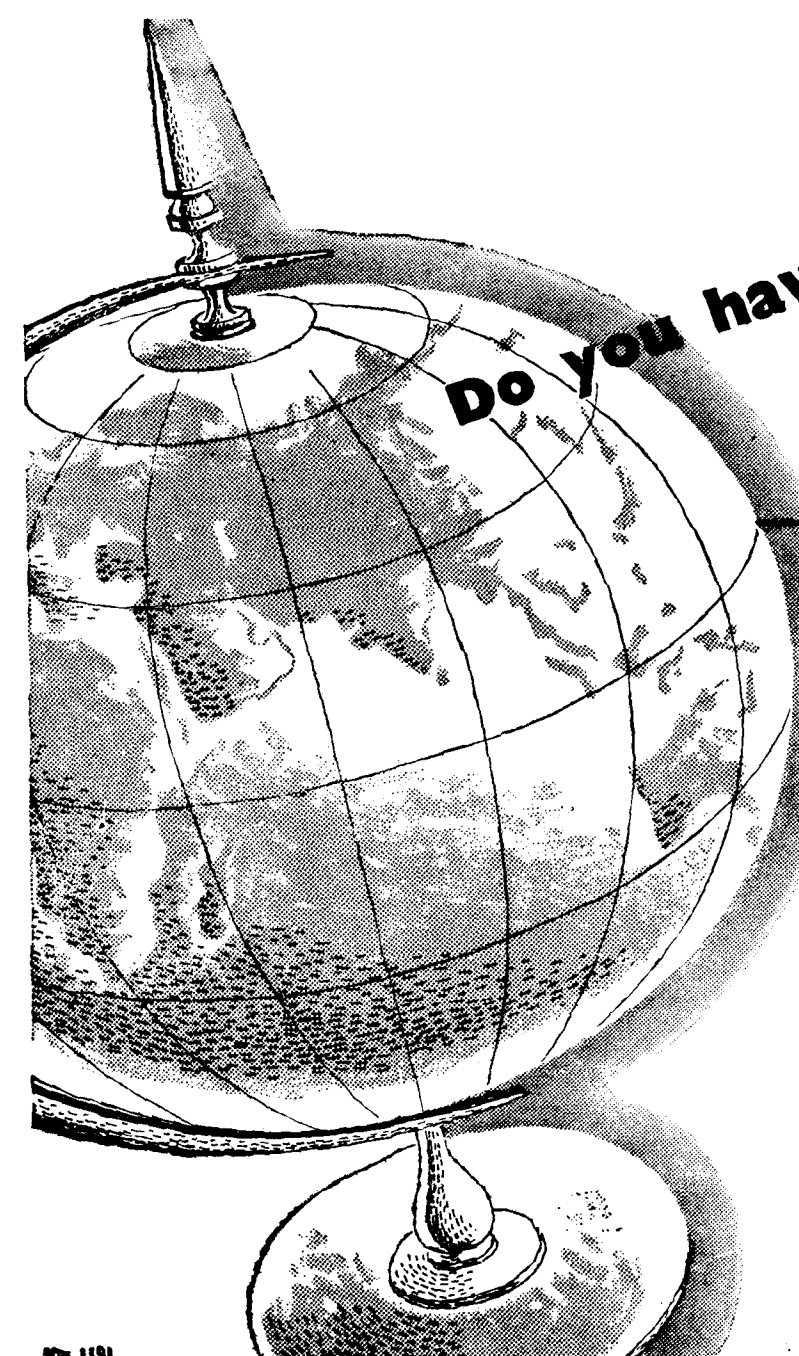
I should, I think, step out of this talk of theory and planning and give readers an idea of what has been achieved so far. We have already decided that warehouses at seven places must start functioning with effect from the 1st December 1957. These seven places are Sangli, Amravati and Gondia (Bhandara district) in Bombay State, Gadag and Davangere in Mysore State, Bargarh (district Sambalpur) in Orissa State and one centre in Andhra Pradesh. To make a quick start and gain practical experience for quicker implementation of the remaining programme to be completed in the second Five-year Plan period, it has been decided to make a start with hired accommodation so that the warehouses to be put up, i.e., those which will function in the modern structures which I have referred to above, are free, so far as possible, from the shortcomings and mistakes which usually accompany new experiments. Not that the accommodation taken on hire is not worth a look at. This is the best that was available at those places. And, although it provides smaller accommodation than was intended to be provided by a warehouse of the Central Warehousing Corporation, it will nonetheless give all the protection and care that is necessary to take.

The first batch of personnel to man all these seven warehouses was recruited in October and went through an intensive course of training at New Delhi starting on 24th October 1957. A number of Central Government Departments joined hands to make this short course of training as intensive and thorough as possible. This training course was over on 21st November 1957, and was rounded up with addresses from the Minister for Co-operation, Dr. Punjabrao S. Deshmukh, and the Minister for Community Development, Mr. S. K. Dey. This first batch of warehousemen has already taken up positions at various warehouses mentioned and after a period of intensive exploratory arrangements have gone into action, with effect from 1st December, after the inauguration of the warehouses. It would not be possible for these pilot warehouses, if I may term them so, to take care of all possible commodities grown in these areas, but all important commodities such as turmeric and groundnut at Sangli, groundnut and *jowar* at Gadag, Davangere and Amravati, rice and paddy at Bargarh and Gondia, will be accepted to start with. The warehouse charges are going to be attractive enough to the customers, and are not likely to exceed the market charges payable at present, taking into consideration the advantages which our warehouse will offer as against the customary storage. All warehouse buildings and all goods kept therein will be insured against fire and theft and the warehouse facilities will be available to the customers at reasonable terms at all reasonable hours.

State Warehousing

Apart from the Central Warehousing Corporation which will set up warehouses at rather more important centres in the country, each State, except the State of Jammu and Kashmir, which does not fall within the purview of the Agricultural Produce (Development and Warehousing) Corporations Act, referred to above, will have a State Warehousing Corporation with the object of starting warehouses at centres of district level. The State Warehousing Corporation will be financed generally by the State Government concerned and the Central Warehousing Corporation in equal proportions. Thirteen State Warehousing Corporations are expected to set up about 250 warehouses at centres of district importance with a capacity ranging upto 10,000 tons. Corporations have already been set up in the State of Bihar and Bombay and are in the course of being set up in Mysore, Madras, Madhya Pradesh, Punjab, West Bengal and Orissa.

The facilities offered by warehouses of the Central Warehousing Corporation or for that matter of the State Corporation are not meant to be restricted to any particular sector of the community. All the producers, their societies and the merchants are equally welcome. And it is to all our prospective users as, of course, to others that we appeal for co-operation and understanding. As I have said above, any new venture has to come up against prejudices, apathy and indifference. Those of us, therefore, who are convinced of the real benefits of warehousing have to work with almost missionary zeal to make this new venture a success.—All Rights Reserved.



Do you have business overseas?

If you are engaged in the export and import trades, then you could not do better than to entrust your banking business to the Indian Overseas Bank. With branches in India, Burma, Ceylon, Malaya, Thailand and Hong Kong and correspondents at all important commercial centres of the world, the Indian Overseas Bank offers you a complete Banking Service.

Our agents will be glad to give you comprehensive information on trading conditions, expedite your foreign exchange transactions, and aid you in many ways to develop and expand your trade outlets.

THE INDIAN OVERSEAS BANK LIMITED
MADRAS

Branches at: Bombay - Calcutta - Madras - New Delhi - Hyderabad and throughout South India

Overseas Branches: Rangoon - Colombo - Ipoh - Kuala Lumpur - Penang - Singapore - Malacca - Bangkok - Hong Kong

M. Ct. Muthiah
Chairman

C. P. Dorakannu
General Manager

Towards A Rational Public Pay Policy

Some Basic Principles of the Problem Examined

By Dr. M. H. GOPAL

PROFESSOR OF ECONOMICS, FORD FOUNDATION UNIT, MADRAS UNIVERSITY

JUST as it was the Railway Services mainly that initiated the pay enquiry of 1946-47, the Posts and Telegraphs have been largely responsible for the Das Commission of 1957. This new enquiry, hardly ten years after the Varadachariar Report, raises the doubt whether the major issues in pay fixation are really so difficult of solution as to recur. In India, as elsewhere, e.g., U.K., repeated enquiries have been made into the problem. The Aitchison Commission of 1886, the Meston Report of 1908, the Islington Enquiry of 1912, the Lee Commission of 1922, the Rau Report of 1940, the Rajadhyaksha Award of 1946, etc., as well as the numerous provincial enquiries, such as the Mysore Pay Committee Report of 1956, have tackled one or other aspect of the problem of employee remuneration either comprehensively or in parts.

The Indian Central Pay Commission of 1946-47 produced a sizable report with detailed departmental analysis, but the question has again raised its head. The repeated resurgence of the problem, in India in particular, may be ascribed to the technically unsatisfactory approach of the Government and the Commissions alike to the basic issues. Below, I shall first set the problem, next analyse the approach of the last Pay Commission and finally discuss some basic principles.

Problems Posed

The Government at different levels—Union, State and local—is the largest single employer whose problems may be put thus: How should the remuneration of public servants be fixed in a developing, dynamic economy? How far is the question merely economic? Are there any underlying, long-term principles? When these principles are applied in any environment, what is the pattern of pay structure that would emerge? As price levels and costs of living change, what adjustments should be made and how? Rising prices, e.g., during the war and since 1950, only emphasise these issues, for, even at other times, the adequacy of public salaries has always been in dispute.

In answering these questions, let us first assess the drawbacks of the Varadachariar Commission's findings. This voluminous report (436 pages) deals, in Part II, with general considerations regarding basic remuneration and the extras, and in Part III, with departmental details. But there does not appear to be much of dovetailing of the two. In discussing general considerations, a number of factors were touched upon*, but no clear-cut principles of long-term value and capable of general application was evolved. Further, no enquiry into the comparable wage trends was made, nor was the suggested salary base related to the prevailing wage level. Moreover, the terms of reference confined the enquiry to Central Services (para 5), thereby overlooking the fact that underlying principles cannot differ whatever the service is. Finally, although some attention was paid, the Varadachariar Report did not sufficiently emphasise the influence of classification on pay scales, nor did it view the problem in its broader setting of the national economy.

* Most of these were anticipated in my brochure: *Basis of Public Salaries* (1946), cited in the Report.

An attempt is made below to suggest a framework of principles applicable in any context.

Public employees constitute the foundation on which a government functions. In recent years, these functions and functionaries have been increasing in variety and numbers, while the administrative technique itself is becoming complicated and elaborate. This trend will, in the years to come, become more marked in a developing and socialistic economy. As the complexities increase, high levels of efficiency and integrity at all levels become essential and can be attained only in terms of well-defined standards which recognise the recurrent environmental situations. On this hypothesis, gratuitous services on a large-scale are of little account, except for their 'demonstration effect.' Adequate return for services becomes a *sine qua non* of good administration.

Three Principles

A sound basis of remuneration is a resultant of three separate but interdependent principles: efficiency, compensation and economy.

Efficiency is the bedrock of administration at all levels—from the errand boy to the Senior Secretary. As the Gorwala Report pointed out, efficiency in Indian administration "is undoubtedly impaired," whatever the cause, and "there is considerable room for improvement." Many factors influence efficiency: for example, simplification of departmental procedure, horizontal co-ordination between departments and decentralisation of responsibility. Classification of duties and personnel, however, is the main plank of efficiency, and is equally the prerequisite of any compensation plan. To optimise efficiency and economise total cost, as much as to simplify the salary structure, classification should be of positions rather than of persons and should have few but defined classes. The classical economic concept of 'non-competing groups' of labour based on the degree of mental/physical-cum-responsibility relationship would give four broad classes which may be adapted and further divided into sub-groups to suit administrative convenience. Three types of considerations would underlie this grouping—cost of training, degree of responsibility and value of service. A broad grouping as in Britain—the Higher Administrative or Directional; Executive; Clerical; and Manipulative—may be adopted. The consultant and technical personnel can be fitted into the first two categories.

Test of Adequacy

To the State, the problem of salaries narrows down to the degree of efficiency in terms of lower total costs and of the cost per unit of work. To the employee, however, the rate of remuneration in itself is the single important consideration. In the long run, the quality of men and the level of efficiency will tend to approach the corresponding salary level. "The employer should pay," observed the Anderson Committee in 1923, "what is necessary to recruit and to retain an efficient staff." In other words, a salary scheme should first satisfy the test of adequacy, i.e., the average level of compensation should be adequate to the type of work expected. As the Joint Consultative Committee in Britain put

it: "The basis of remuneration in the civil service should be such as is sufficient to recruit men appropriate to particular duties and retain in the services without losing their keenness or efficiency."

Inadequate compensation would lead to labour turnover and induce trained men to seek employment elsewhere and to replacement by less efficient staff, leading to progressive demoralisation, higher costs of recruiting new employees and increased operational expenses. Of greater administrative importance is the breakdown of morale among the rank and file. Even a casual acquaintance with many public offices in India today would bear this out. Further, as in the Post and Telegraph Department in India and in many other public offices elsewhere, trade unionism would develop and result in strikes and lockouts. The remedy for unionism is not prohibitory legislation but adequate remuneration. What, perhaps, is of greater consequence to the nation is the danger of political regime. Political neutrality of public employees, as such, is the *sine qua non* of administrative stability. Insufficient compensation may tempt the loyalty of employees, which is all the more likely in countries on the threshold of democracy and where high traditions of administrative loyalty have still to be built up.

Model Employer

Adequacy, however, does not mean either the State should be a 'model employer' or should be 'liberal' in paying its servants. If the theory of 'model employer' is accepted, there would be no limit to the misuse of the opportunity by the administration to help itself. It is also a fallacy to equate the prestige of the State or the dignity of an office with salary. Even the Varadachariar Report accepted that "though this [dignity] cannot be made a fetish of in this democratic age, it cannot be wholly ignored." Such an idea is true of a non-modern environment. Nor is the argument of 'social justice' advanced in a Welfare State a sound basis; for it would reduce itself to profit-sharing by a section of the citizens, and there are, moreover, more effective ways of reducing inequalities.

The basis of adequacy, therefore, should be sought elsewhere. It has, in fact, two aspects—a long-term socio-economic one providing a permanent framework applicable in any environment and requiring reconsideration only at long intervals; the other, a short-term aspect largely economic in character, lending itself to, and needing frequent adjustments, particularly in a developing economy. So far, the Pay Commissions have overlooked this fundamental distinction. The Varadachariar Report, no doubt, dealt with some of the factors influencing these facets, but did not isolate the two aspects. It even related salaries to factors of a temporary or passing character. When these two aspects are separated and the basic structure evolved, their application becomes more a matter of executive action than for a policy-making body like a commission.

The long-term aspect represents a clear economic principle related to five variables: (1) prevailing wage rates, (2) national minimum levels of living, (3) per capita income, (4) basic price level, and (5) minor considerations such as equity of pay

and conditions of work. In its application, the principle is modified by the social objective that public servants in a Welfare State should be no helots and that the condition and character of the Service must mirror the new social system in which it operates. As President Roosevelt's Committee on Administrative Management put it: "Government is a human institution... Its reorganisation is a human task and must be approached as a problem of morale and personnel fully as such as a task of logic and management." The economic principle represents the logic or technique and the social objective, the philosophy or human side of the test of adequacy.

Let us pursue the principle further. If efficiency and its counterpart economy are to be realised, the fact must be faced that public employees are mere wage earners, constituting a part of the labour force in the community. As such, the economic considerations underlying wage fixation in general would, *mutatis mutandis*, hold good in the case of salaries.

Wages are determined by the principle of marginal productivity; and, in a free market, equilibrium in the distribution of the labour force among competing demands postulates that the net advantages of employment in different places and sectors should be equal. To the State, marginal productivity and to the employee net advantage underlie public salaries; and to say, as the Varadachariar Commission did, that "the influence of the law of demand and supply cannot be wholly ignored" (italics mine) is a great understatement. Underestimating the importance of the market can only result in the grave consequences associated with inadequate salaries.

Potential Mobility

For the demand for labour publicly employed is essentially aggregative comparing the demands of the public and private employers, independent professions and business openings. This basic fact that there are rival demands and that, as the economy develops, the intensity of competition for the labour force increases, should underlie all considerations of salaries. If the pay structure is to endure well and long, it must, as the Tomlin Commission remarked, "compare well with the rates of remuneration and other conditions of services normally available outside the public service in competing occupations." This emphasises the initial requirement, in any enquiry, of ascertaining the structure and trends in wage levels, in general, and the need to avoid marked disparity between public and private remunerations. Otherwise, what is true of the U.S.A. would become true in India: "One result is to place the public service in the position of a trained agency for private employers." Perhaps, the opportunities for independent professions and business openings are few today, but, in mixed economies, the opportunities will increase geometrically. Potential mobility, therefore, is the ultimate sanction for the inter-relation of salaries and wage rates. Any neglect to assess the trend of wages in relation to their effect on public salaries is a grave risk to take.

In addition to the prevailing wage rates and as a factor underlying

THE BOMBAY DYEING & MANUFACTURING COMPANY, LIMITED

(ESTABLISHED 1879)

ONE OF THE OLDEST AND LARGEST

TEXTILE EXPORTING CONCERNS IN THE COUNTRY

EQUIPPED WITH

225,880 - Spindles
4,911 - Looms

PRODUCING ANNUALLY

5 million Lbs. of Saleable Yarn
88 million Yards of Cloth

Manufacturers of:

Yarn counts from 8s to 50s, grey, bleached and dyed; also waste yarn. All types of cloth, grey, bleached, dyed and printed, flannelettes and cotton waste blankets.



Managing Agents:

MESSRS. NOWROSJEE WADIA & SONS (PRIVATE) LTD.
BOMBAY 1



**FOUR
A
C
E
S**

U. P. C. C. is efficiently co-operating to help make India more and more self-sufficient in FOUR vital directions:

Agriculture

In food production, the Fordson Major Tractor is matchless in superiority—over 2,500,000 of them have PROVED that.

Haulage

Efficient and economical—the Fordson Major Tractor has PROVED that same matchless superiority in the matter of haulage.

Communication

Malcolm Moore Road Rollers and allied Road Building equipment are making more roads, better roads throughout India.

Refractory

"The most remarkable yet," Sillimanite (from the Khasi hills) is the world's only natural refractory—durable.

THE UNITED PROVINCES COMMERCIAL CORPORATION.

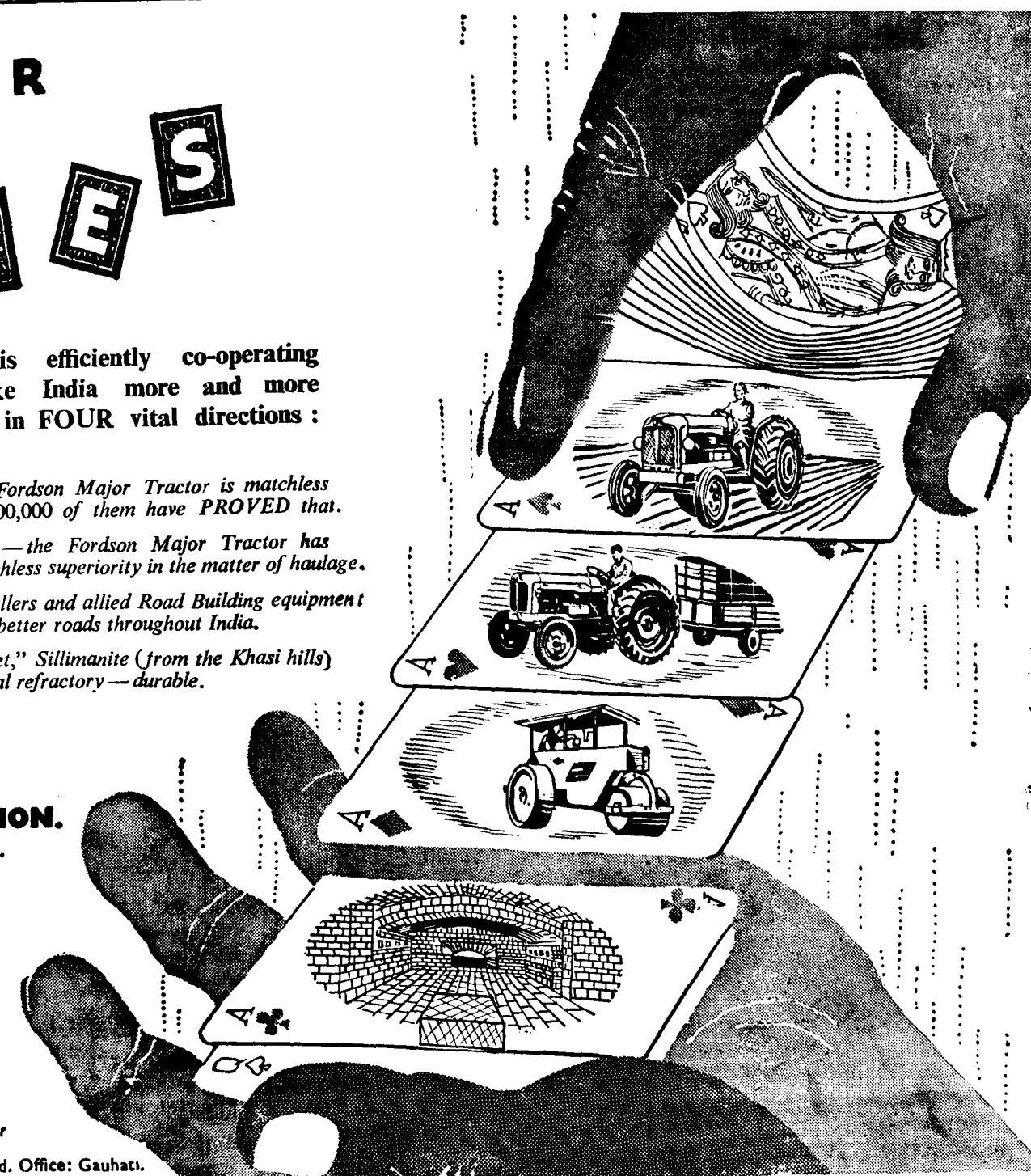
6, Ganesh Chandra Avenue, Calcutta-13.



Manufacturers of
Malcolm Moore
Road Rollers in
India.

Also Managing Agents for

ASSAM SILLIMANITE LTD. Regd. Office: Gauhati.



them, the supply price of labour is another influence on salaries. This comprises the initial cost of training, which differs in different categories of employment and constitutes the minimum price to be paid. The cost of living of the labourer and his family comprises the maintenance cost and depends on changing price levels and living standards. In the long run, it forms part of the prime supply price; in the short run, it accounts for the necessary adjustments to price indices, and, therefore, it differs in different areas and groups and at different times. There is, finally, the efficiency cost comprising the investments on further training, to prevent the pattern of administration and level of efficiency from remaining static. A salary scheme must necessarily consider these aspects of the supply price.

Competitive Market

The foregoing analysis emphasises that any long-term satisfactory salary framework must be closely related to, though not completely merged with, the competitive market. To quote the Tomlin Commission: "Civil service remuneration should reflect what may be described as the long-term trend, both in wage levels and in the economic conditions of the country." Further, this suggests that, in order to relate public salaries with market wages, a Pay Commission should, as an essential preliminary, ascertain the prevailing rates and the direction of changes in comparable occupations. It should also ascertain if changes in public salaries in the last decade reflect the general trend of basic wage levels and allowances.

The second determinant of a long-term compensation frame is the national minimum level of living. This is partly based on socio-political influences—on what the Welfare State considers its citizens should have. From the more objective economic point of view, the minimum level of efficiency envisages certain basic requirements. At the 1939 price level, the minimum cost of food was estimated at Rs. 65 per adult and along with other items, such as clothing and rent, the total would perhaps be Rs. 110. As the average Indian family consists of four adult units, the income required to be on the national minimum level should be about Rs. 440. Any payment less than that would be tantamount to sweating labour by the State. In other words, at 1939 prices, the salary floor would be about Rs. 40 per month. The actual amount may be disputed, but not the general principle that remuneration should be adequate to secure freedom from want.

National Income

The third facet of the principle of compensation provides a ratio between the floor level of salaries and national income. Along with the private individual, the public servant also contributes to the Gross National Product, but while the former—business man or employee—claims and gets his share, the latter must look up to the State for his share. Although there is no economic or logical guide to determine the ratio between national income and salary levels, experience in advanced countries indicates that the operative range is between 1.3 and 3.5 times the *per capita* income.* As the minimum of subsistence is a variable, not wholly dependent on income, the ratio of the salary floor to *per capita* income would, in poor countries, be necessarily high and, perhaps, about three times the *per capita* income.

The acceptance of this relationship between the lowest salary and

*Vide for details, the author's brochure on *Public Salaries*.

the *per capita* income at 3:1 or round about, provides an objective and easily applicable criterion in fixing the floor level in India. As national income in constant prices tends to increase in a developing economy, the floor salary increases in amount, but not at the same rate as income, because a part of the increase has to be diverted for capital formation. Even here, a rough objective standard may be suggested, namely, the increase in the ratio may be half of the increase in the rate of the national income until the amount of basic minimum pay reaches the desired national level of living. The lower brackets of salaries should be consciously pushed up commensurate with the national income and public revenues. A decennial readjustment can be made through executive action.

On the application of this criterion of compensation, the minimum basic salary in 1956-57 should be about Rs. 70—national income *per capita* being taken at Rs. 270 in 1948-49 prices.

Regarding salary ceilings, there are three indicators of a socio-economic nature: (1) the experience of other countries, (2) the trend in private employment, and (3) social policy related to levels of living.

In Real Terms

In other countries, the maximum salary in terms of *per capita* income ranged in pre-war days from fivefold in Canada to fiftyfold in Germany. In the U.K., France and South Africa, it was 37, 40 and 29 times, respectively, while in the U.S.A. it was sixteenfold. But, in India, it was of the order of 480 times the *per capita* income. In post-war years, the *per capita* income has risen in money terms to about Rs. 270 but the highest salary is approximately of the same order as in 1939; this would give a current ratio of about 120. A markedly lower ratio than the prevalent one is needed, because of the poverty of the people, the foreign tradition in salary levels and the relatively low costs of living in India; but no less is the need for a higher ratio than in other countries because of the accustomed salary levels, of the need to recruit and retain good talent in public service and of the prospective competition for talent from the private sector. Perhaps, the ratio of 90-100 times the *per capita* income would not be too much. This would also bear a fair relation to the floor level of salaries, that is, 30 times as much, giving a ceiling of Rs. 2,000 per mensem. This relation between the floor and ceiling salaries would be twice as much as in pre-war France and Germany and nearly three times as in the U.S.A. and Canada. The ceiling, however, in terms of amount would automatically go up as national income increases and the competitive market forces get keener.

The factor of private employment suggests a very much higher level. In recent years, private employers have introduced retirement benefits, pensions, free medical and other amenities which had been for long the attractions in Government service. At the same time, the work of the higher civil servant has become complex and more voluminous; hours of work are long and punishing; and leisure is absent. While wide diversities should not exist between private and public employment, and while the civil servant should not be put on markedly lower standards of living than those of comparable status outside, salary relativities should be placed against career relativities and those of imponderables in public employ. The civil servant assumes little individual and financial risk. Permanence, prestige, status, security

and the sheltered nature of employment suggest a moderate top wage.

Another consideration is the worth of salaries in real terms. Prices and costs of living change appreciably from time to time. Any long-term salary scheme must be pegged to a normal level. This raises two issues: (1) Which of the indices—wholesale prices or all-India cost of living or cost of living in particular places—should be taken? (2) What is the normal level to be accepted?

The particular area cost of living index (e.g., Bombay or Calcutta) cannot become the basis for the long-term frame applying to the country as a whole; its value would be in connection with the short-term adjustments in the particular regions. Either the wholesale price indices or the all-India cost of living ones may be utilised, though the former are preferable, because they are easier to construct and because our interest is in fixing salaries in real terms.

The acceptable price norm should be one which is likely to be reached. The Varadachariar Commission recommended the index figure of 160 with 1939 as base and a minimum salary of Rs. 30. In 1946, I suggested a minimum of Rs. 40 in terms of an index of 150. It is doubtful if either of these prices or costs of living levels would be reached in the foreseeable future. Perhaps, a norm of 250 with 1939 as base would be nearer the actual. The Dearness Allowance Committee of 1953 felt that the cost of living index would not fall below 265-284. On this assumption, the suggested Rs. 40 and Rs. 1,200 as the floor and ceiling salaries would be raised to about Rs. 70 and Rs. 2,000 with 250 points in the wholesale price index as the norm.

Minor Considerations

A number of minor considerations also influence the long-term salary frame. Till recently—and even now in the lower pay groups—pensions were an important attraction making for lower salaries in public service. But, today, enlightened employers like Imperial Tobaccos and Imperial Chemicals have introduced the pension system, depriving the Government of its special advantage of a decade ago. Equity of pay, salary spread and incremental rate have a psychological effect on the employee. Equal pay for equal work in public employ would reduce discontent to some extent. It is a common feature in many Government departments—e.g., the Accounts Service—for the Union and State officials doing the same work—in quality, volume and kind—and in the same building, to be paid at different rates. Further, a narrow spread of salaries between the top and bottom as a conscious social policy, e.g., like the one suggested above, would make up for a considerable reduction in salaries in the bottom and middle categories.

Increments act like a carrot to the donkey. Enlightened private employers capitalise this device, but the State is notoriously niggardly. Thus, even in 1947, the Varadachariar Commission suggested increments of half a rupee (e.g., 30-1-35). While every group requires a carrot, the size of the inducement and the rate of the increment need not be the same for all. Two broad criteria may be suggested: (1) The promotional limit in the course of normal service of about 25 years may be double, two and a half times, threefold and fourfold the starting pay for the manipulative, clerical, executive and directional categories, respectively. Thus, the manipulative group would start on Rs. 70 and reach Rs. 150, while the directional one would rise from Rs. 350 to Rs. 1,400. (2) On the basis that each

class as a whole should ensure a sufficiently attractive career for its recruits, the incremental rate can be standardised roughly at 5 per cent. of pay for the first two groups and 10 per cent. for the two higher ones, giving each group a span of 25-30 years to reach the maximum. These, however, are matters of detail.

In addition to the five socio-economic principles determining the long-term salary frame, three other considerations exert their influence, though not on the basic pay. These are the geographical, occupational and demand factors. Cities such as Bombay and Delhi have high costs of living which should be compensated, not through higher pay but through allowances in those places. The second influence is that certain professions, e.g., engineers or doctors, impose greater discomfort as contrasted with the quiet and leisure, e.g., of an educational institution; and these may be compensated through professional allowances. Yet another factor is the intensity of demand for particular services in particular places and scope for independent professions. This will have to be balanced by special local allowances to discourage labour turnover.

Specialists

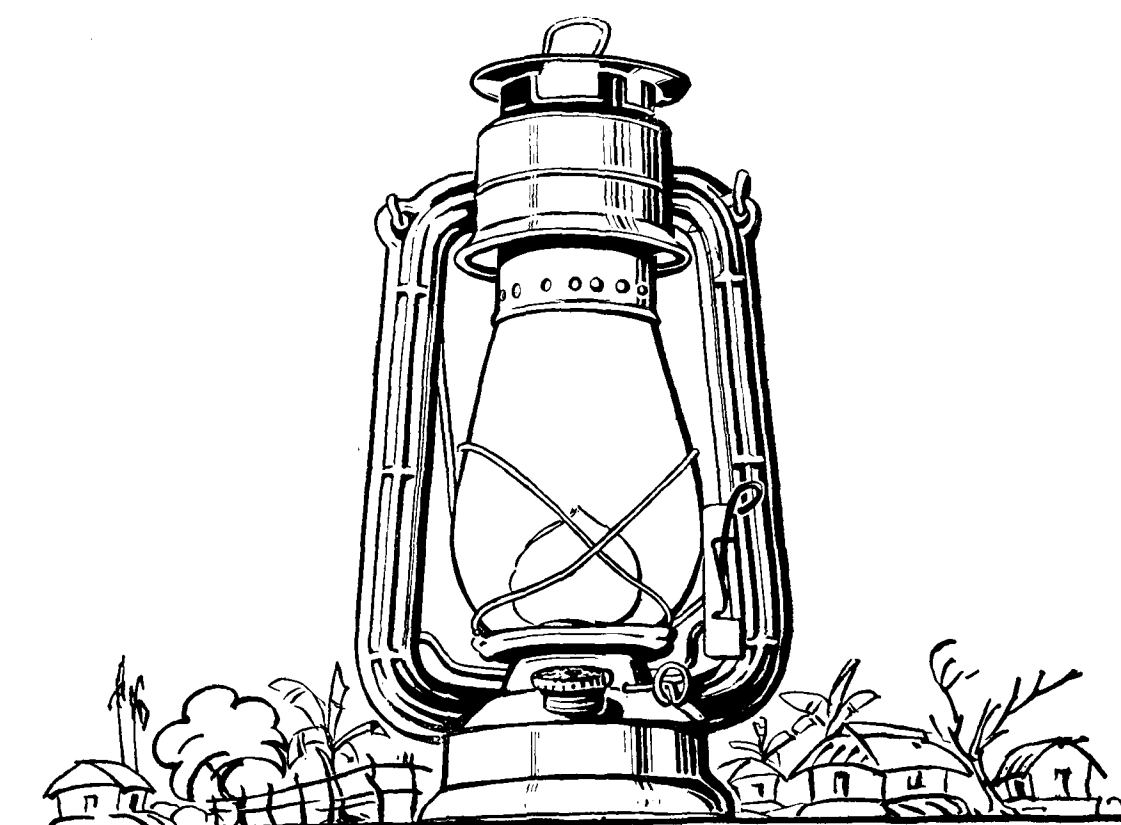
Another aspect of the long-term structure is the treatment of specialists, whose services are particularly important in a developing Welfare State. The Spens Committee's findings may serve as a useful guide. A specialist, e.g., a medical man, has to go through a long period of training, perhaps 11 to 12 years of professional training. As such, he should not be called upon, in public service, to pass through a stage of penury and hardship or tempted to spend too much time in supplementing his income. The salary should reflect the growth in his skill and the increasing responsibility of his work. While, therefore, the specialist should be placed in the two top service classes, his remuneration should provide necessary incentives for improvement and maintain his skill at the competitive efficiency level, removing at the same time the temptation for supplementary earnings. Specialist's allowances and provision for professional expenses, such as car, travel, books and conferences, in addition to the salary corresponding to the administrative group, would enable the specialist to perform his duties satisfactorily. In 1948, the Spens Committee suggested a salary level of £1,500-£5,000 for this class of public employee in Britain.

Short-term Aspect

Let us turn to the short-term aspect of the pay question. The problem is relatively simple: How to adjust remuneration to price changes as during an inflation or a depression? If basic salaries are to be fair, they should be equated with real, and not monetary, returns. What, then, is the criterion to assess real return—wholesale prices or cost of living? The latter represents retail prices of the level of living. The Dearness Allowance Committee of 1953 concluded that the direction and range of changes in wholesale and retail prices need not be the same. A National Index of cost of living would be a fair basis for the sliding scale, and, if a satisfactory all-India one cannot be found, rough justice can be achieved by resorting to wholesale price indices.

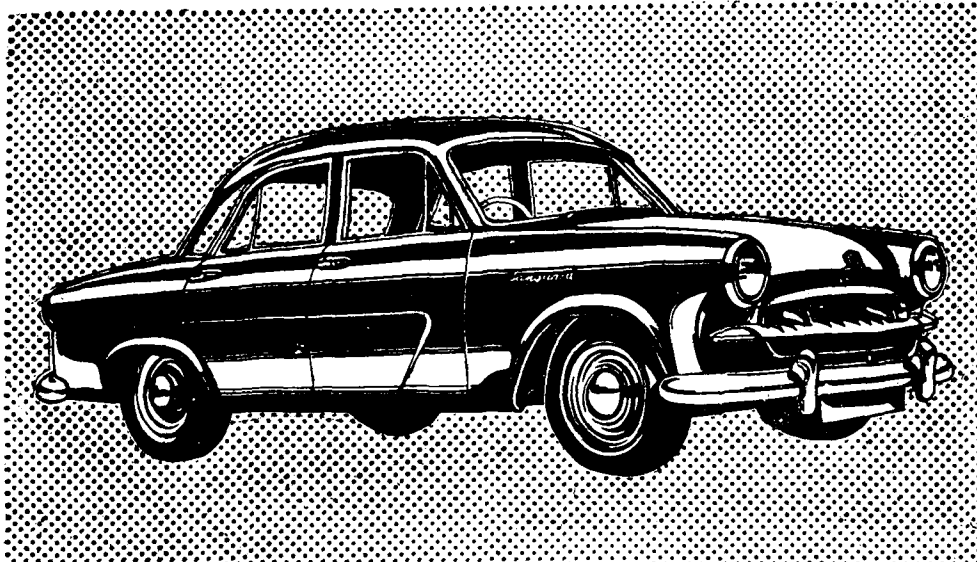
Price changes of a particular order must be considered normal. Abnormal price variations affect not only the public employee but also other citizens. Hence adjustments to abnormal rise or fall should come in only after a minimum level is passed. Since the long run pay frame is related to an index of 250 as the norm, a price rise upto 50 points (index 300)

(Continued on page 127)



DIPTI

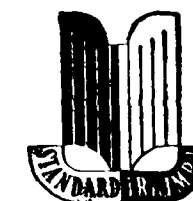
THE ORIENTAL METAL
INDUSTRIES PRIVATE LTD.
CALCUTTA



Magnificently MILES AHEAD

The Standard Vanguard Mark III is a pleasure to drive, even under trying conditions. The smooth 2-litre engine provides ample power with noteworthy economy, while the exceptional road holding and positive steering reduce the strain of long journeys to a minimum.

Standard Vanguard Mark III



STANDARD MOTOR PRODUCTS OF INDIA LTD.

MADRAS

Distributors:

METRO MOTORS, BOMBAY • AHMEDABAD MOTORS (PRIVATE) LTD., AHMEDABAD • GENERAL AUTOMOBILES & AGENCIES LTD., AJMER
SIKAND & CO., NEW DELHI • SANGHI BROS. (INDORE) PRIVATE LTD., INDORE CITY • NATIONAL GARAGE, JAMMU
FRENCH MOTOR CAR CO., LTD., CALCUTTA • VIKRAM MOTORS, KANPUR • R. I. WORKS, NAGPUR • AUTO CHENNOY, SECUNDERABAD (Dn)
THE UNION CO. (MOTORS) PRIVATE LTD., MADRAS

offering
banking and exchange services
of every description
with
world-wide agency arrangements

Current Accounts	Advances
Savings Fund Accounts	Discounting of Bills
Fixed Deposits	Foreign Exchange
Cash Certificates	Safe Deposit Vaults

WORKING FUNDS EXCEED Rs. 152 CRORES

THE PUNJAB NATIONAL BANK LTD.

Established: 1895

Head Office: Delhi

Chairman	General Manager
Shri S. P. Jain	Mr. A. M. Walker

337 BRANCHES THROUGHOUT INDIA

VICTOR

Adding/Listing Machines

with

Full Key Key-board

OR

10-Key Key-board

FOR PROMPT DELIVERIES

CONTACT

KILBURN & CO. PVT. LTD.

Post Box 565

Gresham Assurance House
Sir Pherozeshah Mehta Road
BOMBAY 1

THE EAST INDIA DISTILLERIES & SUGAR FACTORIES LTD. AND PARRY & COMPANY LIMITED

THE
E. I. D - PARRY GROUP
OF COMPANIES

Parry's
Estd. 1788

Sugar
•
Carbonic Acid Gas
•
Industrial Alcohol
•
Heavy Chemicals
•
Fertilisers
•
Engineering
•
Confectionery
•
Pharmaceuticals
•
Ceramics
•
Fine Chemicals
•
Essences
•
Food Colours
•
Packaged Consumer Goods
•
Shipping & Transport

E.I.D - PARRY GROUP

Dare House, Madras

Developing National Cost Consciousness

Essential for Avoiding Waste and Raising Competitive Capacity

By MINOO R. SHROFF

FEW nations in recent history have made such determined efforts to lift themselves by the bootstraps from economic stagnation as we have been experiencing in India in the last few years. For historic and economic reasons, industrial growth in India has remained stunted for over two centuries, while free nations elsewhere, under their own sovereign Governments, made considerable headway. Nonetheless, a decade back, when India became independent, she ranked as the eighth most industrialised nation in the world. This was a creditable achievement in the face of little encouragement from the foreign regime that ruled us. To cite an example, at the turn of the century, India used to import not less than 3,000 million yards of cotton textiles annually from Lancashire, the present figure being a nominal 3 to 4 million yards. As a matter of fact, India has been exporting to the tune of 100 to 150 million yards of textiles per year even to Britain in the last few years, and she has emerged today as the second largest manufacturer and exporter of textiles in the world, which is no mean tribute to our enterprise.

Our production and consumption figures, when assessed in terms of per capita, are, however, dismally low, owing to our huge population. Hence rapid increase in industrialisation was inevitable to counter this rapid growth of population on the living standards. Since 1951, we have seen two Five-year Plans being framed, the first one having been executed already. Planned development calls for mobilisation of financial and administrative resources which, even under the most favourable conditions, would be no easy task. With capital formation and savings at a low ebb and great dearth of administrative talent in India, the problem was all the more difficult. In the formulation, planning and execution of nation-building projects of gigantic proportions, some of them unparalleled in their magnitude, there was little experience to fall back on. Wastage and inefficiency to some extent were, therefore, unavoidable and expected.

Mellowed

More than six years have now passed by since we undertook planned development and we have now become a little mellow and mature by experience. Wiser counsels have started prevailing and public opinion is no longer prepared to turn a blind eye to the wastage of public resources. The financial outlay of thousands of crores on these projects represents the cumulative savings of millions of our people who have suffered privation and hardship to put aside a small portion of their income. Wastage of these resources is thus tantamount to a breach of trust placed on the administrators and Ministers by our people which can be fatal in a democracy.

It is, therefore, high time that we, as a nation, developed a sense of cost-consciousness in all public endeavours, whether they be undertaken by the State or individual entrepreneurs. The following observation made by the Chairman of the Chinese State Planning Commission has some bearing on our problems:

"The more important the construction project, the greater the possibility of waste. This is because such construction projects are supported by

the whole nation and no expense is grudged. Since attention is mainly concentrated on finishing the project, people are liable to overlook or excuse the wastage involved."

The problem of conservation of resources through control of cost and expenditure is all the more important as they are scarce in India. We are today spending more than Rs. 2 crores every day on the execution of the Plan and the figure is likely to increase to Rs. 3 crores and more in a year or two. Further, the non-developmental outlay is also of the order of Rs. 2 crores a day. To a backward country like ours, Rs. 4 to 5 crores per day expended by the Government is a colossal sum and brooks no wastage. This problem assumes greater urgency at the present time when we are literally scraping the bottom of the bucket for every available rupee to save at least the core of the Plan. Economy through vigorous control of cost and expenditure, scientific budgeting and dynamic and virile administration could provide sufficient savings to fill the void in resources, substantially, if not fully. Half-hearted measures, like token cuts in salaries of Ministers and officials and savings in sundry expenses like postage and telegrams, etc., can at best have only propaganda value. The psychological effect of a vigorous cost control campaign can be enormous, for, once the people are convinced that they derive maximum benefit from investing their hard-earned savings in nation-building activities, they will co-operate wholeheartedly in making the Plan a success.

Managerial Control

For the purpose of effective cost control, managerial control is as essential as budgetary and financial control. The funds provided for various projects must be co-related to specific performance targets. The Estimates Committee's Report on Indian Railways, for instance, observes as under:

"Considered as a budget of a commercial organisation, the main defect in the Railway budget is that the funds provided in the budget are not co-related to performance. The result is that, when Parliament sanctions the budget, it is not aware of the guarantee of service that will be rendered in the various aspects of activities covered by the demands, and there is no assurance that, if the performance falls short of the anticipations at the time of the budget, the excess funds will be surrendered and will not be wasted by inefficient working."

Now, railways are the nation's largest public undertaking and no less than Rs. 1,125 crores are earmarked to be spent on it during the second Plan. There is considerable room here for saving both in capital and revenue expenditure through modern cost control techniques and by reorientating management on a commercial basis.

It must also be emphasised that there is not only a need for compilation of sufficient statistical information of assessing the efficiency and utilisation of various services but it is also imperative that whatever information is available is put to the best possible use. It is, indeed, a shame that the voluminous statistics compiled by the Indian railways hardly serve any purpose, as they are put to little use. It is, therefore, suggested that expenditure for any project or service in an undertaking like railways should be expressed in terms of cost per unit of service.

There is also a need for control of expenditure and operational effi-

ciency at all levels, right from the top downwards. Through effective work study, time standards should be fixed for performance of operatives and staff at various levels as also standards for gauging operational efficiency and utilisation of rolling stock. Actual figures of performance and utilisation should be made available as promptly as possible to enable comparison with standards for ascertaining the efficiency of performance.

Productivity Test

The Estimates Committee on Railways has also drawn attention to the lack of consciousness on the part of the administration to apply "productivity test" in cases of works charged to capital, that is, to ascertain whether a particular project, after completion, does yield the return which was expected from it. It has been reported that, since the war, this practice has been discontinued and, consequently, no proper control is exercised on capital expenditure. Lack of control and differentiation between controllable and non-controllable items of expenditure has led to the undertaking of a large number of unremunerative works like labour welfare, passenger amenities, unremunerative new lines, etc., at a time when funds are scarce. Though these expenses by themselves are certainly not undesirable, the disturbing aspect of these revenue outlays is that their percentage has tended to increase very sharply as compared with outlays on capital works.

For construction projects undertaken by the railways, too, there is every need for sound budgeting and estimation of project costs before approval. At least every month actual figures should be compiled and compared with the budgeted ones to judge variations. The process of control should not stop here and should be carried further by taking necessary steps promptly to ensure that the work is carried out in the scheduled time and that the budgetary expenditure is not exceeded except for reasons entirely beyond the control of the section concerned. This can be possible, only if prompt information is made available, say, within a fortnight of the month ending for which figures are prepared. Further, prompt and detailed information must be backed by quick decisions, if maximum benefit is to be derived from it by preventing leakages and plugging loopholes in proper time before more damage could be done. Eternal vigilance is the hallmark of managerial efficiency, while red-tape and bureaucratic delays only result in indecision and frustration.

Complacency

The Indian Railways is probably one of the largest public utility concerns in the world and employ just under a million people. It is the fourth largest network and offers one of the cheapest modes of transport in the world. However, owing to its monopolistic position, there has crept in a feeling of complacency in the administration, leading to lack of proper managerial control over incurrence of expenditure and efficiency of operation. Every increase in incidence of running cost has been conveniently passed on to the user in the form of increased rates and fares.

According to the Estimates Committee, owing to lack of cost

finding methods, no attempt has been made to reduce cost or eliminate inefficiency. Besides, the actual service in which the loss occurs is seldom known and, hence, very often an arbitrary increase in the rates is made.

The application of normal costing techniques to railways is albeit complicated, but there is no short cut to efficient managerial control. In India, railways today carry about 64 per cent. of the total traffic as compared with only 9 per cent. carried by motor transport and 25 per cent. by the primitive bullock cart, the share of water transport being negligible. Judging from the trend in other countries, motor transport is bound to play a more prominent role in India in time to come. In the U.S.A. its share being over 75 per cent., although she has also the largest railway network in the world. With increased production of motor trucks in the country at reasonable cost, better roads and rationalisation of incidence of taxation, motor transport will, indeed, offer stiff competition to the railways within the next two decades or so. Besides, the initial capital cost for hauling a given tonnage is only one-third for motor transport as compared with railways. At present the running costs of motor transport are much higher than those of the railways, but this, to no small extent, is due to the crippling burden of taxation; on a given quantity of goods, the incidence of taxation in some cases is as much as twice the average freight payable for transporting by rail.

Fair Return

It is necessary at this stage to review the trend towards improved costing methods followed by the British, Canadian and American railways. In Britain, after a century of averaging their costs over the whole railway system and charging "what the traffic would bear," they are now concentrating more on assessing costs of particular traffics and services. In America and Canada also, the trend is towards evolving cost systems which would enable a separate analysis of various services such as marshalling yards, handling depots, etc. This enables them to charge flexible rates and charges to ensure a fair return. Services which become a heavy burden or require excessive subsidies can then be done away with.

Though only the example of the railways has been cited above, the general observations made regarding the need for proper managerial and costs control are universally applicable. The Posts and Telegraphs Department's Annual Report for 1955-56 reveals some unexpected results, inasmuch as the Postal Branch has made only a token profit of Rs. 1 lakh on a turnover of Rs. 28.02 crores. The Telegraphs Branch made a loss of Rs. 62 lakhs, while the Telephone Branch made a profit of Rs. 410 lakhs. In this case, too, there is need for analysing costs in detail for each service, to determine whether the rates for various services have been rationally determined or fixed arbitrarily. There is no justification in keeping telephone rates at a high level to subsidise the losing postal and telegraph services.

The basic principle of efficient costs control and management apply to units of both private and public sectors, for, in the realm of good management, political considera-

tions need not come in. The need for administrators and managers is to deal with facts and not opinions. As any business undertaking is an organism and not mechanism, the humanities must have paramount significance. Loyalty and pride of purpose are two very essential qualities in top personnel but they have to be earned. Efficient communication between various levels of management, promotions based on merits and not on mere length of service, reward for talents not only in financial terms but in terms of adequate scope for initiative and fulfilment of the wish for responsibility can go a long way in achieving this end. The scope for display of individual initiative is a prerequisite of managerial efficiency and makes quick decisions possible. In modern commerce and industry, time is the most vital factor, as the incidence of the bulk of expenses is based on passage of time. Hence the urgency for reorientating our outlook, to so frame our administrative structure as to ensure quick decisions, timely execution of projects which alone can assist in efficacious control of costs and its ultimate reduction.

The paramount need of the hour is increase in productivity in all spheres of national activity. Only when more and more goods and services are produced from the same quantum of resources could we expect higher consumption standards per individual which we are striving at. If, however, annual increase in gross national produce is not sufficient to meet increasing demand, prices start rising, reflecting on costs of production and setting into motion an inflationary spiral. The dangers of inflation are well known to most countries and need no elaboration. When we take the example of America which today is the greatest industrial power on earth, the moral is obvious, namely, high productivity resulting in low costs of production. Low costs have in their turn been responsible for ever-widening markets for goods and services of all types. Increased demand means increased production, employment and still lower cost. This process still goes on in the U.S., baffling even the most tardy sceptics.

Exports

India today is faced with an acute scarcity of foreign exchange and it is predicted in knowledgeable circles that the position in the next year or two is likely to deteriorate still further. Imports have been pruned drastically and the need for making an all-out export drive is imperative. Nearly half of India's exports comprise tea, jute and cotton textiles, the other half being made up of raw materials like oilseeds, mica, manganese, raw cotton, tobacco, lac, hides and skins, etc., the share of the engineering goods being only Rs. 4 crores in a total of Rs. 637 crores, that is, hardly two-thirds per cent. of the total. It is well known that our traditional items of export are meeting growing competition from the new entrants and there is always a constant threat of our importers taking to substitutes. The need for increasing the export of semi-manufactured, manufactured and engineering goods is, therefore, paramount.

In order to compete effectively in international markets in manufactured goods, it is most essential to adopt efficient methods of cost ascertainment. Export prices are not based often only on cost of production, as price is a policy, and would depend on factors like competitors' prices, general supply and demand position, sales resistance, etc. Nevertheless, cost does set the floor. Advanced techniques like marginal costing have to be developed for pricing products differently in home

and foreign markets initially. Marginal costs consist of expenses such as material, labour and variable overheads; in other words those expenses which would not be incurred if the particular product was not made. Hence, on a given volume of production if the total or bulk of the fixed overheads, which varies but little with production, were absorbed on the domestic production, the cost of units shipped abroad would be to that extent reduced.

The pricing of our products on marginal cost basis is imperative to start with, as, owing to our low production and poor performance standards, costs are bound to be higher than those of our more experienced competitors. We must, therefore, establish our foothold in international markets and once the demand goes up appreciably, costs are bound to come down with increasing volume of production, provided simultaneous steps are taken to increase productivity. The benefit of saving in cost could then be passed on to the domestic consumer as his reward for having sacrificed initially in the interest of the nation.

Differential Prices

It may be argued that differentiation in prices of products for home consumption and exports may constitute dumping and as such an infringement of G.A.T.T. and other international treaties to which India is a party. This, however, would not arise in India's case, because, by pricing our products on a marginal cost basis, we will not be indulging in indiscriminate price-cutting of our goods to undersell our competitors, but we shall only be attempting to bring our prices more or less in parity with similar goods exported by other countries of the world. In the pre-war years, there was a lot of heart-burning on this technique being utilised by Japan, particularly for dumping her goods abroad, but then it must be appreciated that the marginal costing policy adopted in this case was to sell products in foreign markets at ridiculously low prices, at times the product being sold for export at prices only a fraction of those prevailing in the domestic markets of the countries concerned.

At a time when the industrialised countries of the world are taking increasingly to automation, it is pathetic that we, in this country, should bolster antiquated and obsolete techniques of production like the Ambar Charkha and handloom weaving. Undoubtedly, in a capital-

deficient country like ours, labour-intensive projects of this nature have a social advantage in providing employment to large numbers, albeit ungainful. This, however, does not justify resurrecting these ancient methods at the expense of the organised sector which offers more secure and remunerative employment though to lesser numbers. It is high time that the cost of these social experiments to the nation were determined to ascertain whether they have come up to expectations. If the results of the survey confirm the doubts of many in this country that these socio-economic experiments have proved bottomless buckets, we must be bold enough to face the facts squarely and reduce our reliance gradually on these methods to solve our economic problem.

In this nuclear age, we cannot turn a blind eye to technological progress for the sake of short-term political and social advantages. Let us not perpetuate future generations, who have entertained great visions of a prosperous industrial India, to unstable and ungainful methods of livelihood.

The need for rationalisation of production methods through enlightened management is no less urgent in the private sector of commerce and industry as well. Many of our large industries have enjoyed for so long a semi-monopolistic position that they have become accustomed to thinking that the seller's market has come to stay. Such false sense of complacency is unwarranted and indeed, the present offers, a unique opportunity for private enterprise in this country to give a dynamic lead in this sphere by setting for itself high standards of managerial efficiency and cost-consciousness which the State sector, handicapped by its inherent inflexibility, may be made to emulate through pressure of public opinion.—All Rights Reserved.

OBJECTIVES OF TAXATION

(Concluded from page 71)

as it has to be paid out of capital, particularly in the higher reaches of its levy. Thus it is likely to impose a ceiling on wealth just as a ceiling on income is imposed through a steeply progressive income-tax. Whether the tax structure could aim at an expropriation of property is of doubtful validity.

Finally, the problem of evasion also looms large in the proposed

changes. It is claimed that a tax on income and property would be a better check on evasion than a tax on income alone. But it is important to realise that the inducement to evade depends not only on the marginal rates of taxation but also on the aggregate burden of taxation. As for the closure of the avenues for legal evasion, the ingenuity of the evader cannot be said to be at its tether-end. Technically, a tax structure which offers no loopholes for legal evasion would certainly be superior from a fiscal standpoint to one where such evasions are possible. But, for actually carrying out a campaign of legal evasions, there is a necessity for the existence of not only the ability to do so but also a favourable institutional set-up in the nature of an efficient capital market. In their absence, legal evasions cannot loom large. On the other hand, illegal evasions may be widely practised as in India at present. So, if the potential loss of revenue through illegal evasion is prevented, the country can defer a drastic reshaping of its tax structure to prevent legal evasions.—All Rights Reserved.

AVAILABILITY OF FOREIGN CAPITAL

(Concluded from page 36)

to herself, and to the trading nations of the free world, take steps to ease the pressure on the sterling area's reserves imposed by India's heavy drawings. The O.E.E.C. and other Western authorities would like to see India do this not by import restrictions, which disturb, distort, and reduce international trade, but by curbing her internal inflation.

These authorities repeatedly stressed their view that Britain's current effort to defend the purchasing power of the £ constitutes in itself a big contribution to India's development, for, if this effort were to be defeated, not only would the value of India's sterling balances be depreciated but the wealth-producing and diffusing flow of international trade would be adversely affected as a whole. They underlined their argument by recalling that Britain's own balance of payments was in surplus and that the deficit with which she is contending is not hers but that of the sterling area.—All Rights Reserved.



Premises of the Bombay Branch
at 52-60, Mahatma Gandhi Road

Air-conditioned Safe Deposit Vault. Lockers available
from Rs. 12/- per annum.

THE MERCANTILE BANK OF INDIA LIMITED

(INCORPORATED IN ENGLAND. LIABILITY OF SHAREHOLDERS LIMITED)

Authorised Capital	-	-	-	£ 3,000,000
Subscribed Capital	-	-	-	£ 2,220,000
Paid-up Capital	-	-	-	£ 1,470,000
Reserve Fund	-	-	-	£ 2,000,000

BRANCHES

INDIA	...	Bombay, Calcutta, Howrah, New Delhi, Delhi, Madras
PAKISTAN	...	Karachi, Chittagong, Khulna
BURMA	...	Rangoon
CEYLON	...	Colombo, Pettah, Kandy, Galle, Jaffna
THAILAND	...	Bangkok
HONGKONG	...	
JAPAN	...	Tokyo, Osaka, Sema
MALAYA	...	Singapore, Penang, Kuala Lumpur, Kota Bharu, Kuantan, Kuala Trengganu, Kuala Lipis, Ipoh, Temerloh
MAURITIUS	...	Port Louis

- Current Accounts are opened and Fixed Deposits received on suitable terms.
- The Bank has facilities for transacting Banking and Exchange business throughout the world.
- The Bank undertakes Trusteeships and Executorships.

HEAD OFFICE

15, Gracechurch Street, London, E.C. 3.

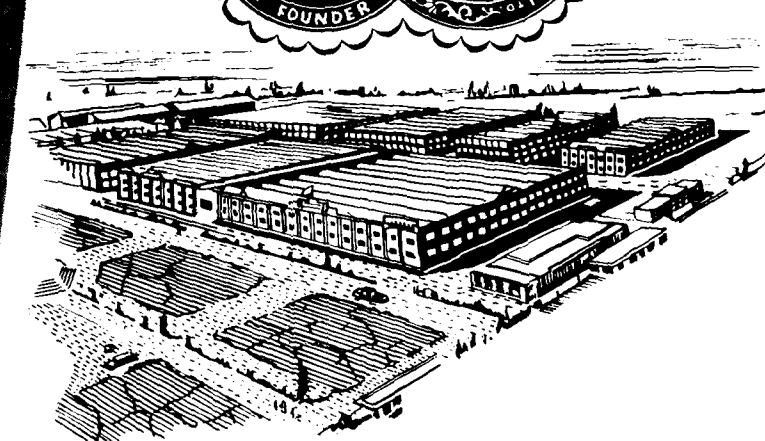
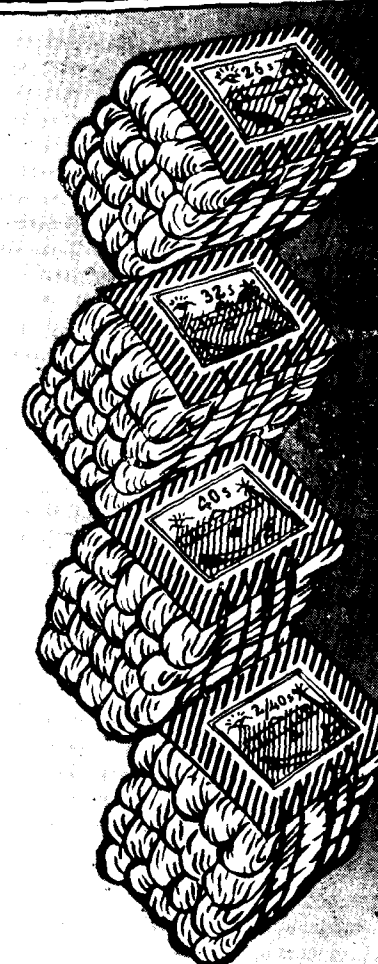
WEST END OFFICE

123, Pall Mall, London, S.W. 1.

AGENTS IN NEW YORK

Chase Manhattan Bank | Bank of Montreal | J. P. Morgan & Co. Inc.

THE DAVANGERE COTTON MILLS LTD.



We Manufacture

COTTON YARN 26s 32s, 40s & 2/40s

STAPLE FIBRE YARN 30s 40s & 2/40s

★
BLEACHED LONG CLOTH,
MULL, DHOTIES.

MANAGING AGENTS
R. HANUMANTHAPPA & SON
TELEGRAMS: 'MILLS'

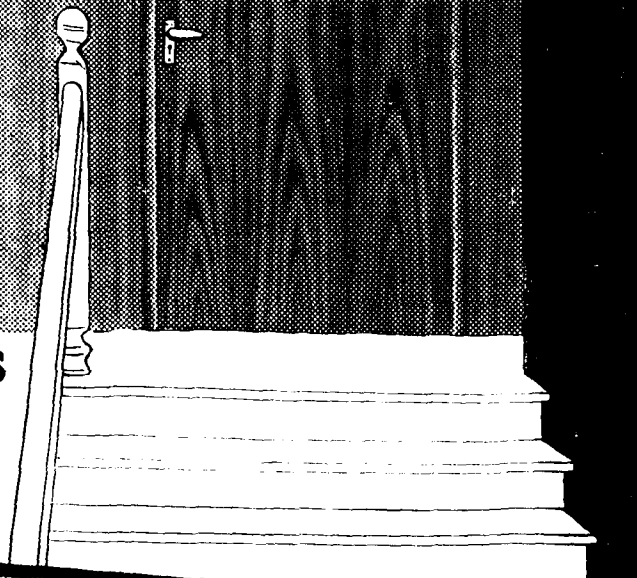
DISCERNING ARCHITECTS
rely implicitly on the high standard
quality of

'SITABORD' FLUSH DOORS.

Manufactured by the Pioneers of the
modern Plywood Industry in India
who were the first to manufacture
P. F. Synthetic resin bonded Plywood.
Blockboard and the modern Flush Door—
THE 'SITABORD' FLUSH DOOR.

PLYWOOD PRODUCTS
Sitapur, U.P.

FIRST IN THE FIELD AND STILL LEADING



AIR TRANSPORT AND THE JET AGE— A GIGANTIC GAMBLE?

By "RUDDERBAR"

WE have heard a great deal, in recent years, of the air transport industry's plans for what has come to be known as the "jet age." Only a few weeks ago, the Director General of the International Air Transport Association (I.A.T.A.) had much to say on this subject and he emphasised, amongst other things, the vast expenditure on new jet equipment with which the airlines are now faced—as well he might, considering that orders now placed total more than £1,000 million. This article seeks, then, to discuss those plans and, without entering into a great deal of technical detail, to weigh up the prospects.

To write of the "jet age" in the future tense is, perhaps, to create a false impression. The jet age dawned some years ago. The jet engine made its first appearance during the last years of the Second World War. To the Germans must go the honour of introducing, in actual combat, the first jet-powered fighter (a Focke-Wulf). Only a shade behind were the British, with Air Commodore Whittle's engine. Since that date, in all types of aircraft—bomber, fighter, and even transport—military aviation has turned almost entirely to jet power.

For various reasons, financial as well as operational, when it comes to re-equipment, civil aviation cannot proceed at the same pace as military aviation. Nevertheless, the British have demonstrated that both forms of gas-turbine propulsion are suitable for commercial aircraft. Indeed, the Vickers Viscount (propeller-turbine) has been an outstandingly successful airliner for the past five years, and, if the De Havilland Comet 1 (turbo-jet) was a less fortunate venture, this was not due to any difficulty experienced with its power plants.

Nothing New

Commercial jet aircraft are, therefore, nothing new, but, when the airlines speak of their plans for the "jet age," they are referring specifically to the very near future, when, it is envisaged, all airliners operating on main routes will be jet-powered and when the majority will be of far greater capacity than current types. Such aircraft, for example, as the Boeing 707 and the DC8, are designed to accommodate more than double the number of passengers carried in the piston-engined Super Constellations and DC7s now flying on main routes. The Boeing and Douglas projects, incidentally, are due for delivery to those customers first on the order books within the next two years.

It is never a simple matter for an airline to place new equipment into operation. Air crews and ground maintenance crews have to be trained, maintenance and overhaul procedures have to be worked out, schedules have to be prepared, and proved, and overall lines have to be established. A costly and time-consuming programme. New jet equipment, however, is something else again and there are many operational problems which will first have to be solved. There is, for example, the question of runways. At every major airport, runways will have to be extended—a very costly undertaking which will fall, for the most part, on national governments. The extension of Santa Cruz airport at a cost of some nine crores of rupees is a case in point.

More difficult, however, and possibly just as costly, will be the intro-

duction of an air traffic control system capable of handling aircraft moving at double and treble the speeds of today—aircraft, moreover, whose fuel consumption at low altitude is prodigious and whose endurance, consequently, is more limited. The normal human brain cannot calculate and plot courses, speeds, altitudes, and positions, as quickly as will be necessary. The new system will have to depend very largely on automation. It has not yet been devised and time is short.

In the meanwhile, congestion at airports and on air routes grows. At certain of the busier airports, saturation point will soon be reached. To introduce much faster moving aircraft into this situation, without first bringing the control system into line, would be to invite chaos and disaster.

To imply that the airlines are inclined to shrug off these difficulties as being the concern of others, might be to exaggerate. They are undoubtedly anxious to see these problems successfully solved. Nevertheless, the main concern of the airlines is financial—as well it may be, because they have embarked on a gamble of considerable magnitude. They have, in short, staked their financial future on the premise that jet propulsion will lead to greater economy of operation and, consequently, to lower fares and a vast expansion of traffic. Let us consider the facts.

Turbo-Jets

I must make it clear, at this point, that the airlines are concentrating mainly on the turbo-jet type of aircraft. Whilst it is generally accepted that the propeller-turbine (of which the Vickers "Viscount" and the Bristol "Britannia" are current examples) have certain economic and operational advantages—and are, of course, considerably faster than piston-engined types—yet they lack the speed to compete with turbo-jets. It is considered, consequently, that they are merely interim types which will give place, in due course, to turbo-jets on all important routes. This view may be right or wrong—time alone will tell—but, for the purposes of this article, references to jet or gas-turbine equipment can be taken to apply to turbo-jet or, as they are sometimes called, "pure jet" aircraft.

The modern airliner, like the modern ocean liner, costs far more to build today than did its counterpart of, say, 1939. This is due partly to inflation and partly to the enormous rise in technicians' and even unskilled workmen's wages since 1945. The coming turbo-jets are quoted at prices between \$2½ million and \$4 million. The "depreciation" which has to be met on this new equipment adds, therefore, very materially to the hourly "on-cost" of operation. High utilisation is, consequently—as it has been for a number of years—the principal key to economical operation.

Utilisation

The utilisation which the major airlines obtain from their present piston-engined equipment has progressively improved over the past ten years. It varies, of course, from airline to airline, but it probably averages as much as ten revenue-earning flight hours in every twenty-four. Utilisation of this high order is obtained only as a result of operating, maintenance, and over-

haul, procedures built up over many years, assisted, of course, by instrument landing systems, radar, and other aids, which are, in fact, all part of the air traffic control system and which enable operators to keep their aircraft flying in conditions of weather and visibility not formerly practical for airliners.

With the introduction of turbo-jet aircraft, fresh experience will have to be gained, and considerable time must elapse, before procedures of equal efficiency are evolved. Moreover, if we are to judge by the "teething troubles" which have been encountered with the far less revolutionary propeller-turbine long-range Britannia 312, recently delivered to B.O.A.C.—and which, incidentally, do not yet appear to have been entirely overcome—the new turbo-jets are almost certain to meet presently unforeseen difficulties and problems when they are first introduced into service. All this spells, it is logical to assume, a rather prolonged period when high utilisation will certainly not be achieved.

High utilisation is not an end in itself—it must be coupled with a reasonable revenue load factor. The new turbo-jets—as indeed the new propeller-turbine aircraft—are going to be very large. Both the Boeing 707 and the DC 8, for example (aircraft which have been ordered in large numbers by all the important airlines), are designed to carry 160 passengers. Cruising at 600 miles per hour, they will accomplish twice the work of the present generation of airliners in less than half the time. To keep these aircraft fully occupied at a good load factor, argues an enormous increase in all forms of traffic. Let us examine that aspect of the matter.

Future Passenger Traffic

The rate of expansion of passenger traffic during the past decade has surpassed all expectations. This has been due partly to the back-log of commercial and holiday travel which, pent up during the war years, found no outlet till more settled conditions were restored in the late 'forties; but, perhaps, the greater part is the result of higher standards of living in the United States, Western Europe, and in some countries of Asia. This rise in living standards has, for the first time, made foreign travel available to a considerably wider section of the public. It is significant that by far the largest increases were the direct result of the introduction of 'tourist' or cheaper fares some six years ago.

In 1956, the total passenger traffic carried by the member-airlines of I.A.T.A. (all the international airlines of the free world, that is to say), reached the figure of 78 million—an increase of 15 per cent. over the previous year. The airlines confidently expect that the one hundred million mark will be passed by 1960—many, indeed, anticipate still better results. The more conservative figures may well be achieved, but it would be well to be cautious. Ultimately, the curve of expansion must tend to "flatten out," whilst anything in the nature of a trade depression—or even recession—could be disastrous for the airlines.

For the sake of argument, however, let us accept a continued rate of increase of 15 per cent. per annum. In that event, traffic will have reached double the 1956 figure by about 1963. By that year, most of

the turbo-jets, and other large aircraft now on order, will have been delivered and put into service. These aircraft, it will be remembered, are going to perform double the work of present units in half the time. In short, therefore, even a 100 per cent. expansion of present traffic will be quite inadequate to absorb the additional capacity offered by the world's airlines.

Future of Fares

There is, of course, one saving clause—the condition, in fact, on which the whole gamble rests. Were air fares to be reduced—reduced substantially, that is to say, and not by a small percentage—many millions of people in lower income groups would then find air travel within their means. This new potential traffic might well provide the vast expansion on which the airlines are counting. Is such a reduction of fares within the bounds of possibility?

In present circumstances, one suggests, the likelihood of any substantial reduction is remote. The Director General of I.A.T.A. has already emphasised the very marginal nature of the aggregate profit made by the airlines in 1956. This was, it seems, \$50 million out of an operating expenditure of \$3,350 million—a margin of only 1.5 per cent. He pointed out, very reasonably, that air fares remain at the same level as they were twenty years ago and that they represent, in that respect, perhaps the solitary example of a commodity which has retained its pre-war price in spite of the almost universal effects of inflation. He complains, moreover, that, whereas industry generally has passed on the effects of higher wages (and other increased costs of production) to the consumer, the airlines alone are prevented from adopting this perfectly normal business remedy by the action of certain national governments.

When the airlines are pressing for an immediate five per cent. interim increase of fares, it is clearly overoptimistic to expect any substantial reduction in the near future. Admittedly, there is the possibility of more economic operation following the introduction of new gas-turbine equipment. Opinions may vary on this subject, but—as I have sought to show—initially at least, and probably for some years, far from leading to a lower ton or seat/mile cost of operation, the introduction of turbo-jet equipment will lower utilisation, adversely affect the load factor, and thus have exactly the opposite effect.

Air-India

If the deductions which I have drawn are not wildly inaccurate, the short-term financial prospects of the airline industry as a whole, do not appear to be particularly inspiring. Air-India International, now reaping the fruits of considerable expansion during the last few years, and having ironed out such early engineering and operational problems as accompanied their first introduction of Super Constellations, made a handsome profit of Rs. 88 lakhs for the financial year ended March 1957. The Corporation may do even better this year, but what of the years immediately following the introduction of Boeing 707 aircraft? Will these be equally profitable?

It can, of course, be argued that jet "teething troubles" will be overcome, that operational problems will be solved, and that, in due course, high utilisation will be restored. Undoubtedly, all this will come to pass. Undoubtedly, too, given time, even a normal expansion of traffic would catch up with the additional capacity offered. It might appear.

(Continued on page 94)



Tata enterprises today cover:

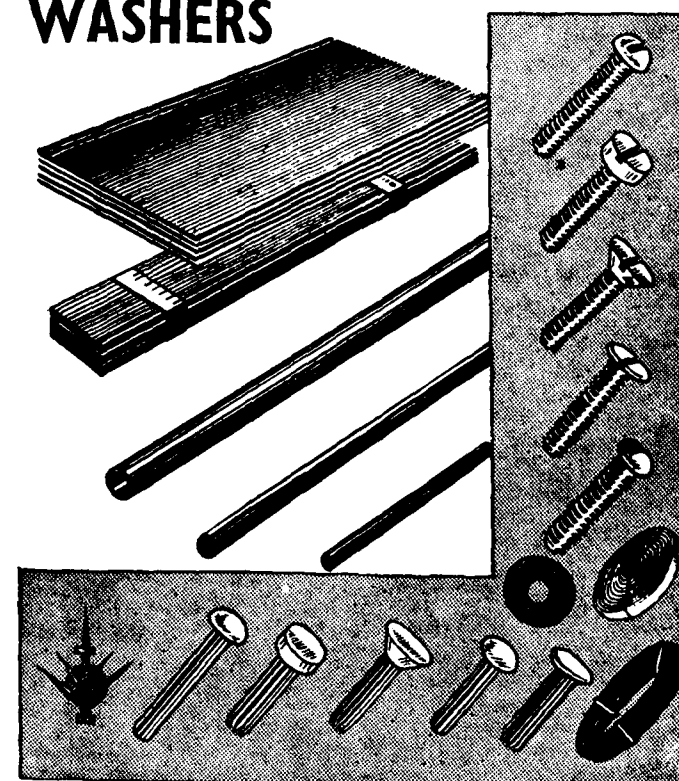
Steel . Textiles . Electric Power . Chemicals . Locomotives and Engineering . Soaps, Glycerine and Edible Oils . Hotels . Machine Tools . Radios . Air-conditioning and Refrigeration Equipment . Insurance . Cement . Industrial Investment . Social Science . Scientific Research



TATA INDUSTRIES PRIVATE LIMITED

ALUMINIUM-BRASS-COPPER

SHEETS . STRIPS . RODS . PIPES . SHEATHINGS
RIVETS AND WASHERS



Brass Semi-tubular
(Automotive) Rivets

Brass and Mild Steel

Machine Screws

Copper Strip and

Lightning Arrestors

LALLUBHAI AMICHAND PRIVATE LTD.

48/50, KANSARA CHAWL, BOMBAY-2

Cables & Grams: "CYCLEBRAND" Kalbadevi (Bombay)

Telephones: 73220, 41618

ANGLO FRENCH TEXTILES LIMITED

(RODIER MILL, PONDICHERY)

Cotton Textile Manufacturers of Superior Grey, Bleached, Dyed and Finished Goods of Coarse and Medium varieties, Drills, Dhotis, Saris, Longcloths, Shirts, Umbrella Cloth, etc.

Also Grey Yarns of outstanding quality from 6s to 32s counts and 20s yarn made from Staple Fibre.

For particulars and prices apply to:

Messrs. BEST & CO. (PONDICHERY) PRIVATE LIMITED

Managing Agents: **ANGLO FRENCH TEXTILES LIMITED**
20, Rue Dumas, PONDICHERY

Telegrams: **TEXTORIAL**

Telephone: 71

THE BANK OF INDORE LTD.

(INCORPORATED IN INDORE, 1920)

Authorised Capital	- - - - -	Rs. 50,00,000
Subscribed Capital	- - - - -	Rs. 30,60,750
Paid-up Capital	- - - - -	Rs. 15,30,375
Reserve Fund	- - - - -	Rs. 28,00,000

HEAD OFFICE:

1, PRINCE YESHWANT ROAD, INDORE CITY

BOMBAY OFFICES:

44, HAMAM STREET, FORT
AND
JAI HIND ESTATE, BHULESHWAR

BRANCH OFFICES:

Cloth Market, Siyaganj and Sanyogitaganj
(Indore City)

BRANCHES:

Anjad, Bhopal, Dhar, Khargone, Mhow, Ratlam,
Sanawad, Shujalpur Mandi, Tarana, and Ujjain

PAY-OFFICES:

Jaora and Sendhwa (Madhya Pradesh)

SAFE DEPOSIT LOCKERS are available at Head Office, Siyaganj and Cloth Market, Indore. Branches at Mhow, Ujjain, Sanawad, Ratlam, Tarana, Dhar and Pay-Offices at Jaora and Sendhwa on favourable terms.

Banking Business of every description transacted.

N. D. JOSHI,
Manager.

Development of Road Transport Vital for Progress Need for Relief in Taxation on Vehicles

By A. D. WENZEL

PRESIDENT, INDIAN ROADS AND TRANSPORT DEVELOPMENT ASSOCIATION LTD.

IN spite of the colossal sum of Rs. 1,480 crores allotted to them under the second Plan, the railways will not be able to cope with the heavy increase in transport that will be caused by increased production under the Plan. Between 1950-51 and 1955-56, the volume of railway traffic increased from 91 million tons to 115 million tons, as against the actual demand for 120 million tons. The Planning Commission has now estimated that the total demand will go up to 180 million tons by the end of the second Plan. This is an underestimate.

The traffic increased by 25 per cent. in the first Plan period, when agricultural production increased by 19 per cent. and industrial production by 28 per cent. Under the second Plan, agricultural production is to rise by 20 per cent. and industrial production by 64 per cent. On the basis of the figures of the first Plan, the volume of traffic in the second Plan, as originally envisaged, is bound to increase by about 70 per cent. to nearly 200 million tons. Moreover, the targets of production in various fields have since been increased and imports, particularly of foodgrains, are being stepped up. Taking this into account, unofficial estimates of long-distance traffic expected by the end of the second Plan place the traffic at 220 million tons. Since railways can carry at best 180 million tons, the gap is roughly 40 million tons in the long-distance field. This gap must be made good if complete dislocation of the second Plan is to be avoided and the country saved from industrial and agricultural chaos. How is this to be achieved? The only transport system which can cope with the situation, without throwing an excessive burden on the finances of the second Plan, is road transport.

Number of Vehicles

What is the total extent to which road transport will have to be expanded? In April 1956, we had 117,000 trucks. With an estimated increase of at least 80 per cent. in our transport requirements at the end of the second Plan, the number of trucks will have to be increased by nearly 94,000. This will enable road transport to discharge its present responsibility under the second Plan. But, in addition, it will have to make good at least 30 million tons of the gap in the capacity of the railways since water transport cannot fill this gap to anything but a very limited extent. We shall require another 50,000 trucks to make good this deficit. In all, therefore, the additional number of goods trucks required during the second Plan period is 144,000. How is such a rapid expansion of road transport going to be brought about?

Road transport in India has been maimed and crippled in the past by all sorts of artificial handicaps and hindrances. This has been done only for one purpose, and that is to protect the railways, which are a State monopoly, by crippling other means of transport.

New Outlook Wanted

The important instrument through which road transport has been crippled hitherto is the Motor Vehicles Act. This has fortunately now been amended and the Act, which was originally meant to restrict road transport, should now function

to foster its expansion. The ban on inter-State transport has been removed and other restrictions lifted. In such circumstances, the Code of Principles and Practice framed to restrict road transport has become redundant and should be withdrawn. Perhaps, what is more important is that the changes effected in the Motor Vehicles Act should be brought to the notice of the State authorities who should be made to realise that it is now the Central Government's policy to foster, and not hinder, road transport. Permits for new units should now be liberally given, and the appointment of the Inter-State Transport Commission, whose duty it will be to help in developing road transport, should be expedited.

The State Bank Act has been amended to enable it to grant loans

to operators of vehicles and their co-operative societies. It is now urgently necessary to prepare a complete scheme, giving terms and conditions of loans, the rate of interest, the period of loan repayment, and other details. Specific arrangements should be made for financing operators' co-operatives and preference should be given to units operating on inter-State routes. This would greatly encourage rapid expansion of road transport.

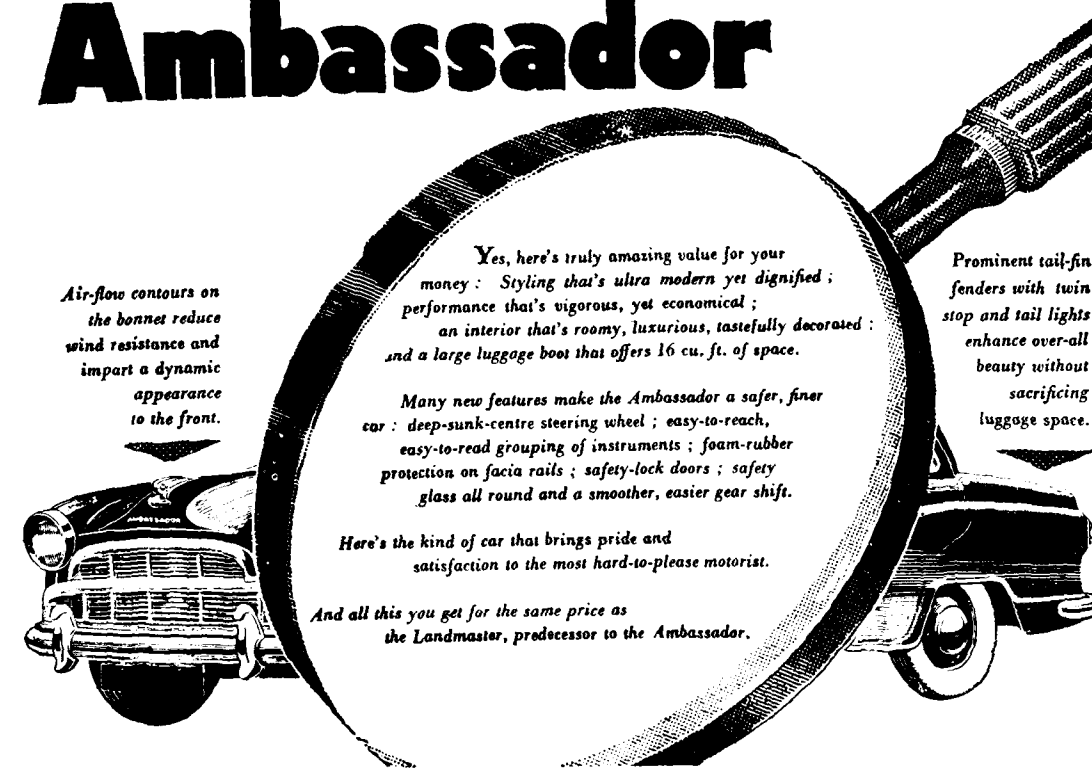
The Ministry of Transport has now been freed from the burden of looking after the railways, for which a separate Ministry has been created. The Transport Ministry should now be able to devote greater attention to, and establish more effective control on, all aspects of road transport. The Ministry should

take over such subjects as offering credit facilities for operators, forming viable units and operators' co-operatives and encouraging the use of articulated vehicles and truck-trailers. There should be close liaison between the Transport and Commerce Ministries, so that the production of vehicles will be commensurate with the demand. In order that there may be uniformity of policy throughout the country, the various States should also be persuaded to form Transport Ministries of their own.

Incidence of Taxation

Perhaps, no single factor has done so much to harm road transport as the abnormally high taxation imposed on it. Nowhere in the world is road transport taxed so heavily as in India. The incidence of tax

You get more than what you see in THE NEW HINDUSTHAN Ambassador



Air-flow contours on the bonnet reduce wind resistance and impart a dynamic appearance to the front.

Yes, here's truly amazing value for your money: Styling that's ultra modern yet dignified; performance that's vigorous, yet economical; an interior that's roomy, luxurious, tastefully decorated; and a large luggage boot that offers 16 cu. ft. of space.

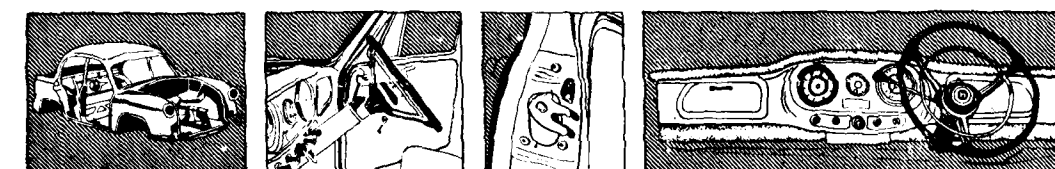
Many new features make the Ambassador a safer, finer car: deep-sunk-centre steering wheel; easy-to-reach, easy-to-read grouping of instruments; foam-rubber protection on fascia rails; safety-lock doors; safety glass all round and a smoother, easier gear shift.

Here's the kind of car that brings pride and satisfaction to the most hard-to-please motorist.

And all this you get for the same price as the Landmaster, predecessor to the Ambassador.

Prominent tail-fin fenders with twin stop and tail lights enhance over-all beauty without sacrificing luggage space.

increased family safety... and many new advanced features



Mono Construction Body

Deep-Sunk-Centre Steering Wheel

Children's Safety Lock

Rubber Padded Fascia Rail and Easy-to-reach, Easy-to-read instrument panel

UP-TO-DATE MOTORING Rs 11161/-
AT YESTERDAY'S PRICE: ONLY (EX PLAN)

HINDUSTAN MOTORS LTD. CALCUTTA

Dealers at:

Agra; Ambala Cantt.; Ajmer; Ahmedabad; Allahabad; Baroda; Bangalore; Bombay; Bareilly; Banaras; Calcutta; Cuttack; Coimbatore; Dibrugarh; Gauhati; Indore; Jaipur; Jodhpur; Jalgaon; Jorhat; Jamshedpur; Jullundur City; Jammu; Kanpur; Kolhapur; Lucknow; Madras; Madura; Mangalore; Meerut; Manbhum; Nagpur; New Delhi; Nepal; Patna; Poona; Palayamcottai; Pondicherry; Rajkot; Ranchi; Satna; Sambalpur; Shillong; Secunderabad; Silchar; Srinagar; Tezpur; Tiruchirappalli; Trivandrum; Vijayawada; Vizianagram.

Dalmia Products for modern homes and offices QUALITY STONEWARE AND PORCELAIN PRODUCTS



① STONEWARE PIPES (for underground drainage) salt glazed, acid-resistant and tested to standard specifications.

② R.C.C. SPUN PIPES for irrigation, culverts, water supply and drainage, available in all classes and sizes.

③ DALMIA PORTLAND CEMENT for general construction

④ PORCELAIN SANITARY WARES Indian and European closets, wash-basins, urinals etc.

⑤ REFRACTORIES for all industrial purposes; firebricks, mortars, insulating bricks in all heat ranges and shapes.

⑥ INSULATORS AND ACID-RESISTANT TILES etc.

DALMIA CEMENT (BHARAT) LTD.

DALMIAPURAM (TIRUCHIRAPPALLI)

D C-57-58-E-17

A I A B

including the levies on petrol, tyres, etc., and the direct vehicle tax, amounts to Rs. 2,070 per annum per vehicle in India, as against an average of less than Rs. 1,200 in the richer countries of Europe. What is worse in India is that there is no uniformity of taxation either. The incidence of taxation varies from State to State. The Central Government must try to bring some sort of order in this chaos. It has already asked the States to accept a ceiling on taxation at the level of 75 per cent. of the total current taxes in the Madras State. The Centre should see to it that this is implemented without any further delay. Such tax reduction, far from reducing the actual revenue receipts, would actually increase them, because of the number of new vehicles that will be put on the road.

Because of heavy taxation, road transport is not today an attractive business proposition. The cost of operation can, however, be brought down a great deal and the business made attractive by permitting a laden weight of 27,000 lbs. on two axles and by allowing the use of articulated vehicles and truck-trailer combinations.

Road Construction

Next, there is the problem of road construction. We do not have even a fraction of the road mileage that industrial countries have. Even the roads we do possess are mostly unmetalled or otherwise narrow and devoid of modern surfacing and, therefore, expensive to road transport. We need not go into that big problem at the moment, but mention must be made here of a serious flaw in our National Highways system. We have 13,800 miles of National Highways. But the high-

ways remain broken bits, because of the absence of 56 major and several minor bridges. This is a serious handicap to the development and expansion of road transport and action must be taken immediately to start the construction of these bridges.

Lastly, Government must take a decision on the suggestion made to the Transport Minister, Shri Lal Bahadur Shastri, recently that there should be no nationalisation of goods transport till the end of the third Plan. This will greatly help in accelerating the expansion of road transport. After all, the investor must be assured that his vehicles will not be thrown on the scrapheap by a mere stroke of the official pen.

Employment Potential

An important object of the second Plan is to mitigate the problem of unemployment in the country. It has been estimated that road construction provides employment for about 10,000 persons for Rs. 1 crore of expenditure. During the second Plan, it is proposed to spend on an average Rs. 75 crores per year on road construction, including maintenance, which means that roads will give employment to 750,000 persons, a high employment potential. Moreover, the 418,067 motor vehicles operating in the country today already provide employment for roughly 1,200,000 hands as drivers, conductors, helpers, mechanics, etc., as against 1,025,000 persons employed by the railways. It is further estimated that we shall require nearly 150,000 additional trucks during the second Plan. Each truck provides employment to roughly six persons, which

means another 8 to 9 hundred thousand persons will find employment in road transport. Thus, 2.8 million persons will be employed in roads and road transport during the second Plan period if transport by road is encouraged. In short, there is no single modern constructive activity that has such a high employment potential as the road and road transport industry.

A tremendous responsibility rests on the shoulders of the Transport Ministry and State Governments at this juncture. The making up of a transport gap of 30 million tons or more is no easy task. It is no easy task putting on the road 140,000 to 150,000 trucks in five short years. It means big policy decisions and facing of obstinate problems boldly and courageously. It means organised effort on a big scale, it means plenty of thinking and planning and working out of small details. The alternative is dislocation of the Five-year Plan, and chaos in our industrial and agricultural production, with glut of goods in factory yards and godowns, while there is scarcity and shortage in the market places and profiteering at the selling end. This will mean social discontent, labour trouble, strikes and lock-outs. I am confident that the Transport Ministry, which has taken some bold and courageous decisions during recent months, will live up to its reputation and solve these problems with quick decision and statesmanlike wisdom. On the solution of the transport problem will depend the success of the second Five-year Plan. That is the measure of the responsibility that rests on those in charge of road transport.—*All Rights Reserved.*

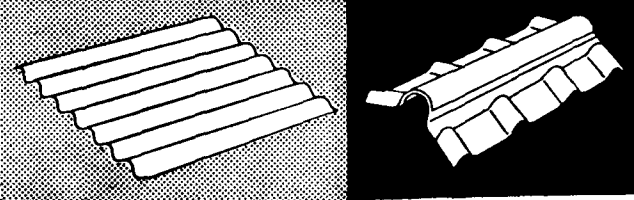
LEYLAND FACTORY IN INDIA

Factory extensions which will more than double the size of the existing plant are nearing completion at the Ennore factory of Ashok Leyland Ltd., Madras, where progressive manufacture of Leyland diesel Comet trucks is being undertaken for sale throughout India. The expansion envisaged indicates the technical progress which India is making in its schedule for speedy self development. When the approval of the Government of India was given to the progressive manufacturing programme under which Ashok Leyland Ltd. were to be builders and distributors in India of Leyland diesel engine vehicles with a gross rating of 20,000 lbs. and over, the factory premises at Ennore consisted of modern well-constructed ferro-concrete buildings which formed a sound nucleus for subsequent expansion.

Construction work which was started at the factory some time ago will nearly double the building area at the end of this year. Layout and planning has been undertaken by the Works Engineers Department of Leyland Motors Ltd. after joint consultation with the Indian company and frequent on-the-spot investigations by Mr. F. Grimshaw, Leyland's works engineer.

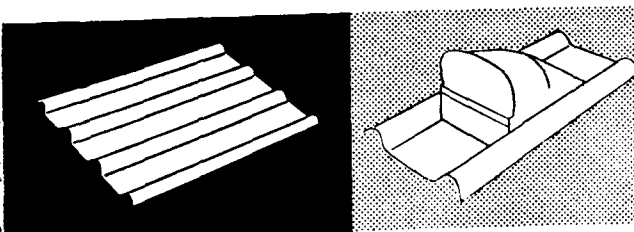
Concurrently with the expansion of the factory buildings, manufacturing facilities have also been developed. Machine tools, heat treatment plant and other equipment including jigs and fixtures to a value of £300,000 have been progressively installed and are now in use. Excluding tyres, driver's cabs, and batteries, which have been omitted from chassis exported to India since 1950, 20 per cent. of the value of Leyland Comet chassis is now produced in India. Leyland's investment will continue in order to finance the installation of factory equipment to a value of £735,000; at the same time Indian capital is being absorbed to bring the total investment to £1,500,000. By the end of this year, it is expected that 30 per cent. of the value of the Leyland Comet (not including Indian made tyres and batteries) will be produced in India. By the end of 1959, the figure will become 60 per cent.

It's quality first—with
"CHARMINAR" products!



SHEETS
PURLIN TILES
VENTILATORS
FLANGES
ACCESSORIES

Leading builders and contractors insist on "CHARMINAR" quality—because our asbestos cement products assure greater durability, easier handling, smarter appearance and much lower cost. See them at any good dealer's.



CHARMINAR

ASBESTOS CEMENT PRODUCTS

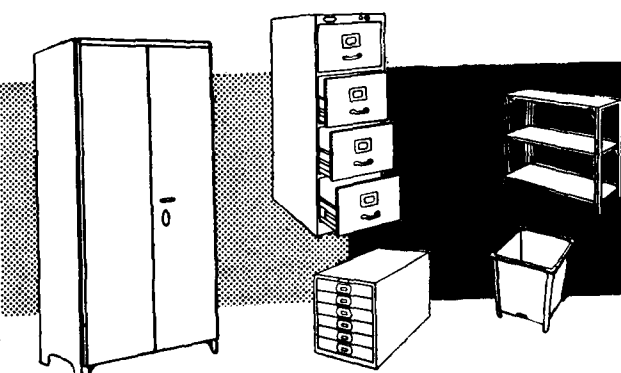
HYDERABAD ASBESTOS CEMENT PRODUCTS LTD.,
Sanatnagar, Hyderabad-18.



ALLWYN

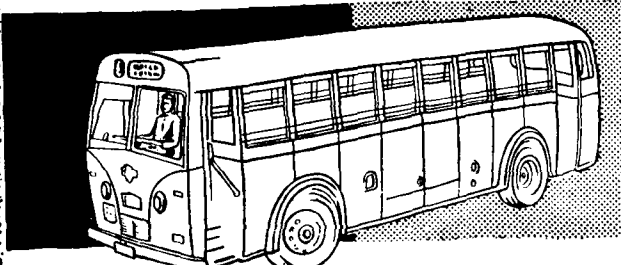
FURNITURE AND BUS BODIES

HYDERABAD ALLWYN METAL WORKS LTD.,
Sanatnagar, Hyderabad-18.



Modern styling!
Maximum
Serviceability!

Whether it's furniture or bus bodies, "Hyderabad ALLWYN" is in the forefront today. Our products never swerve from the highest modern standards of quality, styling, durability and economy. "Hyderabad ALLWYN" can pass any test. Discuss your problem with us, today—you're welcome.



HAM. 57-12

EVEREST

- Heavy-duty, full floating hypoid rear axle
- Heavy-duty, front axle with roller thrust bearings
- More trips per gallon

165" wheelbase truck chassis for goods transport



DODGE
DIESELS



190" wheelbase bus chassis for passenger transport

- Full depth frame of increased stock thickness
- Heavy-duty wrap-round front springs
- Five-speed gear box
- More seating accommodation

Progressively manufactured by

**THE
PREMIER AUTOMOBILES LIMITED**
BOMBAY

CONTACT YOUR NEAREST DEALER

THE NATION'S ASSET...

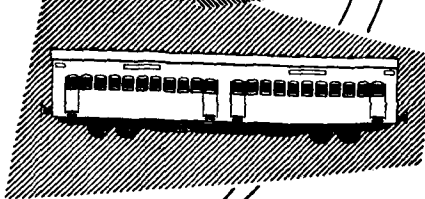
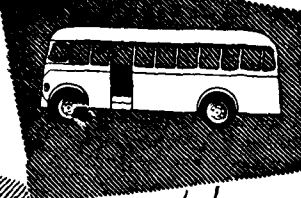
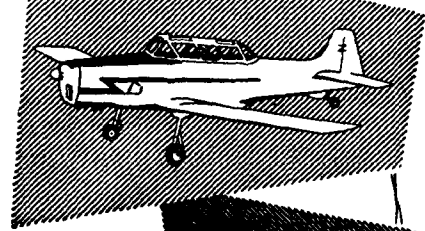
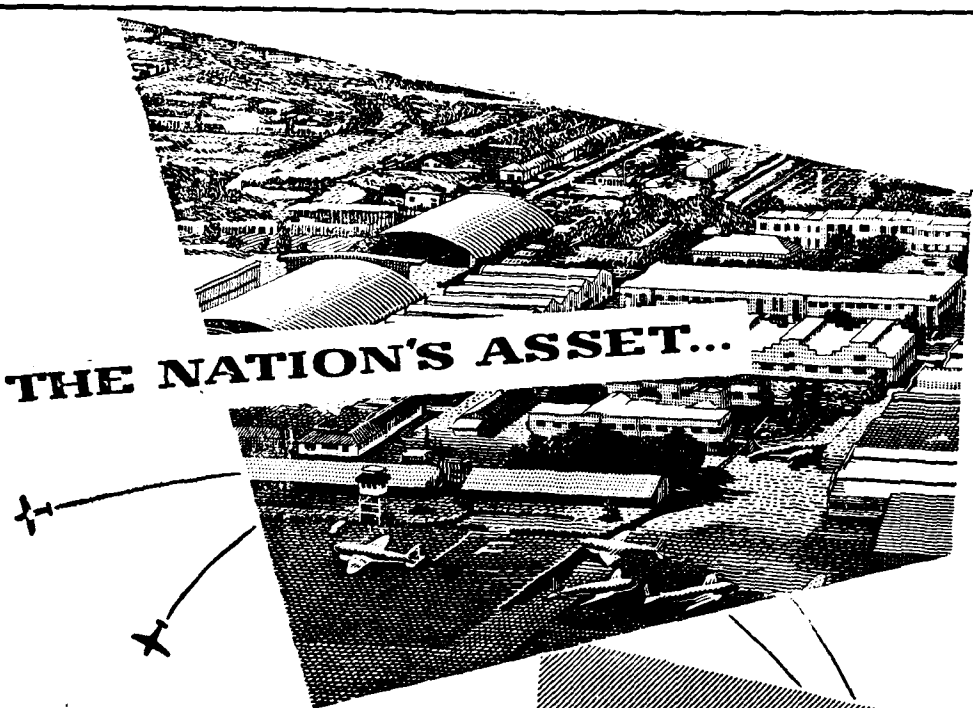
Hindustan Aircraft Factory at Bangalore, founded on 23rd December 1940, is the largest of its kind in the whole of Asia. Spread over 1100 acres of land, the factory has its own airport and sea-plane landing base.

A member of the society of British Aircraft Constructors UK, Hindustan Aircraft have designed and are currently manufacturing all-metal, modern trainers, popularly known as HT-2.

The programme also includes manufacture of pre-fabricated bus body kits and integral all-metal rail road coaches of the latest design.

HINDUSTAN AIRCRAFT (PRIVATE) LTD.

Hindustan Aircraft P. O.
Bangalore District, INDIA.



INDIA'S EXPERIENCE OF BILATERAL TRADE

Efforts Made To Stimulate Exports Feeble

By R. K. HAZARI, M.A., Ph.D.
ST. XAVIER'S COLLEGE, BOMBAY

THE trade policy of the Government of India, as of practically every Government in the world, moves along more than one channel. As a member of the I.M.F. and a signatory to the G.A.T.T., India is pledged to the promotion of multi-lateral trade and removal of discriminatory restrictions. Membership of the sterling area requires us, on the other hand, to keep dollar imports down to the minimum and to encourage Commonwealth trade. Favourable quotations from Continental Europe tempt imports from that rich source. Regional and other affiliations with neighbouring countries around the Indian Ocean, and the establishment and expansion of trade contacts with Communist countries necessitate special trade and payments agreements. Considering the existing pattern and difficulties of international trade, it would be less than reasonable to criticise the Government of India for pursuing what appear at first sight somewhat contradictory objectives. For we could practise full-fledged multilateralism only if we—together with the sterling area as a whole—could afford equally full-fledged multilateral clearing, and even this would still leave the problem of trading with Communist countries out of purview. The splitting of the world into politically hostile camps and demarcated currency areas has rendered a return to world-wide multilateralism, which had been centred on London and made possible by the unique position of sterling, an idle dream. Between, as well as within, the different currency areas, the tendency of export capacity to run out of alignment with import capacity has become well-nigh universal and almost impossible to correct in the near future. Fundamentally, therefore, the Government of India has acted, on the whole, wisely in tempering multilateral intentions with more or less bilateral actions. If, therefore, our bilateral agreements have been subject to criticism over the last two years or so, it is generally their drawing up and operation rather than their principle that has been objected to.

Imports Facilitated

At the end of December 1955, we had trade agreements with 20 countries, of which eight were Communist, six West European and another six Afro-Asian. The agreement with one of the Communist countries, Bulgaria, proved almost inoperative and may, therefore, be disregarded. At the time most (though not all) of these agreements were drawn up, neither of the contracting parties had any precise idea of what and how it could actually and realistically trade with the other. The consequent spread of pious goodwill into the attached commodity schedules often (though, again, not always) implied that specific physical or value targets could not be laid down, nor could any follow-up action worth the name be initiated on either side. Two notable exceptions were the agreements with Burma and West Germany, but, in their case, the long traditions and peculiar circumstances of mutual trade were a guarantee of success in any event. Trading with Communist economies, even on a Government-to-Government level, was a somewhat new experience and, therefore, took quite some time to get into stride. Ex-

ports to and imports from Afro-Asian countries, on the other hand, were consistently disturbed by their political-cum-foreign exchange difficulties. Viewed against this background and the tradition of trading mostly with other sterling area countries, the overall progress of trade under bilateral agreements can hardly be considered disappointing.

Table 1 gives the relevant data on our trade with 17 countries during the calendar years 1955 and 1956. Data on trade with individual countries during 1957 have not been published by the Government ever since the *Monthly Accounts Relating to the Foreign Trade and Navigation of India* were metamorphosed into the *Monthly Statistics of the Foreign Trade of India*, with effect from January this year. The figures indicate that bilateral trade was responsible for almost the whole of our trade deficit in 1955 and for nearly one-half of it in 1956. Between these two years, exports to the 19 agreement countries declined by about 7 per cent., as against a decline of less than 2 per cent. in total exports, while imports from them rose by 21 per cent. against an almost equivalent rise of 22 per cent. in total imports. The main source of the deficit lies in trade with Western Europe, from where imports have been a relatively economic proposition, but to which we have devoted even less attention in exports than usual. At the same time, it is worth noticing that, against the persistent large deficit with Western Europe, we have had a persistent surplus with the Afro-Asian group of six countries, though a larger surplus in 1956 compared with 1955 was achieved at a signi-

ficantly lower level of total foreign trade with such friendly neighbours as Burma, Ceylon and Indonesia.

If our bilateral trade has been (and still is) responsible for such a large proportion of our trade deficit, a somewhat detailed analysis of its working is obviously necessary. Bilateralism per se cannot be blamed for this deficit: the trouble has arisen from our voracious appetite for imports from all parts of the world (except the Afro-Asian group), and the sluggishness of our exports; furthermore, our bilateral trade with non-Communist countries is, strictly speaking, not bilateral at all, since net outstandings are settled invariably in sterling. Bilateral trade has burdened us with such large deficits for the simple reason that the general deficiencies of our trade and related economic policy and our traders' attitudes have left a comparatively more emphatic impression on it than on the picture of overall trade.

The motivating force behind the Government of India's acceptance of bilateral agreements was the desire to obtain, at first, foodgrains, and then, capital goods, as cheaply and quickly as possible from anywhere in the world. Since we had hardly any satisfactory arrangements for negotiating deals and settling accounts outside our customary trade grooves, these agreements, the Government thought, would prove convenient media for securing the requisite goods. Imports, then, came in easily enough: licensing policy was congenial, the home market buoyant and the foreign exporters eager to carve a niche in one of the biggest and most rapidly expanding markets of the world. As compared with Britain

and the U.S.A., the O.E.E.C. countries offered better terms and earlier delivery dates; imports from them presented no unknown commercial hazards and accounts could always be settled in sterling. Subsequently, specific contracts with Communist countries, too, were effected, largely by the public sector, to import particular items. With the public as well as the private sector dedicated to the proposition that high imports led ultimately to import substitution, this part of the agreements was thus happily consummated to the satisfaction of the High Parties concerned.

Export schedules, too, however, had to be appended to these agreements. Except in the case of Afro-Asian countries to which we could offer manufactured, including light engineering, goods, these schedules were filled by throwing in a catalogue of India's raw materials and partly processed goods. When it came to actual exports, nevertheless, a double coincidence of wants was often absent. The Afro-Asian countries were rather hard hit by the slump in the prices of their export products and/or by political disturbances. Exports to Communist countries increased in response to specific contracts but these were limited, and also by their very nature, undependable (witness the experience with China in jute and tobacco) since they could vary all the way from zero to a little less than infinity. In Western Europe, we have had few satisfactory direct trade contacts and the import policies there were not excessively liberal in any event. Difficulties abroad, however, were relatively less significant than the obstacles at this end. An over-rapid expansion of the home market reduced the exportable surplus of several leading exchange earners such as cloth and oilseeds.

Export Trade With Europe

Apart from the generally superior attractiveness of internal and import trade, official export promotion measures, insofar as they were effective, were directed almost wholly at earning more dollars, of which we earned Rs. 25 crores in 1955 and 1956 together, when the real need was to earn more O.E.E.C. and other non-sterling currencies in which we ran up a deficit of Rs. 284 crores in these two years. (See Table 2. The slight discrepancies in the totals of Tables 1 and 2 are for the Government to explain.) The argument could, of course, be advanced that surplus dollars could always be used to offset the deficit against O.E.E.C. countries, but, realistically speaking, it is not possible in the near future to earn such a large dollar surplus as to substantially offset the deficit against the latter.

There is no doubt that it is comparatively easy to sermonise to the U.S. on its obligation to import more from its trading partners, than to preach to West Germany, Italy and Sweden (with which we had large deficits last year) on the virtues of our scarce wares. Europe does not possess such large and prosperous markets as the U.S.; its economy does not need too many jute bags, and most Europeans do not drink tea. It can, nevertheless, absorb more cloth, sugar, vegetable oils, coir, spices, hides and skins, mica, manganese and iron ore, provided their prices are competitive and we take the trouble to sell them. But this is what the First Secretary (Commercial) at Bonn has had to say about our exports to West Germany which accounted for 83 per cent. and 35 per cent. of our trade deficits in 1955 and 1956, respectively.

"There is a desire—as well as the capacity—at this end to buy Indian goods. There is also the statutory pos-

TABLE 1
Trade With Agreement Countries
(Rs. crores)

Country	1956			1955		
	Exports	Imports	Balance (+) or (-)	Exports	Imports	Balance (+) or (-)
Burma	10.17	5.63	+ 4.54	12.57	22.34	- 9.77
Ceylon	19.84	8.57	+ 11.27	24.21	7.77	+ 16.44
Egypt	11.11	15.92	- 4.81	9.60	18.44	- 8.80
Indonesia	9.58	1.25	+ 8.33	13.57	1.34	+ 12.23
Iran	1.87	2.28	- 0.41	2.58	2.08	+ 0.50
Pakistan	3.11	0.53	+ 2.58	3.08	1.02	+ 2.06
Sub-total	55.68	33.58	+ 22.10	65.61	52.90	+ 12.62
Austria	0.25	4.48	- 4.23	0.44	2.33	- 1.89
Finland	0.35	2.90	- 2.55	0.30	2.38	- 2.08
Italy	9.54	26.12	- 16.58	7.19	16.65	- 9.46
Norway	0.62	3.20	- 2.58	1.01	3.05	- 2.04
Sweden	1.62	10.57	- 8.95	2.24	6.67	- 4.39
W. Germany	21.65	61.25	- 39.60	30.48	67.02	- 36.54
Sub-total	33.83	138.58	- 104.75	41.70	98.10	- 56.40
China	3.81	8.36	- 4.55	6.80	2.50	+ 4.31
Czechoslovakia	2.91	6.27	- 3.36	1.15	2.03	- 0.87
Hungary	0.12	0.78	- 0.66	0.05	0.32	- 0.27
Rumania	0.08	0.25	- 0.17	0.02	0.30	- 0.28
U.S.S.R.	12.33	14.90	- 2.57	2.47	3.05	- 0.58
Poland	1.01	2.17	- 1.16	0.42	2.04	- 1.62
E. Germany	0.26	0.28	- 0.02	0.02	0.35	- 0.33
Sub-total	20.52	33.01	- 12.49	10.93	10.74	+ 0.19
Total (i)	110.03	205.17	- 95.14	118.24	161.83	- 43.59
Total External Trade (ii)	589.89	789.72	- 199.83	601.60	645.83	- 44.23
(i) as percentage of (ii)	18.6	26.0	47.6	19.6	25.0	98.6

Source: Computed from *Monthly Accounts Relating to the Foreign Trade and Navigation of India*. Exports include re-exports.

TABLE 2
Direction of Trade by Currency Areas
(Rs. crores)

Area	1956			1955		
	Exports	Imports	Balance (+) or (-)	Exports	Imports	Balance (+) or (-)
Sterling area	312.9	326.6	- 13.7	313.4	299.4	+ 14.0
Dollar area	111.6	192.3	- 80.7	113.7	97.9	+ 15.8
O.E.E.C. area	70.5	215.8	- 145.3	79.1	142.5	- 63.4
Rest	90.4	162.2	- 71.8	92.2	104.7	- 12.5
Total	584.4	896.9	- 312.5	598.4	644.5	- 46.1

Source: Reserve Bank of India Bulletin.





S.T.C.

TRADES

WITH

THE

WORLD



EXPORTING

 Iron Ores—sole exporters;
 Manganese Ores; Chrome Ores;
 Metallic & Non-Metallic Minerals;
 Handicrafts; Tea; Coffee;
 Woollen Fabrics; Coir Matting;
 Cotton; Handloom Towelling;
 Cotton Seed Oil; Castor Oil;
 Lemon Grass Oil; Cardamoms;
 Tobacco; Jute Bags; Shoes;
 Hemp; Salt and other products.

IMPORTING

 Cement, Caustic Soda & Soda
 Ash—sole importers; Raw Silk;
 Gypsum; Ammonium Sulphate;
 Textile Machinery; Chilean Nitrate;
 Ships; Launches and other
 essential commodities.

THE STATE TRADING CORPORATION
OF INDIA (PRIVATE) LTD.

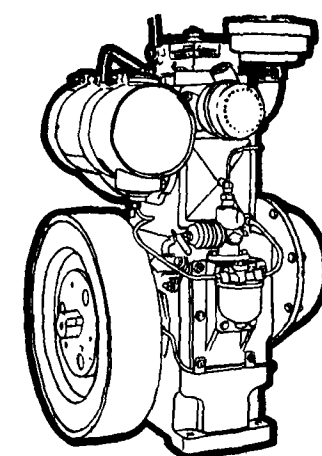
 38, Golf Links, Post Box No. 79 New Delhi.
 A GOVERNMENT OF INDIA ENTERPRISE

NO OTHER MAKE
BUT "KIRLOSKAR"
CAN SUBSTITUTE THE
NEEDS OF

Kirloskar

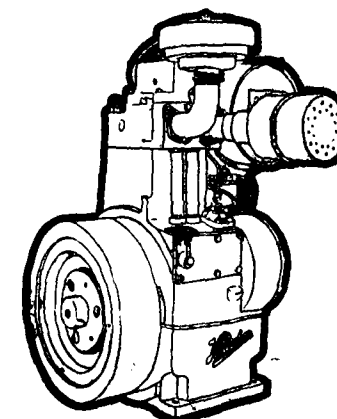
DIESEL ENGINES

THE ONLY
HIGH SPEED
ENGINES SUITABLE
FOR CONSTRUCTION
MACHINERY

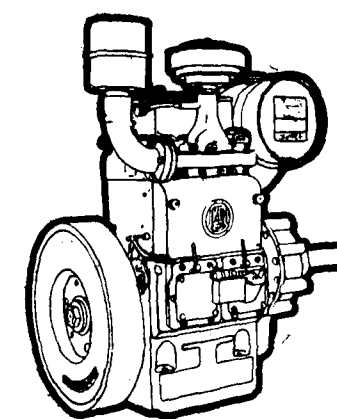


AV-1, SERIES II, 5 B.H.P.

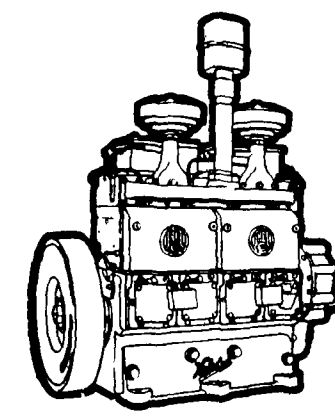
KIRLOSKAR diesel engines are used for all industrial and engineering purposes. Outstanding reliability, rigid construction and efficient performance—the outcome of years of experience in sound design and workmanship—make Kirloskar diesel engines popular in the field of constructive engineering. These engines are designed in such a way that they can be handled easily even by unskilled labour.



IM 11 x 11, 10 B.H.P.



B2, SERIES II, 20 B.H.P.



B4, SERIES II, 40 B.H.P.

KIRLOSKAR OIL ENGINES LTD.
ELPHINSTONE ROAD, KIRKEE, POONA-3
(INDIA)

ability of improving prospects. More than 85 per cent. of the German import trade is liberalised, and for what is not liberalised, India has an adequate quota. . . .

"Unfortunately, during 1955, India utilised, except in the case of jute goods, only a fraction of the quotas allotted. The quotas for 1956 were even larger; but judging from the trend of trade, it would appear that the utilisation of quotas did not improve." (*Supplement to the Journal of Industry and Trade*, April 1957, pp. 20-21.)

During 1955-56, the percentage utilisation of West German import quotas by us was: cotton piece-goods 26; cotton furnishings and fabrics, etc., 30; coir 35; jute 77; leather 5; and pineapple juice, etc., 0.1.

Rituals Gone Through

It would scarcely be proper to blame either the Government or the private sector alone for this state of affairs. The second Five-year Plan explicitly states that no increase in the level of exports can be envisaged over the Plan period! Till the foreign exchange crisis placed us squarely down in the dumps, no responsible Government spokesman found it necessary to treat the promotion of exports as a high priority matter, though, to be fair, the customary ritual of setting up Committees and Councils was gone through at leisure. The State Trading Corporation set up to explore new channels of trade found it more profitable by and large to tap existing markets in Japan and the U.S.A. (Whether in the process it damaged or salvaged private interests is quite irrelevant here.) The private sector found dividends on import licences and in import substitution for the home market attractive enough, and could perceive little advantage in risking its efforts and resources on unexplored markets. External publicity was notably deficient and the favourable impressions created by various exhibitions and sample exports were often dissipated through lack of follow-up action. While much was justifiably said about the innocuous functioning of Trade Commissioners abroad, traders themselves did little to study foreign markets and to establish and maintain commercial contacts. Hardly any interest was taken in publicising new uses for old products in declining demand. Many exporters insisted on opening of irrevocable letters of credit by foreign parties of excellent standing even in highly competitive markets. Trade with most West European countries continued to be indirect: in 1955 and the first half of 1956, for instance, only 45 per cent. of Indian goods went directly to West Germany, while the rest reached indirectly via the U.K. and the Netherlands; more than 85 per cent. of West German goods, on the other hand, found their way directly to India. The experience with other O.E.E.C. countries, particularly Scandinavian, was similar. This lethargy in establishing direct trade contacts cannot be explained away merely by shipping and freight difficulties. The reason for it is that, unlike the well-sheltered home market, export markets are highly competitive and quality-conscious and offer, in general, rather slim profits; added to these difficulties is the problem of handling sales in relatively small bulk over a wide area.

Greater Effort Needed

Looking back at our trading experience over the last three years 1955 to 1957, a few concluding observations may now be made. In the immediate future, as in the immediate past, our trade deficits would be mostly with O.E.E.C. countries for reasons elaborated above. Dollar deficits are not likely to assume serious proportions on account of various aid programmes, the relatively high prices of American capital goods and the expected continuance of a more or less satisfac-

tory level of exports. Deficits with Communist countries, too, may not be very large due to the relatively small amount of trade and the Soviet Russian credit of Rs. 115 crores. While a vigorous export drive must be launched to earn all foreign currencies in general, its principal emphasis must be to earn O.E.E.C. currencies. Unlike trade with Communist countries, which do not form anything like a currency area and has, therefore, to be settled by and large individually, trade with O.E.E.C. countries combines, in a somewhat unique manner, the advantages of bilateral agreements with multilateral settling of accounts.

It required many years of acute consciousness of the dollar problem to attain a semblance of equilibrium with the dollar area. The painful process would now have to be repeated to achieve a balance with Western Europe, which, admittedly, is a much tougher nut to crack.—*All Rights Reserved.*

AIR TRANSPORT AND THE JET AGE

(Concluded from page 86)
therefore, that time is on the side of the industry. Unfortunately, I suggest, that is not so; on the contrary, time is treading relentlessly on their heels.

Speaking to two members of the British Parliament a few weeks ago,

Mr. Krushchev, the Soviet Communist party leader, advanced the view that, militarily speaking, manned aircraft were things of the past. "Our inter-continental ballistic missile," said Mr. Krushchev, "shows that it is no good sending human-controlled machines against missiles, for the age of the bomber is over." Making due allowance for Soviet propaganda, there is, I suggest, cold truth in that statement. The recent launching of the Soviet earth satellite clearly demonstrates that the Russians have got an extremely efficient three-stage rocket and that their claim to have perfected an inter-continental missile, is no empty boast.

Curse or Blessing?

We have seen how commercial aviation followed hard on the heels of military aviation into the jet age. We shall (is it not logical to assume?) see a similar process in the rocket age—and the rocket age, let there be no doubt about it, is here and now. I do not seek to imply that, within the next three or four years, we shall see commercial aviation turning to pilotless aircraft. That may well happen in course of time—even within the lifetime of the present younger generation. I do suggest, however, that commercial aviation will turn to rocket propulsion—with jet power for landing—in the not far distant future.

It is, one suggests, the rapid advance of aeronautical science which

has been both the blessing and the curse of commercial aviation since its inception. Always there have been bigger, faster, more efficient—and more expensive—aircraft building than those currently in operation. Never has the industry been able to say, "At last we have the final word in aircraft; let us now settle down and make profits." They have had constantly, and at short intervals of time, to discard equipment which has still many years of useful life, and purchase the latest which the builders have to offer.

Till a few years ago, this process—expensive though it was—had certain compensations: the later equipment was more economical than the older. Today that is to say the least of it, doubtful. Moreover, the pace quickens. Yesterday it was piston propulsion; today it is jet; tomorrow it will be rocket power; the day after—who knows? Space travel to the moon is by no means a remote possibility!

We may be certain of one thing—the day of air travel for the masses will eventually arrive, simply because it will then be the cheapest form of transport. What form of propulsion will then be used—rocket, atomic, or something as yet unforeseen—is a matter of speculation. It is equally certain, I believe, that the "jet age" will not see this come to pass—if, indeed, the jet age is not already on the way out.—*All Rights Reserved.*

★
**COIR INDUSTRY
A
COTTAGE INDUSTRY**

Provides a living to thousands
of families

Keep your homes and offices
tidy with
COIR MATS, MATTINGS, RUGS

Damp Resisting
Sound Proofing
Easy to Clean
Durable
Beautiful
Cheap

**Coir Board
ERNAKULAM**

Every Year a Year of ACHIEVEMENT

in
85 YEARS

AND NOW

a Revolutionary
new textile
printing plant
to give
you



Morarjee
FABRICS

Advanced technical research—scientific production methods—most modern textile printing machine. These, and 85 years of textile production experience, combine to give you better and brighter textile prints in Morarjee Fabrics.

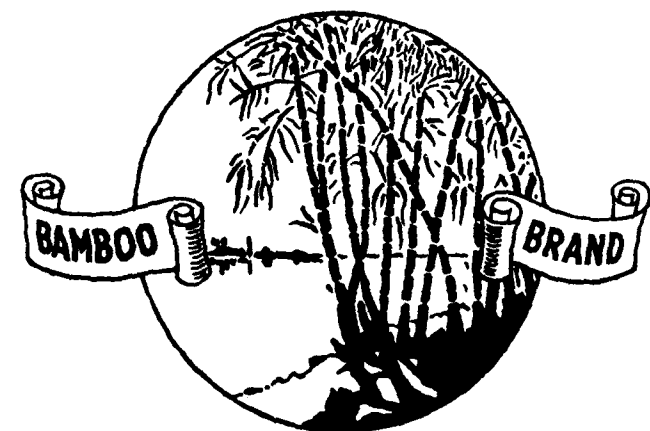


VOILES : SAREES : PRINTS : FLANNELS : POPLINS :
SHIRTINGS : SUITINGS : DRILLS : LONGCLOTH : DHOTIES :
THE MORARJEE GOCULDAS SPG. & WVG. CO., LTD.,
Farel, Bombay 12

Managing Agents: **PIRAMAL SONS PRIVATE LTD.**

INDIA PAPER PULP COMPANY LIMITED

MANUFACTURERS OF



FINE QUALITY
PRINTING
AND
WRITING
PAPERS
ROYAL EAGLE
LEDGER
VICTORY & CONSULAR
BONDS

Bombay Office:
**32, NICOL ROAD, BALLARD ESTATE
BOMBAY, 1**

Mill:
**NAIHATI
WEST BENGAL**

Managing Agents:
ANDREW YULE & CO. LTD.
8 CLIVE ROW, CALCUTTA, 1

Research in Agriculture and Animal Husbandry

Satisfactory Results Obtained

By DR. M. S. RANDHAWA, I.C.S.

VICE-PRESIDENT, INDIAN COUNCIL OF AGRICULTURAL RESEARCH

AGRICULTURE is the main occupation of the large majority of the people in India. But no concerted action had been taken till recently for its improvement. As the progress of the country is inseparably linked with the improvement in the living condition of the farmers, there is hardly any necessity to emphasise the need for a planned development in this direction.

There was no definite Government policy for the improvement of agriculture till the beginning of the present century. The first steps to initiate organised research in agricultural problems were taken in 1905 by the establishment of the Indian (then Imperial) Agricultural Research Institute at Pusa in Bihar, which was subsequently shifted to New Delhi in 1936. It was realised that, in the programme of planned development of agriculture, the central institutes should function as a co-ordinating agency in respect of a network of research organisations spread all over the country. In accordance with this policy, separate Departments of Agriculture were constituted in most of the States. In 1889, a central institute of veterinary research was established at Poona which was transferred to Mukteswar in Uttar Pradesh in 1893. This institute was primarily meant to carry out investigations on animal diseases and animal husbandry.

In 1919, constitutional changes took place. As a result, agriculture became a transferred subject under the control of the State Governments. Thus, the responsibility of the Centre was limited to the administration of Central research institutes. In 1929, the Imperial (now Indian) Council of Agricultural Research was constituted with the primary object of promoting, guiding and co-ordinating agricultural research throughout India. This Council now functions as the supreme body to chalk out a programme of planned development in the field of agriculture and animal husbandry research in the country.

Even though agricultural research has been conducted in the country for many years past, it received an impetus only during recent years. A brief account of the important works carried out by the Indian Council of Agricultural Research in recent years is given below.

Food Crops

Food shortage was the most serious problem facing the country, as the production was not sufficient to meet the requirements. As a result of research leading to the adoption of better strains and improved methods of cultivation during recent years, this problem has been satisfactorily solved and, not long ago, there was even a small surplus, particularly in rice. Recently, however, this position has been adversely affected due to widespread drought and floods in many parts of the country.

Rice is an important cereal crop of the country. It occupies an area of about 76 million acres, producing about 22 million tons of rice annually. This crop has received a great deal of attention from research workers. Improved varieties of rice, resistant to drought, flood and insect pests and suited to geographical and seasonal conditions have been evolved. These improvements and the adoption of the Japanese method of paddy cultivation have resulted

in higher yields of this crop. High yielding foreign varieties of paddy are also being introduced in the country. Among these, the Chinese varieties have proved very successful in Kashmir and Assam.

The Japanese method of paddy cultivation has gained much popularity in the country. In this method, great care is exercised in the selection of seed, in raising the seedlings and in their transplantation in the field and in the application of adequate quantities of manures and fertilisers to the crop. Adoption of these practices, together with intercropping of paddy fields at suitable intervals, have resulted in high yields of paddy. Over 4 lakh acres of paddy were brought under this method of cultivation in 1953-54. The increase in yield was about 16 maunds per acre while the total additional production was in the neighbourhood of two lakh tons.

Wheat

Another important foodgrain crop which is the staple food of a large section of the people is wheat. The area covered by this crop has been fluctuating between 26 and 32 million acres. Unfortunately, wheat suffers from a disease known as rust. It is a serious disease which reduces yield and affects the quality of the grain. Rusts are of three kinds and these are divided further into many races on the basis of their ability to attack different varieties of wheat. This has complicated the problem of evolving rust-resistant varieties of wheat. However, due to the intensive work of the Indian Council of Agricultural Research in co-operation with the State Governments, a variety of wheat known as N.P. 809, resistant to all the three rusts, have been evolved. This wheat has fared well, particularly in the hills, or sub-montaneous areas.

The Bombay State has done valuable work in evolving rust-resistant wheat varieties. A strain called *Kenphad* has been evolved by crossing a rust-resistant Kenya wheat with Niphad-4. This variety was found to be resistant to all varieties of black rust prevalent in peninsular India. Madhya Pradesh has also done valuable work in this field. Some of the promising varieties produced in the Punjab are C.217, C.250, C.281 and C.253. *Kanpur-13*, a variety evolved by the U.P. Agriculture Department, is popular in the State.

Millet

Millet is the main food crop in the areas where the rainfall is low and uncertain. This crop occupies about 80 million acres and the annual production is about 12 million tons. Considerable research work has been done in producing improved varieties of millet and in evolving better methods of cultivation. Improved methods of dry farming have been evolved after years of research and these have been put to practice in some of the dry areas. The Bombay State has also evolved an improved method of dry farming system which enables the cultivators to grow crops even when the rainfall is scanty and variable.

An important problem of crop production has confronted the research workers. This is the wide difference in the yield of crops on the Government farms and those grown in cultivator's fields. The reason for this variation was the indifference of cultivators to manuring of crops and the adoption of better farming

methods as recommended by the Agricultural Departments. A good deal of work has recently been done in this direction and the cultivators have now begun to appreciate the advantages of applying fertilisers to crops. Large-scale demonstrations have been conducted in the last two years for popularising the use of new fertilisers such as urea and ammonium sulphate nitrate. In 1954, 60,000 demonstrations were carried out in the cultivators' fields in the kharif season and about 16,000 tons of different fertilisers were distributed during the season. As these fertilisers are becoming popular with the cultivators, the Government is thinking of establishing more factories for increasing their production.

Potatoes

Several varieties of new potatoes have been evolved; these have been tried out in different parts of the country. A well-known disease-free commercial variety, up-to-date, locally known as Numbri, has been produced and arrangements for its multiplication in the hills are under way. Potatoes grown in the hills are the main source of supply of seed potatoes for the cold season crops in the plains.

The majority of the Indian people are vegetarians and, therefore, their food is deficient in proteins. This deficiency is being met by the use of large quantities of pulses which are rich in proteins. The Indian Council of Agricultural Research has been financing research schemes for the improvement of pulse crops. Improved varieties of urd, arhar, mung and gram have been evolved and are now under cultivation in different parts of the country. In Uttar Pradesh, *mung* Type-1 has figured prominently as a short-duration legume crop to replace monsoon fallows and to serve as a dual purpose crop for green manuring and grain production.

Fruits

Several varieties of fruits are grown in different parts of the country. The total area under fruits is about 32 lakh acres; this is nearly two per cent. of the total cropped area. The total annual production is about 60 lakh tons per year. Four ounces of fruits are required per head per day according to nutritional standards. To meet the demands of the adult population forming 80 per cent. of the total population of 36 crores, the quantity of fruit needed is 120 lakh tons. This means that the area under fruits has to be doubled to meet the requirements. Horticulture has received special consideration in the second Five-year Plan.

In collaboration with the States, the Indian Council of Agricultural Research have been financing research on fruits. Commendable progress has been made in this direction. It has recently been decided to set up six regional stations in different parts of the country for research on mango, citrus, guava, pineapple, grape and apple. In order to extend the area under fruit cultivation, the Government is advancing long-term loans to cultivators for planting new orchards. It is also proposed to assist the growers in increasing the yields by adequate manuring and the adoption of suitable cultural practices.

Sugarcane is an important cash crop of the cultivators in certain States. Research on this crop is con-

ducted at the Sugarcane Breeding Institute at Coimbatore which was established in 1912. High-yielding and disease-resistant varieties of sugarcane have been evolved at this station and these have spread to all the sugarcane areas in the country. Some of the well-known varieties evolved are Co.312, Co.313, Co.421 and Co.453; these are suitable for cultivation in sub-tropical climatic conditions. Co.419 has become very popular in the tropical areas of the country. Among the recent varieties, Co.630, Co.644 and Co.659 and Co.686 may be mentioned as combining early maturing qualities with high tonnage. Attempts are being made to increase the per acre yield by better manuring and irrigation.

Cotton and Jute

Cotton is the major cash crop in the country. With the partition of the country in 1947 large tracts of cotton-growing areas were transferred to Pakistan. It became imperative to increase the area under cotton to meet the growing demands of the textile industry. The Central Government, with the co-operation of the State Governments, launched a "Grow More Cotton" campaign in the 1950-51 season. The campaign yielded good results as the production increased from 29 lakh bales in 1949-50 to over 42 lakh bales in 1954-55, the target fixed under the first Five-year Plan. Much of this additional production of cotton is of a better quality. It is hoped that with the inauguration of the Bhakra-Nangal Canal system, the country will be able to produce extra long-staple cotton of 1½ inch staple which is at present imported from East Africa and the U.S.A.

Jute is another commercial crop cultivated in the country. Research work is in progress for evolving improved strains of jute. Agronomic work done on this crop has shown that jute sown in lines, with a spacing of 12 inches between rows and 1 to 3 inches between plants in the row, has given better yields than the broadcast sown crop.

Research work is also under progress in several other crops. On the basis of the recommendations of the Spices Enquiry Committee, the Government has provided adequate funds for intensifying research and development work for improving pepper and cashewnut which are dollar-earning crops. Research work has also been undertaken on crops like oilseeds, tobacco, coconut and arecanut.

Animal Husbandry

Animal husbandry has received equal attention from the Indian Council of Agricultural Research since its inception. As the cattle play a vital role in the agricultural economy of the country, a "Key Village Scheme" has been launched for the improvement of livestock in the country. A key village is a group of contiguous villages in a selected area having a population of nearly 500 cows and she-buffaloes fit for breeding and milk production. Superior pedigree bulls produced on Government farms are multiplied in these selected areas and undesirable males are removed by castration or otherwise. Adequate provision is made for feeding, disease control and proper marketing of the produce in addition to the breeding programme. To overcome the shortage of high class bulls and accelerate the pace of progress, artificial

(Continued on page 172)

THE RAGHUVANSHI MILLS LIMITED

11-12, Haines Road, Mahalaxmi, Bombay 13, India

Cotton Yarns on 50s, 60s, 70s, 80s, 90s, 100s in hanks, on cones or cheeses, carded and combed. Specially on Beams also.

Staple Yarns: 20s, 30s, 40s, 60s, 80s, and Doubled Yarn: hanks, cones or cheeses.

Sewing Thread of all kinds—Bleached and Coloured, Embroidery Yarn and Gassed Yarn.

Coarse Sheetings, Medium Sheetings, Drills, Dedsuti, Bleached Longcloth, Mulls, Voiles, Poplins, Crepes, Twills, Mosquito Nettings, etc., etc.

Cable: RAGHUBIR

Tel: 76291-2-3

THE SIDHPUR MILLS CO. LTD.

Sidhpur (N. Gujrat), India

Poplins, Coatings, Coloured Weft Sucs, Dedsuti, Twill, Bleached Longcloth, Grey Sheetings, Gin Sucs, Overdyed Sucs, Crepe, Chorsas, Saris, Bed Ticking, Mulls, Towels, Towelling Cloth, Bleached Dobby Chaddar, Tea Towels, Mosquito Netting, Pato Sucs, etc., etc.

Cotton Yarns: 18s, 20s, 24s, 26s, 30s, single or folded.

Staple Yarns: 20s, 30s, 40s and 2.40s in hanks, cones or cheeses.

Cable: RAVISUR

Tel: No. 21, 22 SIDHPUR

Office: 52-54, TAMBA KANTA, PYDHOWNI, BOMBAY-3

Tel: 29700 & 29349

THE AMBIKA SILK MILLS COMPANY LIMITED

11-12, Haines Road, Mahalaxmi, Bombay 13, India

Art Silk specialities: Satins, Crepes, Tafettas, Brocades, Nylon Sarees, Sharkskin Suitings, Nylon Shirtings, Fancy Nylons, etc.

Cable: QUALITYFAB

Tel: 76291-2-3

1857-1957

*A Century of Experience in
Clearing and Forwarding,
Lighterage and Landing*

DADABHOY HORMUSJEE AND COMPANY

(ESTD. 1857)

Dady House

50-52, Veer Nariman Road
BOMBAY, 1

Nationalisation Of Life Insurance And After

Why Not Make Insurance Compulsory For All Employees?

By A STUDENT

WHETHER any industrial or commercial activity should be nationalised can be decided by the application of two broad tests. These are, first, whether the business of this activity will be managed in a substantially better manner under nationalisation than under private enterprise and, secondly, whether there are certain national objectives which cannot be achieved under private enterprise and for the realisation of which nationalisation is therefore essential. It is proposed in this article to apply the second of the above tests, that of national objectives, to the nationalisation of life insurance.

National Objectives

The national objectives underlying the Life Insurance Corporation Act as laid down in the statement of objects and reasons accompanying the text of the original Bill are two, namely,

- (i) to spread insurance much more widely and in particular to rural areas, and
- (ii) to more effectively mobilise public savings.

In other words, the objectives are to increase the quantum of public savings in the form of insurance premiums and to make more effective use of them. There is no doubt that it is primarily for these national objectives, and not merely for the elimination of badly managed and inefficient units under private enterprise, that the Government decided to nationalise life insurance business in India. Even, if there were no mismanagement under private enterprise, Government would very probably still have resorted to this step of nationalisation. In fact, the former Finance Minister said as much when he stated in Parliament on 19th March 1956: "The State need not have to make out a case that the private sector had failed. Nationalisation was judged on many other grounds like ideology, philosophy and the objectives of a Welfare State. So it was futile for anyone to take a stand on this that, unless the Government proved, as in a court of law, that there had been malpractices over a very wide extent, by implication the State had no right to nationalise." It is, therefore, primarily with a view to making the insurance industry subserve the purposes of a Welfare State to as great an extent as possible, and not merely for eradicating the malpractices in it under private enterprise, that Government decided to nationalise the business of life insurance. The success of the experiment of nationalisation will, therefore, be mainly judged by how far the two national objectives underlying it, as mentioned above, could be achieved by the Corporation. As the data about the second of the above objectives, namely, use of insurance savings, do not involve too many uncertainties, it is better to deal with it first.

Use of Insurance Fund

It is often said that Government have nationalised life insurance in order to have a larger proportion of the insurance funds for their development schemes. Against this widely held public belief, however, there is the official declaration that "... it is not Government's intention to divert the available funds to the public sector to a greater degree than under present arrangements." Indeed, it can be seen from the interim report on the activities of the Life Insurance Corporation of India

that, during the period from 1st September 1956 to 30th June 1957, the proportion of the investments of the Corporation in the private sector has actually increased from 16.8 per cent. to 18.1 per cent., and that too almost entirely at the expense of the public sector, the proportion for which has decreased from 73.1 per cent. to 72.1 per cent. In fact, Mr. T. T. Krishnamachari is reported to have said in Parliament on 4th December 1957 that profitability should be the criterion for investments.

There is, therefore, no basis for the public belief mentioned above, and, indeed, it is not necessary for the Government to nationalise the life insurance business merely to change the proportions of different types of investments out of insurance funds. By suitably amending the present Insurance Act, they could have secured any desired change in the pattern of investments, though, of course, it would be easier for them to do so by bringing all the funds under their direct control.

Real Motive

Since quite an appreciable part of the resources of the private sector, including equity capital, is derived from life insurance funds, it is suggested in some quarters that the real motive of Government in nationalising is to get an indirect control over the private sector by owning its equity capital made up of life insurance funds. Here again, though after nationalisation it becomes easier for Government to exercise such control, it is quite possible for it to secure even greater control directly by other methods. It is, therefore, difficult to conclude that the main reason for nationalisation is the control that Government thereby wishes to get over life insurance funds, though, of course, this could make the case for nationalisation, if it is already strong enough on other grounds, stronger still.

The essence of the case for nationalisation can, therefore, rest only on the possibility of increasing substantially the quantum of insurance business under it. Thus, the most crucial question, on the answer to which the success of nationalisation depends, is whether the Corporation will be able to spread life insurance "much more widely" than under private enterprise and "in particular to the rural areas."

Increase in Business

What is more important, in this connection, is not the amount of new business transacted but the amount of net increase in the business in force, after allowing for lapses, etc. Even if nationalisation had not taken place, private insurance companies would have been able to increase the quantum of life insurance business at a certain rate as they have done hitherto. Will this rate of net increase be substantially higher under the Corporation? The data to answer this question are not yet fully available. The figures so far made available in the interim report relate to new business only. The figures about the net increase in the business in force are not available. From the available figures of the new business alone, no conclusion can yet be drawn.

Just as the initial drop of new business after 1st September 1956 was no indication that the level of new business under the Corporation would be substantially lower than under private enterprise, so also the

recent recovery in this respect cannot be taken as an indication of the reverse. It will take a pretty long time to see, on the strength of statistical evidence alone, whether nationalisation has increased public savings in the form of insurance premia to an extent substantially greater than could have been reached under private enterprise. Till then the only method to consider this question is what may be called the *a priori* method.

Anything New?

The most pertinent question in the application of this method is whether there are any steps, which the Corporation has taken, or would take, but which private enterprise could not or would not have taken, for spreading insurance far and wide in the country. Reference may, in this connection, be made to paragraphs 39 to 43 in the interim report. Various measures that the Corporation has taken "to liberalise the terms of life insurance, to widen its field of operations and to offer insurance facilities on reasonable terms to larger sections of people" are detailed in these paragraphs. None of these measures is such that private enterprise could not have taken it, though some of them are such that private enterprise would very probably not have taken them. Measures such as "offering insurance to diabetics who were previously completely denied the benefits of life insurance," which are found to be justifiable on scientific principles, private enterprise would have taken.

It is not made known whether the waiver of extra premium for covering war risks in certain categories of defence forces and in the case of proposals for assurance from women has been decided upon by the Corporation in the light of appropriate investigations. If there is a scientific basis for this waiver, private enterprise also would sooner or later have granted it. If, however, there is no such scientific basis, the granting of this waiver by the Corporation is open to question. The Corporation works on the principle of assigning every proposer to one or the other of certain broad categories formulated according to the types of expected mortality and then charging the appropriate premium for that type. It is inconsistent with this principle to eliminate certain existing categories without a proper investigation. It may, perhaps, be argued that this or any other similar inconsistency does not matter, so long as it leads to an increase in the business, and that such inconsistencies are inevitable in a scheme of social insurance. This is quite true, but then the Corporation should do away with all other such existing categories and emerge as a 100 per cent. institution of social insurance or it should at least keep the two branches of its activities, social insurance and the opposite of it, which may be called commercial insurance, separate. The removal of the extras in the two cases mentioned above is comparatively an insignificant step and may not have led to any appreciable increase in business.

The "Janata" Policy

"In May last, the Corporation introduced the Janata Policy scheme as a pilot project in certain selected areas in each zone. The distinctive feature of this scheme is that premiums will be collected at the door-step of the policyholder, a method of premium collection which has not been tried before in this

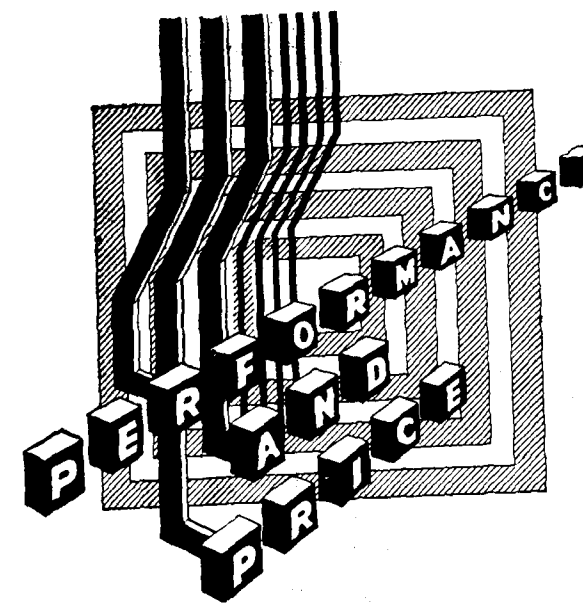
country." Such an expensive method of collecting the premiums from door to door, private enterprise would very probably not have adopted; and it is, therefore, claimed that, as a result of nationalisation, insurance is now carried in the form of the Janata Policy to the doors of the working class population. Two questions arise in this connection. One is whether insurance so carried to the door of the worker's house will stay with him as a permanent feature of his economic life, and the other is whether there was no cheaper method of achieving the same objective. The answer to the first of these questions is that past experience of insurance sold to workers through agents indicates that either the Janata Policy may not make much headway or else there might be substantial lapses in the business under this policy. The answer to the second of these questions is that there is a cheaper method, which does away with the expensive procedure of collecting the premiums from door to door, and which Government has actually followed in the case of the Employees' State Insurance Scheme, and that is to introduce a scheme of compulsory life insurance for the employed population in the first instance.

Compulsory for Employees

If Government can make life insurance up to a prescribed extent compulsory for all employed population in suitable stages, then that would at once considerably increase both the quantity and the quality of the business. In prescribing the extent of such compulsory insurance, due allowance can be made for the income of the employees as well as for their existing insurances. The employed population is sufficiently organised to make it easy for Government to collect the life insurance premiums through compulsory deductions from monthly salaries. That is why it is suggested that the principle of compulsion should in the first instance be applied to the employed population. If other groups of independent earners can be similarly organised, the principle of compulsion can also be applied to them later on. There being no procurement costs under a compulsory scheme, life insurance under it would be the cheapest possible.

As against this, the Janata Policy is actually dearer than the corresponding policy under ordinary life insurance. Further, the compulsory nature of the scheme would almost completely eliminate all lapses, since a policy can then lapse only when a person prematurely ceases to be employed. There is a further advantage of a compulsory scheme for the employed population. It can afford to be non-medical. Compulsory life insurance thus implies a better insurance protection than the usual commercial life insurance and that is why, as has already been remarked, compulsion will increase not only the quantity of insurance business but also the quality of it. It is Government alone which can make insurance compulsory for the employed population, and the general effectiveness and utility of such a step are so great that sooner or later Government will have to take it.

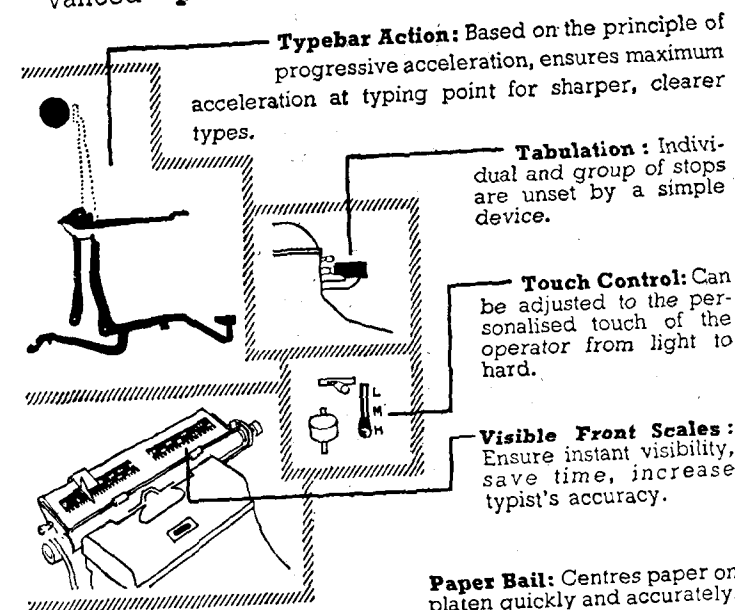
It is argued that compulsion amounts to regimentation and smacks of totalitarianism. However, there appears to be no constitutional



In performance, equal to foreign makes

In price, almost half

The *Godrej* ALL-INDIAN TYPEWRITER embodies the refinements of today's advanced precision engineering techniques...



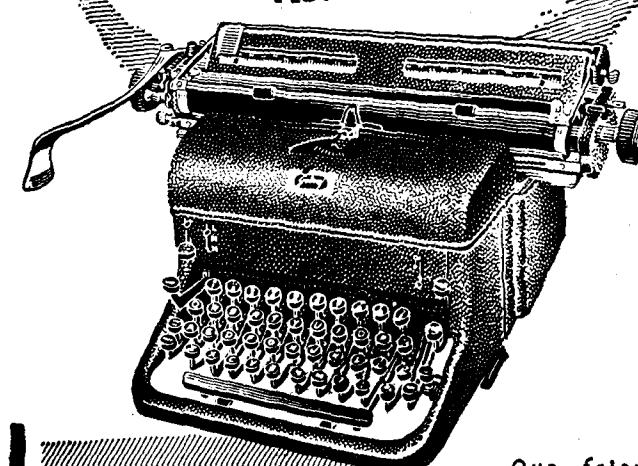
Friction Clutch Release: Allows convenient typing of subscripts and exponents.

Attractive Finish: In polychromatic dark grey—hard-wearing, pleasing to the eyes—resists accumulation of dirt.

Into each Godrej Typewriter go the confidence, resources and experience gained from nearly 60 years of pioneering achievement.

Rigorous tests to which each machine is subjected combined with guaranteed service after sales make the Godrej Typewriter an investment in efficiency for years to come.

Brief Size
Rs. 700/-



Godrej
Reg.
the finest value in
Typewriters

Our friendly salesman will be happy to demonstrate, without any obligation.

Bombay - Calcutta - Delhi
Madras - Kanpur
Hyderabad - Bangalore
Nagpur - Lucknow

APRIL 54



the
pulley

helps
the
pull

The pulley is a miracle. An astonishingly effective device which allows a larger weight to be moved with smaller effort.

Finance is something like a pulley. It gives a new dimension to national effort. Today our country needs finance as urgently as it has ever done.

The Life Insurance Corporation provides a pulley between the national effort and the ultimate goal—that of a Welfare State.

Crores of rupees are yearly invested by the Corporation both in the private and the public sectors—in industries and indirectly in development projects.

The Corporation is thus drawing closer, our dreams for a better way of life.



Life Insurance Corporation of India

Central Office: "Jeevan Kendra", Jamshedji Tata Road, Bombay 1.

objection to applying this principle of compulsion, since it has already been applied to lakhs of labourers all over the country in the matter of insurance under the Employees' State Insurance Scheme. As regards the charge of regimentation, it can be said that it is inevitable, if we have to develop into a Welfare State by planning. There can be no planned execution of national policies without a measure of regimentation. As regards the other charge of totalitarianism, it needs to be pointed out that the essence of totalitarianism lies in stifling legitimate expression and propagation of views opposed to those of the ruling party. If this is scrupulously avoided, then the introduction of regimentation to the minimum extent necessary will not harm the cause of democracy. Not only that, but it will enable democracy to give a more effective challenge to totalitarianism.

The other objection that is advanced against introducing compulsion in life insurance is that it will lead to unemployment among the agents who will then no longer be necessary. However, it should be noted, in this connection, that compulsion can apply in life insurance only to a prescribed extent, and there will always be scope for canvassing of life insurance in excess of the prescribed limit even among the employed population. Again, for quite a long time, if not for ever, there will be some sectors of the population which would not be covered by compulsion and among whom, therefore, agents will have enough scope to work. Lastly, as compulsion will become sufficiently effective, the business of life insurance will increase so vastly that it will not at all be difficult for the existing agents to be absorbed in other useful capacities under compulsory insurance.

More Effective Method

It may, perhaps, be said that there is no scope for compulsion in India, as those who have got the capacity to pay the premiums are already insured and will, therefore, not be affected by compulsion and the others have no capacity to pay the premiums. If this is the true state of affairs, then, without compulsion, there will be still less scope for any increase in life insurance business. Nationalisation with compulsion is in any case a more effective method of increasing the quantum of business than nationalisation without compulsion. Further, it does not appear to be true that people are now saving in the form of insurance premiums to the limit of their capacity. The Chairman of the Life Insurance Corporation remarked as follows in his speech on 1st September 1957:

"We have a vast field open before us and it has been estimated by some persons that, even under present conditions and without taking into account the rising incomes brought about by the progress of economic development, the life insurance business could expand to something like Rs. 8,000 crores in terms of sums assured."

What is more, in the opinion of many experts, the very process of eventually increasing the capacity to save does require an immediate increase in the present public savings even by cutting down consumption expenditure to the barest minimum.

A somewhat similar objection is sometimes advanced suggesting that, once provident fund is made compulsory, there can be no scope for compulsory life insurance. Here, again, it is obvious that, if, even after instituting a compulsory provident fund, there is scope for voluntary life insurance, then there is no reason to believe that there will be no scope for compulsory life insurance. It is true that premia for voluntary life insurance are al-

lowed to be paid out of provident fund contributions; but, obviously, not all the contributors to the provident fund are paying their life insurance premiums out of the accumulations of their contributions. A similar concession of utilising provident fund contributions for payment of insurance premiums can be given under a compulsory scheme as well. It need not, however, be feared that this will mean no net addition to employees' savings, since a number of employees will prefer, or can be induced by suitable propaganda to prefer, to pay their insurance premiums independently of the provident fund. Again, for quite a long number of years in the period of service of an employee, an insurance benefit is far more beneficial to him than a provident fund; and even if every contributor paid his insurance premium out of the provident fund, yet a compulsory life insurance scheme will serve a useful purpose.

Organisation

Whether compulsory life insurance, which is really social insurance, should be just a part of the activities of the Life Insurance Corporation or whether it should be managed by other institutions, leaving the Corporation free to concentrate its attention on what may be called commercial insurance, namely, insurance business canvassed by agents on a voluntary basis, is a matter that may require careful consideration, once it is decided to adopt the principle of compulsion. In some of the States at present, there are compulsory life insurance schemes for Government employees managed by the State Governments, and the Life Insurance Corporation Act allows these schemes to continue unaffected by nationalisation. The possibility of using these schemes, with the necessary modifications, as media for transacting compulsory life insurance business for employees in general is worth being explored.

Even if it is decided that compulsory life insurance should be just a part of the activities of the Corporation, it is desirable to have a separate fund for this part. Actually, even now, it is rumoured that compulsory group insurance with the Corporation, at specially reduced rates of premium, of Government employees of low-income groups is under contemplation. If such compulsory insurance and the ordinary life insurance have the same fund, then it is not unlikely that it will give rise to the same sort of criticism as the staff schemes of private enterprise in 1954 and 1955. It was one of the points of criticism against these staff schemes that the reduction in premiums was disproportionately large in comparison to the saving of expenses and other advantages to the insurers under them. It is always difficult to prove or disprove such criticisms, and the best course seems to be to give no ground for them. This can be done either by leaving compulsory life insurance to the respective States, a step which will also secure the advantages of decentralisation, or by at least having a separate fund in respect of it under the Corporation.

Insurance in Rural Areas

Compulsory insurance of the employees will not be helpful in spreading insurance in rural areas. At best, it may cover sections of the population up to the urban workers with low incomes. Agricultural labour in the rural areas is not sufficiently organised. The methods by which it is remunerated may also be different from those involving regular payment of wages in cash. A compulsory scheme is not therefore immediately a practical proposition for them. It is only on a voluntary basis that a beginning

can be made in the rural areas. The appointment of full-time agents in the countryside will have to be on a salaried basis, as the efforts required for a given amount of business will have to be considerably larger in those areas than in the urban; and it may well be that the business secured through such agents on a salary basis will be too costly. Perhaps, the Corporation can appoint primary teachers and village postmasters as part-time agents. Even then, their efforts in securing business in rural areas are hardly likely to be anything more than feelers in exploring the field.

The problem of taking insurance to the villages bristles with difficulties and is part of the larger problem of making the Indian villages pulsate with new life. Perhaps, like many other problems of village reform, this too requires the migration of the educated people to the villages. It appears on the whole that initially some spade-work would have to be done, with a view to examining, to what extent there is immediate scope for developing life insurance in rural areas and how best the possibilities in this direction can be exploited. Whether, and if so how, the co-operative organisation in the rural areas can be utilised for the purposes of spreading insurance there, can also be a subject of enquiry. It would probably be easier if this type of spade-work is, for the present, confined to Community Development Project Areas and to National Extension Service Blocks. Results derived from such preliminary enquiries would possibly show the way to develop life insurance in the villages.

The interim report of the Corporation states that "the Corporation now has its branch offices in places where no insurance office existed before. These will facilitate intensive canvassing in new areas where life insurance has not made much headway in the past." It is not clear whether these places are just villages, not even the taluka towns, or whether they are urban areas where previously there was no branch office of a private insurer. In either case, the step appears to be in the right direction. However, in the former case, the business will have to develop along substantially different lines than in urban areas and may, for that reason, have to be regarded as a distinct branch of the activities of the Corporation. Any 'sure' progress in the rural areas will have to be 'slow.' Slow progress, however, does not matter, if the alternative is hasty and imperfect planning, involving a lot of waste and leading to poor results.

Conclusion

While announcing the decision of the Government of India to nationalise life insurance business, the former Finance Minister said, in his broadcast on 19th January 1956: "Into the lives of millions in the rural areas, it would introduce a new sense of awareness of building for the future in a spirit of calm confidence which insurance alone can give." This is an inspiring picture of an ideal, the consummation of which is to be devoutly wished for. The achievement of this ideal may, however, require a readiness to depart from the old rut and to think, if need be, in a manner uninhibited by the traditions of private enterprise. The authorities of the Corporation have already shown considerable ingenuity and resourcefulness in changing the structure of the life insurance industry by welding together into a single Corporation some 243 autonomous organisations previously working under private enterprise. This change in the structure is, however, only a means to an end; and it is expected that the Corporation will show

even greater ingenuity and resourcefulness in achieving the end by spreading insurance to the four corners of the country, so that, to use the words of the former Finance Minister again, the critics will be confounded and nationalisation will be a resounding success.—All Rights Reserved.

WHY HAS SECOND PLAN GONE WRONG?

(Concluded from page 16)

stock cushion. Instead of doing these things, buoyed up by a temporary improvement in our food position, we allowed the stocks to dwindle and let go opportunities of obtaining soft loans in valuable foreign currencies for the purchase of surplus agricultural products. Our policy in this matter thus lacked both foresight as well as a sense of opportunity.

Even apart from augmenting supplies from abroad, the vigil on food production at home also should never have been relaxed until a 10 per cent. buffer stock position had been built up. India's economy is basically a food and cloth economy. Any planning which fails on this front is bound to become a self-defeating exercise. But somehow all evidence indicates that, after the 1953 bumper crops, too many of our planners and policy-makers had assumed that the era of droughts, floods and agricultural disasters was over for ever!

The Moral

All in all, the moral of this experience, as it strikes this writer, is that our Planning Commission and Government would have been wiser had they paid heed to the cautious note of the minority within the Planning Commission itself. The majority in the Planning Commission, as well as the technicians who produced the Plan-frame to the blare of trumpets from all the tree-tops, have landed the country's plans into a state of economic and financial confusion, calling for painful and wasteful readjustments and rephasings. If the so-called core of the Plan was from the beginning accepted as the Plan, we might not have had to live through the present disappointments.

Those people who managed to get the ear of the Government were content to think that an economic plan is merely a dusty packet of statistics. They hardly had any conception of the interrelations between investment and inflation, inflation and the foreign exchange gap, between incomes and prices, between prices and costs and wages. These starry-eyed innocents and idealist do-gooders did not see the cramping limitations to which their much vaunted framework of physical resource planning would have to be subjected, if it did not fit in with the pattern of the country's financial resources and economic stamina!

The result has been confusion, inflation and a degree of waste of resources that a poor country can ill afford—a waste, it is true, that no one wantonly designed, but which is the result of a Plan that does not tick off to a certain timing within reasonable margins of error. Our planning, let it be agreed, is not going to end up in disaster, though it may slow down considerably, but, if there is such a concept as a per capita cost of achievement, we are paying a pretty dear naya paisa for a unit of planning of the kind the Government is selling in this country. In this exercise of economic planning, it appears that it is economy that has suffered by the approach of the planners who had little appreciation of the value of money with which they are buying their physical resources for economic development.—All Rights Reserved.



THE ANDHRA BANK LIMITED

HEAD OFFICE: MASULIPATNAM
(A SCHEDULED BANK)

Authorised Capital	-	-	-	-	Rs. 1,00,00,000
Issued Capital	-	-	-	-	Rs. 50,00,000
Subscribed Capital	-	-	-	-	Rs. 48,99,000
Paid-up Capital (as on 30-6-57)	-	-	-	-	Rs. 39,61,660
Reserve Fund and other Reserves (as on 30-6-57)	-	-	-	-	Rs. 16,63,000
Deposits over	-	-	-	-	Rs. 10,00,00,000
Total working funds exceed	-	-	-	-	Rs. 13,00,00,000

BOARD OF DIRECTORS:

- SRI S. R. Y. SIVARAMA PRASAD BHADUR, M.L.A.,
Rajah Saheb of Challapalli (Chairman).
" J. MANIKYALARAO (Deputy Chairman).
" TADEPALLY SRIRAMULU (Managing Director).
" B. VENKATESWARLU.
" K. SUBRAHMANYA DUTT, B.Sc.
" M. SESHAGIRIRAO.
" R. SATYANARAYANAMURTY.
" S. RAMACHAR.
" C. RAMANADHABABU.
" V. VENUGOPAL.
" D. BHASKARARAO.
" M. RANGANADHASAYI.

OFFICES AT MADRAS:

Main Branch:—6, Linghichetty Street, Madras-1.
Mylapore Office:—77, Kutchery Road, Mylapore, Madras-4.
T.Nagar Office:—87, Theagaraya Road, T.Nagar, Madras-17.

HYDERABAD BRANCH: B/10-711, Sultan Bazaar.
SECUNDERABAD BRANCH: 1359, General Bazaar.

OTHER BRANCHES AND SUB-OFFICES:

Amalapuram	Narasaraopet
Anakapalli	Narasannapet (Srikakulam Dt.)
Amadalavalasa (Srikakulam Dt.)	Nellore
Anantapur	Nidadavole
Anaparthi	Ongole
Bapatla	Paleke
Bhattiprolu (Guntur Dt.)	Pamarru (Krishna Dt.)
Bellary	Parvatipuram
Bhimavaram	Pedana (Krishna Dt.)
Bobbili (Srikakulam Dt.)	Peddapuram
Chirala	Penugonda (W. G. Dt.)
Challapalli (Krishna Dt.)	Pithapuram
Chodavaram (Vizag Dt.)	Rajahmundry
Cuddapah	Sailor
Duggirala	Samsalpet
Eluru	Srikakulam
Gudivada	Tadepalligudem
Gudur (Nellore Dt.)	Tanuku (W. G. Dt.)
Guntakal	Tenali
Guntur	Kothapet (Tenali)
Arundelpet (Guntur)	Tuni
Collaprolu	Tirupati
Ichapuram (Srikakulam Dt.)	Vijayawada
Jaggayyapet (Krishna Dt.)	Governorpet (Vijayawada)
Kakinada	Gandhinagar (Vijayawada)
Ramaraopet (Kakinada)	Visakhapatnam
Khammameth	Maharanipet (Visakhapatnam)
Kovvur (W. G. Dt.)	Vizianagram City
Kurnool	Vinukonda
Macherla	Vuyyur (Krishna Dt.)
Mandapeta (E. G. Dt.)	Warangal
Masulipatam	

LONDON AGENTS:

- (1) Barclays Bank Limited, Chief Foreign Branch,
168, Fenchurch Street, LONDON, E.C. 3.
(2) First National City Bank of New York,
117, Old Broad Street, LONDON, E.C. 2.

AGENTS AND CORRESPONDENTS ALL OVER INDIA

ALL KINDS OF BANKING BUSINESS INCLUDING
FOREIGN EXCHANGE TRANSACTED

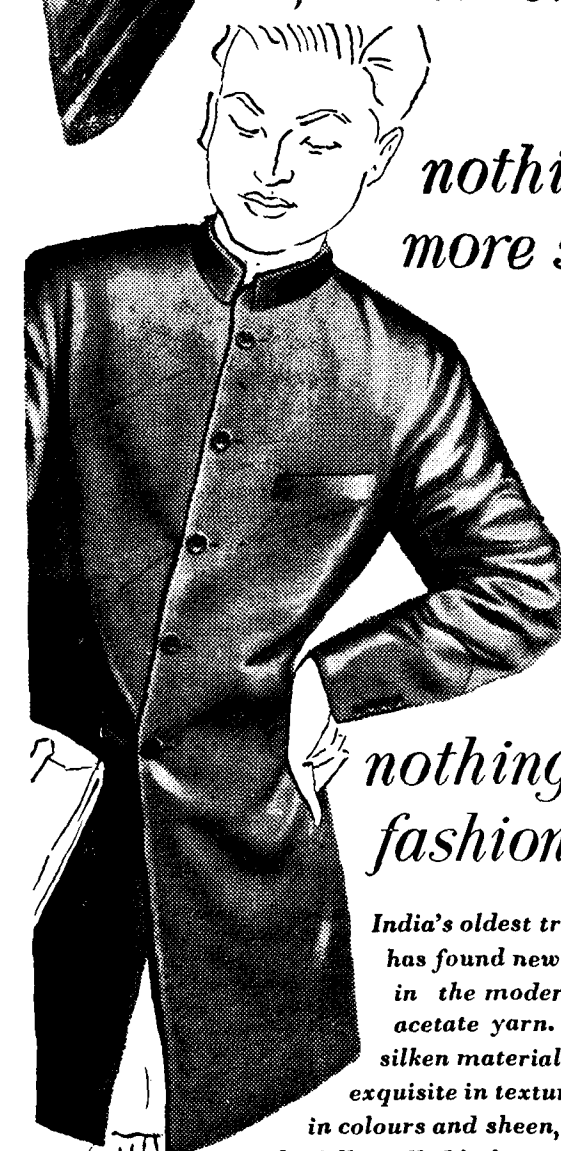
T. R. BHAGAVAT, B.A., B.L.,
Acting General Manager.



nothing
more
silken



nothing more
fashionable



nothing
more
silken



nothing more
fashionable

India's oldest tradition of silk
has found new expression
in the modern man-made
acetate yarn. Sirsilk is
silken material at its loveliest.
exquisite in texture, exciting
in colours and sheen, drapes
wonderfully well. It's functional,
contemporary, fashionable and
yet very practical.

Sirsilk
QUALITY FABRICS

for fashionable Men:
SHARKSKIN,
FANCY SUITINGS,
SHANTUNG,
SHIRTINGS.

for discriminating Ladies:
TAFFETA, SATIN,
CREPE, GEORGETTE.

SIRSILK LIMITED Sirpur-Kaghnagar, Andhra Pradesh
Calcutta Office: 8, India Exchange Place
Sole Selling Agents: Messrs. TULSIDAS KANORIA & CO.
India Exchange Building, CALCUTTA
Bombay Office: 241/248, Kalbadevi Road, BOMBAY

WHAT IS REINSURANCE?

(Contributed)

A LONDON contemporary recently described insurance as one of the more esoteric pastimes. The element of mystery deepens when reinsurance is mentioned.

Perhaps it would be topical, the India Reinsurance Corporation Ltd. having been in existence for one year, to do something to draw aside the shrouds of mystery. The jocular analysis that reinsurance is similar to the laying off that a bookmaker does is, without in any way belittling the gentlemen of the turf, only true so far as it goes. On the other hand, the comparison, by its very simplicity at least, goes some way to explaining what reinsurance is.

Let us go back to the grass roots of ordinary insurance. (It might be as well to mention at this point that all the way through this article when reference is made to insurance or reinsurance only the non-life departments are being considered.) An insurance company basically is the custodian of a common fund for a group of prudent individuals (the policyholders or insureds) who prefer for a known and modest consideration (the premium) to share amongst one another the incidence of fortuitous happenings. The chances of one's house being burnt down are very very remote. But the happening, should it, unlikely as it may be, occur, may well prove disastrous. The prudent owner insures his house against its being burnt to the ground. The insurance company is the manager of the common fund built up by premiums of the many to compensate the losses of the few.

If the insurance company is a mutual company, owned by its policyholders, then the position is exactly as outlined above. The joint-stock company is (or should be) only marginally different. Here, the initial fund is provided by the capital of the shareholders. The latter, of course, are risking their money and rightly enough are entitled to their reward in terms of dividend.

Insurance Fund

Let us consider now some characteristics of an insurance fund. If all the insureds (that is, of course, the payers of premiums or contributors to the fund) are arranging the insurance only of brick built dwellings, situated in areas served by first class fire brigades, then the community of interest and sharing of risk as between the insureds is at a high level.

We are trying to emphasise in these opening paragraphs the communal nature of an insurance fund (even that of a joint-stock company) and, arising out of that, the identity of interest between the contributors (or insureds) to that fund. We feel that this re-emphasis is most necessary to subsequent understanding of the functions and services of reinsurance. The portfolio of insurance business we have so far envisaged is made up entirely of risks similar in nature, and not all that widely dissimilar in size. The insureds are truly sharing in a common fund, which, in the absence of joint-stock capital, they have built up themselves. There is no need for expensive administrative machinery, and precious little need for techniques of underwriting.

However, let us shatter the tranquil peace of our ideal insurance fund by the impact of one of our

dwelling house-owners who is the proud possessor of an elaborate and expensively equipped saw mill which he feels should also be insured. Consider the effect on our insurance fund were the company administering the fund to accept the insurance of the saw mill.

Let us assume that no dwelling insured by the company has heretofore had a greater value than Rs. 75,000 and that the fund has been built up over the years to Rs. 7,50,000. The insureds will have been paying premium at the same rate per cent. to the fund, and, as between one insured and another there will be differences of premium paid only in the ratio of the differing values of the dwellings that are being insured. The fund is capable in, say, a year, of paying in full upto 10 total losses of the highest valued houses—a most unlikely occurrence. (Insurance readers please note that it is for simplicity that we ignore the factor that in practice losses are paid out of current income.)

Now the chances of a fire occurring and causing a serious loss are perhaps 20 to 30 times more likely in a saw mill than in a dwelling. This will have to be reflected in the rate per cent. charged on the saw mill. Say a rate of 10 nP per 100 rupees had been shown as reasonable for the insurance of dwellings. Then, for our saw mill, we might need a rate of, say, Rs. 2 to Rs. 3 to cover losses. In other words, rating must be made to look after the volume and frequency of claims.

Distribution of Loss

Let us now look at the effect on the balance of our fund of introducing this saw mill. When the subject matter insured was a dwelling, we saw that the fund could stand the highly unlikely incidence of the total burn out of 10 of the largest valued dwellings. Say our saw mill is worth and is insured for Rs. 10 lakhs and, further, that it is capable of being a total loss from fire (a reasonable assumption for a saw mill). It is self-evident that the impact of a hazardous (though highly rated) Rs. 10-lakh risk might well prove disastrous on our fund of Rs. 7,50,000. A burn out of the saw mill would, in a single event, exhaust the fund and still leave the owner of the mill not fully indemnified for his loss. The managers of the fund, the insurance company, must, therefore, so arrange things as not to jeopardise the carefully acquired fund of the dwelling house contributors. We have seen that for the saw mill a higher rate was charged to look after the mill's greater hazards from the viewpoint of fire. The insurance company must now reduce the impact of a serious loss in the saw mill on its fund to manageable proportions. It may do this by arranging for, say, 99 other insurance companies each to share 1 per cent. of the insurances of the saw mill, keeping for its own account a 1 per cent. share. In fact, the company retains for its own account one per cent. of the risk and reinsures 99 per cent. of the risk. To its reinsurers, the original company cedes, as it is called, 99 per cent. of the premiums which it gets and in turn recovers 99 per cent. of all losses on the subject matter of the reinsurance.

Let us examine the effect of this reinsurance on the fund in question. If the saw mill is a total loss, the company will pay the insured Rs. 10 lakhs, but it will recover from its reinsurers Rs. 9.9 lakhs and it will have to pay out of its own resources

only Rs. 10,000. The latter from the viewpoint of a fund of Rs. 7.5 lakhs is altogether a more manageable and reasonable commitment.

We have taken a simple example to show what reinsurance is. If we have laboured the point, at least we hope it may help to remove some confusions from the minds of those not connected directly with insurance. The techniques of reinsurance and rating are the basic tools of the insurance underwriter. Adequate rating will ensure that the risks insured, in the long run, provide a fund sufficient to pay claims, costs, and produce a modest profit margin. Sound reinsurance practice will ensure that the funds of the insurance company are called on to carry liabilities commensurate with the volume of its premium income and the size of its funds.

Value of Reserves

When a joint-stock insurance company starts operations, its retention (i.e., the amount that it is prepared to risk for its own retained account) will be related to the size of its paid-up capital, and its initial premium income. Liabilities excessive to those which the underwriter has decided are reasonable for the retained account of the company are reinsured. As the company grows over the years, its directorate will, if prudent, plough back into the company as much as is possible commensurate with satisfying the legitimate demands of equity shareholders. Such moneys which, if not distributed, go to swell the funds of the company, in turn will permit the pitching of the retention at a higher figure and the corresponding growth in retained premium income (and, it is hoped, profits).

This aspect of building up reserves by insurance companies, since it reacts directly on the practices of reinsurance, bears further examination. From the little we have said so far in this article, the essential need of sound reinsurance techniques will, it is hoped, be apparent. Reinsurance is necessary, but it can be a costly necessity. Since the smaller (or newer) an insurance company is, the more will it need to reinsure, as a corollary the more expenses will it incur in terms of competent clerical labour and supervision at a time when it can least afford such expenses. The lesson is obvious. The sooner insurance funds are built up to augment the capital, the sooner can retentions be increased and with an immediate return in terms of more economical reinsurance. Current taxation which permits only the bare minimum of technical reserves and then taxes balances makes the building up of such free reserves increasingly difficult. If a company has then to reckon with shareholders overtly strident in their demands to take everything possible by way of dividend, then the problem of those running the company are, indeed, heavy. We might, perhaps, emphasise the very short-term nature of a policy of succumbing to the urges of a high dividend policy. If reserves are ploughed back into a company, they remain, in insurance as much as any other joint-stock corporation, the ultimate property of the equity shareholders. In insurance, however, the long-term rewards for such a conservative policy of immediate dividend restraint in formative or expansive years are very real. (In fairness, it might not be entirely out of place to mention that a feeling of insecurity amongst shareholders induced by fears, whether justified or not, of nationalisation, is not conducive to a policy of building up reserves. Shareholders are human!)

Taxation

It is interesting to note that the problem of creating free reserves in a period of high taxation is by no means limited to India. An analysis of the balance-sheets of 14 leading U.K. tariff fire offices reveals that the percentage of paid-up capital and entirely free reserves (i.e., reserves not appearing in revenue accounts) to premium income is something under 40 per cent. In India, where the premiums, of course, are on a very much smaller scale, the corresponding ratio for the 15 leading Indian companies is slightly over 60 per cent. To put these two figures in their right context, it must be remembered that Indian companies, having, generally speaking, started much more recently, the degree of capitalisation is still far heavier in relation to premium income. The tendency of the Indian percentage will obviously be downward as income expands. The U.K. companies have shown immense increases in premium income in the last decade, but the incidence of U.K. taxation makes the increasing of free reserves extremely difficult. Retentions in all departments have increased, but hardly as much as one would have expected (except, that is, in the case of a handful of companies who have apparently taken a calculated risk which, in fact, would seem to have paid off). If one goes back to the eighteenth and early nineteenth century, when so many U.K. companies started, retentions translated into terms of today's incomes and currency values were incredibly high. Similar difficulties confront the managements of Indian insurers, who, with present taxation scales, find the amassing of fire reserves increasingly difficult.

The lesson surely to be drawn from the previous two paragraphs is that, in the India of today, the chances of joint-stock insurance companies changing exceptionally the pattern of their retention policy is unlikely. The need for existing methods of reinsurance is likely to increase rather than diminish as the country's economy grows. It is, then, against the probable background of the maintenance of existing methods that we might next consider the reinsurance markets of the world, and, in the context of those markets, the position of the recently established India Reinsurance Corporation.

Various Types of Risks

Earlier in this article, we examined what reinsurance was and why reinsurance was necessary. We took the example of fire reinsurance. It might be as well at this point to emphasise that reinsurance applies equally to other classes of insurance. The hull insurer will reinsure if he is committed too much on any one vessel, as will his colleague underwriting cargo. The motor insurer may be apprehensive of large third-party claims and takes the necessary action to restrict his liability from any one accident or event. The methods of reinsurance, and they are legion, are not within the scope of an article much as this. Suffice it to say that, within the insurance industry, reinsurance has developed as a craft, with a quite distinct flavour of its own. If members of the general public in their dealing



INDUSTRIAL IBCON CONSULTANTS

for

Raw Material and Waste Control, Stores Control, Fuel Utilisation, Plant Capacity and Layout, Higher Productivity, Quality Control, Wage Incentive Schemes, Complement Control, Costing, Office Organisation and Management Control.

Adelphi House
3 Queens Road
BOMBAY.

2, Fairlie Place
CALCUTTA 1.

George Oakes Building
Sir Narasimharaja Circle
BANGALORE 2.

Brady's Building
Mahatma Gandhi Road
KANPUR.

Also in

PAKISTAN, CEYLON, BURMA, IRAQ, CHILE, MEXICO & AUSTRALIA.

INDIAN TEXTILE ENGINEERS PRIVATE LTD.

STADIUM HOUSE, 81-83, VEER NARIMAN ROAD, POST BOX No. 1589, BOMBAY, 1.

*Grams: "INTEXTILE"

*Phone: 37196, 37197-98.

Sole Concessionaires in India for PLATT BROS. (SALES) LTD., OLDHAM, ENGLAND.

Marketing the Products of: PLATT BROS. & CO., LTD., Oldham.
HOWARD & BULLOUGH LTD., Accrington.
DOBSON & BARLOW LTD., Bolton.

Manufacturers of Machinery for

Opening, Preparing, Spinning and Doubling of Cotton and Artificial Silk (cut fibre). Also Cotton Combing Plants. Complete range of Waste Machinery for the manufacture of cotton yarns, surgical cotton wool, tailors' wadding, etc. Wool Opening, Carding and Spinning Machinery. Worsted Cards. Carpet Looms, Tape and Ribbon Looms. Parks-Cramer Travelling Cleaner.

TWEEDALES & SMALLEY LTD.-CASTLETON, ROCHDALE, ENGLAND.

Opening, Preparing, Spinning and Doubling Machinery for Cotton and Synthetic Staple Fibre.

PRINCE-SMITH & STELLS LTD., KEIGHLEY-ENGLAND	Wool Opening, Scouring and Drying Machines. Complete Worsted
Incorporating TAYLOR WORDSWORTH & CO. LTD.	Spinning Plants on the Bradford and Continental Systems.
HOFFMANN TWEEDALES LTD., CHELMSFORD-ENGLAND	Manufacturers of Roller Bearing Inserts for Spindles.
PARKS-CRAMER (GR. BRITAIN) LTD., OLDHAM-ENGLAND	Manufacturers of Travelling Cleaner Equipment.
SELLERS & CO. (HUDDERSFIELD) LTD., YORKSHIRE-ENGLAND	Manufacturers of Dyeing and Finishing Machinery.

Also Representing

HALL & KAY LTD., ASHTON-UNDER-LYNE-ENGLAND	Manufacturers of Air Conditioning Plants for Textile Mills.
ADOLPHUS SINGTON & CO. LTD., OLDHAM-ENGLAND	Miscellaneous Textile Machinery.
GEO. W. KING LTD., HERTFORDSHIRE-ENGLAND	Mechanical Handling Equipment.

Sole Selling Agents for Machinery manufactured by:

NATIONAL MACHINERY MANUFACTURERS LTD., KALWE, THANA.

(Manufacturers of Flat Cards, Ring Frames, Spindles, Rings, Fluted Rollers, etc.)

Full Technical Staff available in Bombay for advice on all matters pertaining to all the above Manufacturers' Machinery.

Estimates submitted promptly on receipt of full particulars of requirements.

with insurance men are sometimes sceptical of the mumbo-jumbo attached to insurance, they can console themselves that, within the industry, reinsurance is regarded with similar suspicion!

Despite, however, a wish to restrict technicalities, a word must be said here about treaty reinsurance, if only because reference to it will be unavoidable in examining world insurance markets and India's position.

In the example of our saw mill, we envisaged one insurance company, perhaps, telephoning and arranging reinsurance cover with 99 other insurance companies. Such facultative reinsurance, as it is called, is still effected in considerable volume but only as an ancillary to treaty reinsurance. A reinsurance treaty is a legal agreement concluded between two insurers, whereby the accepting party (called the reinsurer) agrees to accept automatically a certain fixed quantity of such insurance business as may be offered by the other party (called the ceding company). The ceding company wants reinsurance cover, the reinsurer gives it, and, under the reinsurance treaty, gives it automatically. For the record, in the majority of treaties, the ceding company also has an obligation, namely, to cede the surplus of business as soon as his predetermined retention has been exceeded.

Who Are Reinsurers?

Who, after all this, are these reinsurers of whom we talk? For practical purposes, all insurers are also reinsurers. Arising out of this then all national insurance markets are, to some extent, reinsurance markets. Virtually, every insurance company will, after due selection, enter into treaties with other insurers. For such transactions, the

company becomes a reinsurer. Equally, of course, it has arranged its own reinsurance treaties, where it figures as the reinsured company. Generally, the aim amongst insurers is a mutual exchange of treaties, representing cessions of similar business, similar in type and quality but preferably not similar in geographical scope. The reason behind this qualification we will examine in a moment. Especially in the fire department, this reciprocal exchange of treaties amongst insurers has achieved advanced techniques of its own. The obvious advantages of ceding off to others the surplus to one's own retention and getting back in exchange small shares of the business of others need little emphasis. The scramble for reciprocity has, however, somewhat obscured the basic function of reinsurance which is to provide cover. The latter will probably only be recalled if and when incoming reciprocal business should happen to become less profitable. At the moment, rightly, the emphasis should be on sound reciprocal placings.

So far, our analysis of reinsurance has closely followed the motives which induce the bookmaker to "lay off." There is, however, and especially applicable to reciprocal reinsurance placing, a further factor of diversification or geographical spread of business which deserve emphasis. The more widely spread our sources for insurance business both from the type of risks covered and their situation, the better chance have we of achieving that aim of all underwriters, namely, stable results. If a company has business from every part of the world, it is against the probabilities that every country will in the same year produce bad results. The good and bad over the years will in fact balance out. Compare this, however, with a company writing its

business only in one country and accepting reinsurance only from companies in the same country. When all is well, things go excellently, but, if business takes a bad turn locally, then the company is committed to one market. Reciprocally exchanged reinsurance treaties—mainly in the fire department—provide a highly economical and efficient method for companies the world over to exchange their surpluses. An Indian company exchanges its fire treaty for small shares of the treaties of companies operating in, say, Europe, Japan, S. America, etc.

Professionals

Every national insurance market is, therefore, to some extent at least, a reinsurance market. Every insurer, as a corollary, is also a reinsurer. There are, however, specialist reinsurance markets in the world, and specialist companies, called professional reinsurers where reinsurance facilities in more sophisticated forms are available. The insurance company, when the distinction has to be made, is called a direct insurer. He does accept reinsurance, but usually only in the fire department and mainly on a reciprocal exchange basis. Reinsurance is a side line and his main task is the writing of insurance directly for members of the public. The professional reinsurer writes only reinsurance. He will not restrict himself to any one department or any one method of reinsurance. The direct writing offices are his clients and he will solicit their business by giving them a comprehensive service to suit all their needs, not only in the fire department, but for hull, cargo, and the many classes that go to make the accident department.

Professional reinsurance developed in the first half of the nineteenth

century and had its most sturdy origins in Germany. Professional reinsurers are today both more prolific and larger on the Continent of Europe than elsewhere—this despite the ramifications of the U.K. world-wide operating direct offices—and it must be mentioned that two world wars have seen neutral Switzerland rise to great eminence in the field of professional reinsurance.

London's Lead

In a different, but very important, category for specialist reinsurance techniques is that great association of underwriting individuals, Lloyds of London. If obligatory treaty reinsurance on a sharing or surplus basis was developed on the Continent, to Cuthbert Heath of Lloyds goes the credit for initiating the most versatile of reinsurance cover, the Excess of Loss treaty. That London has, and continues to be, the leading reinsurance market of the world is due, perhaps, to three factors. It is the administrative centre of the U.K. direct writing companies whose world-wide fire treaties still offer unrivalled spread. Lloyds remains the biggest single market for excess of loss covers in all their variations, and a substantial market for all other sorts of non-reciprocally placed treaties. Third, there has grown up in London, as nowhere else, a tradition of reinsurance broking which offers to companies world-wide contacts.

It is against this background, then, of established reinsurance markets in the Continental cities of Europe and London that we must view with some interest the establishment in increasing numbers in recent years of professional reinsurance facilities in the younger markets (insurance-wise) of the world. Pre-World War II reinsur-

(Continued on page 142)

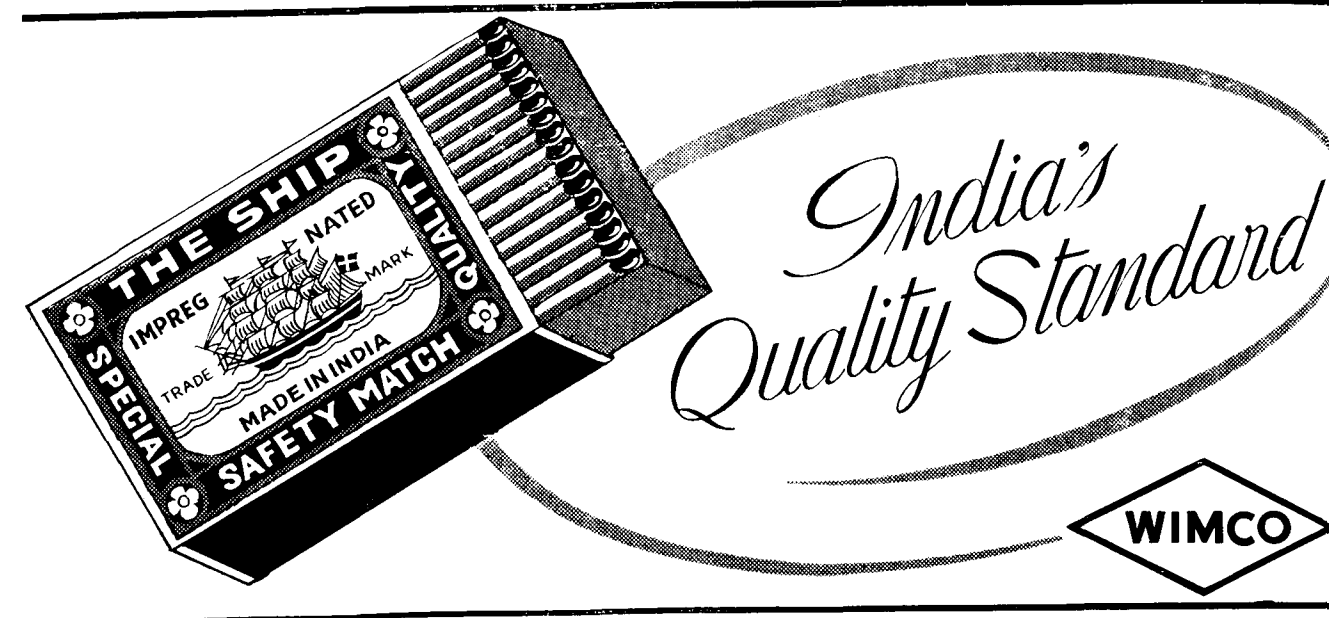
TRAVEL MANNERS

- ★ **CLEANLINESS** is next to Godliness. Let us cultivate the habit of cleanliness. We can help by not throwing scraps of food, skins and peel of fruit and water on platforms or in compartments. These should be consigned to the dustbins.
- ★ **SPITTING** indiscriminately on platforms is unhygienic. It is also bad manners. Let us use spittoons.
- ★ Let us not use cooled and filtered drinking water for other purposes.
- ★ Let us avoid sitting with the feet on the seat. This is annoying to others in the compartment and is not good manners either.
- ★ Booking our heavy luggage in the brake-van will give our fellow passengers and ourselves more room in the compartments.
- ★ It is an offence to smoke in a railway train when requested by a fellow passenger not to. Let us avoid smoking when requested, or when the compartment is crowded or the doors and windows are shut.
- ★ Railways are the Nation's property. We can help to safeguard these by apprehending persons pilfering or causing damage to railway property. They should be pointed out or turned over to uniformed Railway Staff on duty. Unsocial elements indulging in unauthorised alarm chain pulling could be dealt with in like manner.

ISSUED BY THE CENTRAL AND WESTERN RAILWAYS

NO CHANGE IN PRICE

6 nP OR 1 ANNA PER BOX



THE WESTERN INDIA MATCH CO., LTD.
BOMBAY



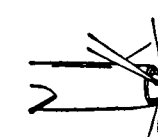
INDIAN AIRLINES CORPORATION ADDS TURBO-PROP VICKERS VISCOUNTS TO ITS FLEET



ABOVE-THE-WEATHER SMOOTHNESS: Powered by four mighty Rolls-Royce turbo-prop engines, the Viscount flies above the weather at 20,000 feet... while you relax in the fully-pressurised cabin as comfortably as in your own home. The swiftest, smoothest flying you've ever known!



A PERFECT VIEW FOR EVERYONE: There's no vibration, no noise in a Viscount flight. You can speak softly, be heard clearly. Luxurious, adjustable armchair seats invite you to r-e-l-a-x; and the world's largest air windows ensure you a perfect view... no matter where you sit!



THE FIRST—AND THE FINEST: Makers of the world's first turbo-prop airliners, Vickers are proud to be supplying India with new wings to fly in her service. Fly by Viscount—and join the thousands all over the world who've discovered how wonderful air travel is!

FACTS ABOUT THE I.A.C. VISCOUNT

- The VISCOUNT has a cruising speed of 320 m.p.h.
- The VISCOUNT has a carrying capacity of 44 passengers over ranges of up to 1,250 statute miles
- The VISCOUNT is powered by four Rolls-Royce Dart turbo-prop engines
- The VISCOUNT is in service with 18 passenger airlines throughout the world
- The VISCOUNT has logged over 500,000 airline hours
- The VISCOUNT was the world's first turbo-prop airliner—and is still the world's most preferred



**INDIAN AIRLINES
CORPORATION**

VICKERS-ARMSTRONGS (AIRCRAFT) LIMITED

Represented in India by:
Vickers India Private Limited, Killick House, Home Street, Bombay 1

HOW EXPORT RISKS ARE INSURED

By T. C. KAPUR

MANAGING DIRECTOR, EXPORT RISKS INSURANCE CORPORATION (PRIVATE) LTD.

THE Government of India has set up the Export Risks Insurance Corporation (Private) Limited, in order to cover the risks of exports on credit terms. The setting up of this Corporation is another addition to the family of measures adopted to promote exports.

Credit is the essence of economic development. Without credit, there can be no trade. Whether it be in agriculture, mining, industry, merchandising, shipping or retailing, credit is the life blood, without which activity would die away. If credit had not stepped in, the progress which the industry and trade have made would not be there. Reliance by industry and trade on cash basis only would have retarded this development and the world would have been a much poorer place today than in fact it is.

It cannot be denied that credit involves risks. The evolution of the credit system is accompanied by development of devices to minimise the risks. The banks interpose between that part of the community which has money to lend and those who have to borrow. In this way, the banks take the credit risks and minimise the risk of their depositors. Guaranty houses and insurance companies are other institutions which reduce the element of risks in credit transactions. To these devices, there has been a recent addition and this addition is credit insurance.

Credit insurance is new in India. It is, therefore, not surprising that the trading community does not fully appreciate what it is, to what extent it is possible, and how it works. For a proper understanding of this form of insurance, it is necessary to examine these aspects in all their details.

Credit insurance is the insurance of risks involved in exports on credit terms. There are risks from the date of the sale contract, till the value of the goods is received by the exporter in his country's currency. Risks from the date of contract to the date of shipment of goods are called pre-shipment risks. Risks from the date of shipment to the date of receipt of money in exporter's currency are called post-shipment risks.

Post-shipment Risks

Post-shipment risks are the following:

(a) **Diversion Risk.**—The incurring in respect of goods shipped from exporters' country of any additional transport or insurance charges which are occasioned by interruption or diversion of voyage outside exporters' country and which it is impracticable to recover from the buyer.

(b) **Import Control Risk.**—A requisite currently valid licence to import goods and to pay for the same in the currency of the exporters' country may be cancelled or not renewed or new restrictions may be imposed on the import of goods and/or the payment for them in the currency of exporters' country.

(c) **Repudiation Risk.**—A solvent buyer may

- (i) repudiate his contract,
- (ii) refuse to open a letter of credit,
- (iii) revoke a letter of credit if revocable,
- (iv) refuse to accept bills,
- (v) refuse to pay for the bills accepted by him, and
- (vi) refuse to accept goods delivered to him.

(d) **Insolvency Risk.**—The buyer may become insolvent.

(e) **Default Risk.**—The failure of the buyer to pay within the prescribed period after the due date of payment of the gross invoice value of goods delivered to, and accepted by, the buyer.

(f) **War Risk.**—The occurrence of war between the buyers' country and exporters' country.

(g) **War and Civil War Risk.**—The occurrence of war, hostilities, civil war, rebellion, revolution, insurrection, or other disturbances in the buyers' country.

If any of the contingencies referred to in (f) and (g) occurs, the exporter may suffer losses, because

- (i) he may be prevented from delivering goods,
- (ii) he may be prevented from removing his goods from a country involved in war,
- (iii) the buyer may be prevented from making payment,
- (iv) the foreign bank to which the buyer has paid his debt may be prevented from remitting payment to the exporter.

(h) **Transfer Risk.**—The operation of a law or of an order, decree or regulation having the force of law which in circumstances, outside the control of the exporter and/or the buyer, prevents, restricts or controls, the transfer of payment from the buyer's country to India.

(i) **Omnibus Risk.**—Any other cause not being inherent in the nature of the goods and not being within the control of the exporter and/or of the buyer which arises from an event occurring outside exporters' country.

Pre-shipment Risks

The pre-shipment risks are:

(a) which arise in exporter's country
(i) **Export Control Risk.**—A requisite currently valid licence to export goods may be cancelled or not renewed or fresh restrictions on the export of goods may be imposed; and

(ii) **C.I.F. Risk.**—If contract of sale is on cost, insurance and freight basis, the insurance and/or freight rates may go up after the date of contract and before shipment of goods. And

(b) which arise because of events happening outside the exporter's country and which make it impossible and/or inadvisable to export goods:

- (i) Repudiation risk,
- (ii) Insolvency risk,
- (iii) Transfer risk,
- (iv) War risk,
- (v) War and civil war risk, and
- (vi) Omnibus risk.

Credit insurers cover some of these risks without any limitations and others are covered subject to certain conditions and limitations. Diversion, insolvency, default, war, war and civil war, transfer, omnibus, and c.i.f. risks fall in the first category. Import control, repudiation, and export control risks fall in the second category.

Import control risk is covered, except where

(i) import or exchange licence is necessary but is not held by the buyer when the order is placed and he is unable to obtain it when goods arrive; and

(ii) import or exchange licence is cancelled for buyer's fault.

Similarly export control risk is covered, except where

(i) the export licence is necessary but is not held by the exporter when he enters into a sale contract and he is unable to obtain a licence at the date of shipment, and

(ii) the export licence is cancelled on account of a fault of the exporter.

Repudiation risk is covered where

(i) the buyer is a public body which either cancels the contract unilaterally or refuses to accept goods, provided the exporter has not failed to carry out his part of the contract;

(ii) a private buyer repudiates the contract and the exporter establishes his claim against the buyer by obtaining a final judgment against him.

All the abovementioned risks are not applicable to every type of export transaction. In some cases, only a few of them apply. It is necessary, therefore, to detail what risks are involved in various types of transactions.

(A) Exports against an irrevocable letter of credit confirmed by a bank in India to be opened by the buyer.

- (a) Pre-shipment risks are
 - (i) Export control risk,
 - (ii) War risk,
 - (iii) **Repudiation risk.**—The buyer may not open a letter of credit,
 - (iv) Insolvency risk.
- (b) Post-shipment risks are nil.

(B) Exports against irrevocable letter of credit confirmed by a bank outside exporters' country to be opened by the buyer.

- (a) Pre-shipment risks are the same as in the case of A (a).
- (b) Post-shipment risks are
 - (i) Diversion risk;
 - (ii) Transfer risk;
 - (iii) War risk.

(C) Exports against revocable letter of credit to be opened by the buyer.

(a) Pre-shipment risks are the same as in the case of A (a) with the addition of import control risk.

(b) Post-shipment risks are the same as in B(b) with the addition of

- (i) Import control risk,
- (ii) Insolvency risk,
- (iii) Omnibus risk,
- (iv) War and civil war risk,
- (v) **Repudiation risk.**—The buyer may revoke the letter of credit.

(D) Exports on C.A.D. and D/P basis.

(a) Pre-shipment risks are the same as in C (a) with the addition of omnibus risk and war and civil war risk;

(b) Post-shipment risks are the same as in C (b) but the repudiation is in the form of the buyer not accepting documents or acceptance of documents but refusal to pay for the documents.

(E) Exports on D/A basis

(a) Pre-shipment risks are the same as in D (a);

(b) Post-shipment risks are the same as in D (b) and the default risk. Repudiation risk is in the form of the buyer taking delivery of goods and refusing to accept them.

Special Risks

So far, I have dealt with normal export transactions. There are, however, certain other types of transactions which may involve special risks. Such transactions are many but I give below the important ones:

(A) The goods may be exported on consignment basis for sale in a foreign markets. The risks are:

- (i) War and civil war risk;
- (ii) Prevention of re-export of goods;
- (iii) Requisition or confiscation of goods; and
- (iv) Diversion risk.

If the agent to whom goods have been exported on consignment basis acts as a principal and is responsible for payment to the exporter in the currency of exporters' country all post-shipment risks of D/A transactions also become applicable. A similar situation arises if the agent sells goods on credit terms.

(B) When a Government decides to promote exports to a particular country for earning the currency of that country or for special considerations, exporters are encouraged to export goods to that country and the export credit guarantee organisations are expected or required to cover additional risks. Examples of these additional types of covers are:

(i) credit limits on individual buyer may be required to be approved for an amount larger than would commercially be prudent;

(ii) an exporter may incur heavy expenses for market surveys, stock holdings, advertisement and other promotional schemes for the development of sales in a particular market. Insurance may be given against the risk that these expenses may not be fully recouped by sales made in that country.

Credit insurers cover risks of exports on consignment basis, but risks involved in (B) are usually covered by them as agent of the Government.

Some of the credit insurers cover only political risks, whereas some others cover comprehensive risks, i.e., commercial and political risks together. There are a few insurers who cover only commercial risks, but their activities are normally confined to covering risks of sales in the country itself. One or two such insurers cover commercial risks of exports to a limited extent.

Where only political risks are covered, care is usually taken to exclude those causes of loss where both political and commercial circumstances can and/or is likely to operate in combination.

For normal transactions credit insurers issue the following types of policies:

(i) Shipment policies to cover both the political and commercial risks from the date of shipment;

(ii) Shipment policies to cover only political risks from the date of shipment;

(iii) Contract policies to cover both the commercial and political risks together from the date of contract of sale;

(iv) Contract policies to cover only political risks from the date of sale contract.

To cover risks of special transactions, special policies are issued.

Extent of Cover

There is general agreement amongst the credit insurers who cover risks of exports as to the period for which credit risks should be covered. Risks of raw materials and semi-manufactured or processed goods are covered up to three months from the date of shipment, and consumer goods up to six months. Risks of light machinery, diesel engines, tractors, commercial vehicles, fans and other light capital goods are covered up to two years from the date of shipment, provided there is a substantial payment by the buyer before shipment. For heavier plants and major capital goods, payment terms extending from three to five years are not unusual, insurance being available under medium-term policies. Where payments extend beyond six months, the extent of cover depends on the following factors:

- (a) the type of goods;
- (b) the size of the order;
- (c) the nature of the buyer (it is usual to approve longer terms to public buyer than to a private buyer);
- (d) the country to which the goods are exported;
- (e) the work content of the goods (the higher the value of the raw material, the lower are the permissible payment terms).

All credit insurers require the exporter to be a co-sharer in the risks by carrying a part of the risk himself. This practice is the outcome of the unhappy experience of credit insurers in the initial stages of the development of this type of insurance. Every one who sells goods on credit is cautious and discreet in the selection of his buyers, refrains from overtrading with them and pursues them with appropriate vigour when the first sign of financial weakness is noticed. Covering of risk for the whole amount may make an exporter less discriminative, may tempt him to overtrade and may make him lax in pursuing his debtors. Further, after a claim is paid, recoveries have to be made. Unless the exporter has interest in the transaction, he is not likely to co-operate in making recoveries. For this reason, credit insurers cover commercial risks from 70 to 85 per cent. and political risks from 80 to 90 per cent. of the invoice value of the goods exported. In the case of policies for market survey, etc., expenses not recouped by sale are shared up to 50 per cent. only.

It is a cardinal principle of insurance that the risks which an insurer has to cover should be well spread. If there is no proper spread of risks, the insurer cannot get the benefit of

147 years of service to the nation as the oldest firm of Stevedores, Dubash and Marine Contractors.

Owners of a fleet of tugs and barges for dry and liquid cargoes.

Harbour towage is our speciality.

Suppliers of fresh water to ships in the Bombay Harbour.

Bombay Customs, Clearing and Forwarding Agents, with vast experience in transporting heavy lifts.

★

ARDESHIR B. CURSETJEE & SONS (PRIVATE) LTD.

6, RAMPART ROW . . . FORT . . . BOMBAY I

Telephone: 253103, 254077 & 252543

Telegram: "GREYHOUND"

ASHER TEXTILES LIMITED

(Established in 1936)

Post Box No. 17

TIRUPUR (Coimbatore Dist.)

Telegrams: "ASHERMILLS"

Telephones: 65 Office¹
198 Managing Agents' Office
203 Managing Agents' Residence

REGISTERED OFFICE:

AVANASHI ROAD—TIRUPUR

Authorised Capital	-	-	-	-	-	-	Rs. 14,00,000
Paid-up Capital	-	-	-	-	-	-	Rs. 11,98,600
RING SPINDLES	-	-	-	-	-	-	24,800
DOUBLING SPINDLES	-	-	-	-	-	-	824

MANUFACTURERS OF:

QUALITY YARN—SINGLE, DOUBLE AND CONE

Counts 20s to 40s

Quality Yarn under high standard of Production

Indian Product with Indian Capital

Under Indian Management

Managing Agents: **Messrs. SETNA & CO., TIRUPUR**

the law of averages. The spread of risks must be by countries, by buyers, and over time. The number of countries is not large and in the case of buyers also, a large number of buyers in a country does not necessarily give a greater spread, because a set of circumstances may lead to a much larger number of insolvencies than can normally be anticipated. It will, therefore, be observed that the scope of credit insurers getting spread of risks is limited. If the exporters are given choice of selecting the transactions, the scope for getting spread of risks will be further curtailed. It is due to this reason that credit insurers generally insist on every exporter insuring his whole turnover. It cannot be denied that, if choice is given to the exporters, only bad risks will be offered to the insurer, margin of safety of the insurer will be considerably reduced, and the potentiality of the insurer giving continued and efficient service, with safety of its financial position, will also be reduced. This naturally will frustrate the very purpose of the setting up of a credit insurance organisation.

Credit insurers sometimes permit insured exporters to exclude exports to one or two countries or exclude the exports of commodities which are not of allied nature. While giving this permission, insurers take into consideration the spread of risks offered to them. If the exclusion will leave a proper spread of risks, insurers agree to the exclusion, not otherwise.

In the case of capital goods which take a long time to manufacture and where covering of pre-shipment risks is a vital necessity, insurers offer to cover individual transactions.

Claims

The practice of insurers regarding the date on which claims are payable according to the risks covered:

(a) Claims under insolvency risk are normally payable as soon as the buyer is adjudged insolvent.

(b) In the case of default risk, the practice of some organisations is to pay claims 12 months after the due date while some others pay after six months.

(c) C.I.f. and diversion risks claims are paid as soon as proof of loss to the satisfaction of the organisation is furnished.

(d) Transfer risk claims are usually paid after six months of the due date.

(e) In the case of market development policies, claims are paid two months after the final audited accounts for the period covered by the policy are furnished to the insurer.

(f) In the case of other causes of loss, the payment is made six months after the due date of the event which causes the loss.

After a claim is paid, recoveries from the buyer or the country have to be made. The insurers either ask the exporter to take all necessary and expedient steps or they get exporters' rights assigned and transferred to recover the moneys due to the exporter. All expenses incurred by the exporter with the consent of the insurer or by the insurer for effecting recoveries are a first charge on any amounts recovered thereafter. The recoveries after meeting the expenses are divided between the insurer and the exporter in the same proportion as they share the risks.

Premium Rates

Premium rates which a credit insurer charges usually depend on

(i) the types of risks;

(ii) the markets to which goods are exported. Economic, political, financial position of the country, policy regarding import and exchange control and the laws of the country pertaining to bankruptcy, compositions, liquidations, decrees, and their executions, arbitrations and enforcement of awards, constitution and conduct of firms with specific reference to rights of creditors, prohibition of specified trades on national, racial, or religious grounds,

subsidies, control of prices and/or margin of profit and acceptance by the country of the provisions of the Geneva Convention of 1927 for enforcement of arbitral awards determine the quantum of risks;

(iii) the type of goods. The nature of commodities exported may mitigate or enhance the risk. Commodities which are of perishable nature or are likely to deteriorate are bad risks. Commodities which are easily saleable in the home market or in several markets are the least risky. Between these two groups are certain commodities which have limited resale value and this determines the amount of risk;

(iv) the period for which risks are covered;

(v) the past experience of the exporter. Character of business which a particular exporter offers for insurance has to be taken into consideration. For example, an exporter who has suffered no losses in his export business for many years will expect, quite reasonably, to be charged lower rates of premium than his less cautious competitor notwithstanding the fact that the risks he is proposing to cover are substantially beyond his control;

(vi) the spread of risks offered by an exporter. Percentage of exports to good markets to export to bad markets is important because this determines the overall picture of risks undertaken by the insurer; and

(vii) the expenses of management. In cases where a large volume of exports is covered by a single policy, the exporter expects some reduction in premium because administrative work on a large policy is proportionately less than a small policy.

Economic, political and financial positions of countries keep changing. Situation of trade in various markets also change from time to time. These changes make it necessary to revise premium rates. Any laxity in the matter of keeping information up-to-date or taking prompt action by an insurer is likely to enhance the losses of the insurer. Every insurer, therefore, makes arrangements to review the information on record at regular intervals. To keep its information up-to-date, every insurer establishes suitable agencies to col-

lect and report the changes. When changes make it necessary, insurers do not hesitate to modify their premiums and, in extreme cases, even stop covering risks of exports to very risky markets.

Past experience and the spread of risks offered differ from exporter to exporter. These factors make it impossible for the insurers to prepare a table of premium rates which can be made universally applicable. Even if an attempt were made to envisage all the situations and a table of premium rates were prepared, its publication will not be possible, because changes in the rates may have to be made frequently. Further, rates differ from country to country. The fact that exporters to certain countries are charged higher rates than those to other countries cannot be disclosed, without detriment to diplomatic relations. In view of these difficulties, the premium rates charged by credit insurers covering risks of exports are not published. Even the policyholders are required to give an undertaking that the fact of their having insured and the premium rates paid by them will be kept confidential. They can, however, in confidence inform their bankers of the fact of insurance to obtain finance. It is the experience of the credit insurers that, if the information about the exporter having insured is made public, it affects normal relations between them and their buyers.

If the premium rates are not published, it may be asked as to how the exporter can know them? An exporter must know the rates before he can decide whether he should insure or not. The procedure adopted by the credit insurers resolves both these difficulties.

Every exporter is advised to submit a proposal. Submission of a proposal does not bind the proponent to insure. The questions which an

exporter has to answer while filling in a proposal are framed in such a way that the insurer can get all the information necessary to fix the premium rates. The proponent gives his total turnover for the last 12 months, arranged according to countries to which he had been exporting. Under each country, he gives the names of commodities and the value of the exports of that commodity. Against these figures, he gives his estimate of exports in the coming 12 months and the payment terms. Next he gives his losses suffered in the previous five years and the amounts outstanding against the buyers arranged in the same way as his exports. In answer to the next question, he gives the number of his buyers arranged in certain groups. Lastly, he gives the source of his information about the creditworthiness of his buyers and the frequency with which he checks the reports.

These answers give a complete picture of the transactions of the exporter. The insurer works out the premium rates and in the acceptance letter quotes the premium rates and other terms of acceptance. If the rates and other terms are acceptable to the proponent, he is asked to pay the initial premium. On the receipt of the initial premium, the insurer issues the policy. The policy issued is a blanket cover which covers all contracts and/or shipments made for a period of 12 months from the date of policy, depending upon whether he has taken contract or shipment policy.

Credit Enquiry

For covering commercial risks, the insurers make enquiries about the financial position and creditworthiness of the buyers. Taking into consideration the needs of the exporters and the reports on the buyers, an insurer fixes the limit up to which an exporter can give credit to a buyer. Once the limit of a buyer is fixed, the exporter is free to export goods to that buyer without reference to the insurer. If the exporter, at any stage, wants the limit to be increased, the insurers usually agree to it taking into consideration the latest report on the buyer and the unutilised limits on that buyer of other insured exporters.

Obtaining of reports on foreign buyers takes about two to three weeks. In emergent cases, however, the insurers give smaller limits after examining the reports which the exporter may have received and increase the limit to that asked for after the receipt of a full report. This procedure is adopted whenever possible, to facilitate the business of the exporter.

The limit fixed on a buyer is a revolving limit. It is not a limit on the exports to that buyer but is a limit on the amount due from the buyer at any one time. Depending on terms of payment the exporter is able to export goods to the buyer of the value of two to three times the limit.

In this article, an attempt has been made to detail the important aspects of the business of credit insurance. It will be noticed that the scheme of credit insurance covers all insurable risks, and the procedure adopted by the insurers is simple and businesslike. Such schemes in other countries have largely contributed to promotion of exports. If exporters from India take advantage of the scheme offered by the Government of India, exports from India will also be promoted. The country needs more and more of exports. If this scheme helps promotion of exports, the purpose for which the Export Risks Insurance Corporation has been set up will have been served.—All Rights Reserved.

SOME VITAL ECONOMIC STATISTICS

LAND UTILISATION (1954-55)		
Classification	Area (million acres— approximate)	Percentage to area classified
Gross area	811	100.0
Classified area	722	89.1
Forests	133	18.4
Not available for cultivation	122	16.9
Uncultivated land, excluding fallows	95	13.1
Current fallows	28	3.9
Fallows other than current fallows	67	9.0
Net area sown	315	43.7
Culturable area	467	64.7
Cultivated area	343	47.5
Total area irrigated	55*	8.0
* Estimate for 1956.		

AREA AND POPULATION OF STATES			
States	Area (in sq. miles)	Population (in thousands)	Increase (+) or Decrease (—)
			(In thousands)
Andhra Pradesh	105,700	31,260	27,425
Assam	85,062	9,044	7,503
Bihar	67,113	38,784	35,172
Bombay	190,068	48,965	40,534
Kerala	14,937	13,549	11,031
Madhya Pradesh	171,309	26,072	23,991
Madras	50,174	29,075	26,132
Nysoor	74,861	19,401	16,255
Orissa	60,250	14,646	13,708
Punjab	47,083	16,135	16,101
Rajasthan	132,098	15,971	13,864
Uttar Pradesh	113,428	63,216	56,532
West Bengal	33,855	26,302	23,232
Total States	1,146,533	352,620	311,630
Union Territories			
Andaman and Nicobar Islands	3,215	31	34
Delhi	573	1,744	918
Himachal Pradesh	10,922	1,109	1,058
Laccadive, Minicoy and Amindivi Islands	42	21	18
Manipur	8,029	578	512
Tripura	4,022	629	513
Sikkim	2,744	138	121
Total Union Territories	30,147	4,260	3,174
Total Indian Union	1,176,680	356,880	314,804

DECENNIAL GROWTH OF POPULATION OF INDIA									
Census year	Population (in millions)	Decennial growth							
		(In millions)	%						
1901	235.5	—	—						
1911	249.0	+13.5	+5.7						
1921	248.1	—0.9	—11.0						
1931	275.5	+27.4	+14.2						
1941	314.8	+39.3	+14.3						
1951	356.0	+41.2	+13.4						
Note:—The above census figures relate to Indian Union only, excluding Jammu and Kashmir. The estimated population of this State as on 1-3-1951 is 4.41 millions.									

OCCUPATIONAL DIVISION OF POPULATION— 1951 CENSUS (In millions)									
Self-supporting persons	Dependents	Total		Percentage to total population					
Earning	Non-earning								
Cultivators of land wholly or mainly owned	45.7	21.5	100.1	46.9					
Cultivators of land wholly or mainly un-owned	8.8	3.9	18.9	8.8					
Cultivating labourers	14.9	5.2	24.7	12.6					
Non-cultivating owners of land and other agricultural rent receivers	1.6	0.4	3.3	1.5					
Total agricultural classes	71.0	31.0	147.0	69.8					
Non-agricultural pro- duction	12.2	3.2	22.3	10.5					
Commerce	5.9	0.9	14.5	6.9					
Transport	1.7	0.2	3.7	1.6					
Other services	18.6	2.6	26.8	12.1					
Total non-agricultural classes	33.4	6.9	67.3	30.2					
Total population	104.4	37.9	214.3	100.0					

AGE GROUP OF POPULATION (In thousands)				
Age group	Males		Females	
	Rural	Urban	Rural	Urban
0	4,867	954	4,781	888
1-4	15,084	2,856	15,150	2,758
5-14	37,749	6,954	35,516	6,472
15-24	24,412	6,280	24,759	5,293
25-34	22,469	5,406	22,439	4,194
35-44	18,116	3,916	16,556	2,972
45-54	13,072	2,647	11,799	2,099
55-64	7,674	1,390	7,841	1,283
65-74	3,305	563	3,420	555
75 and over	1,403	227	1,513	243
Age not stated	96	16	100	17
Total	148,247	31,189	143,374	28,774

CONSUMER PRICE INDEX NUMBERS (WORKING CLASS) (Base: 1949 = 100)									
City or Town	Average for the Calendar year					Average for eight months Jan.-August		Consumer Price Index Numbers (Working Class)	
	1951	1952	1953	1954	1955	1956	1957	Bombay (Base: June 1934=100)	Ahmedabad (Base: July 1927=100)
All-India	105	103	106	101	98	105	103	330	261
Bombay	108	110	118	117	110	115	114	337	259
Ahmedabad	105	104	111	98	87	98	95	362	275
Sholapur	105	104	108	98	82	106	100	359	241
Kharapur	99	97	101	93	92	102	100	338	217
Kanpur	94	92	95	85	78	89	87	353	244
Madras	102	102	109	106	99	111	109	355	252
Ernakulam	106	106	107	107	107	111	111	357	253
Nagpur	104	101	103	99	98	105	104	356	254
Jabalpur	111	99	100	98	88	100	114	356	256
Delhi	108	108	106	105	99	109	107	363	257
Almer	111	108	104	91	83	92	93	370	259
Jharla	116	110	104	82	77	87	81	376	268
Jamshedpur	116	112	112	102	98	106	104	377	265
Gauhati	110	111	102	95	87	98	93	375	262
Cuttack	123	109	107	100	99	106	100	374	260
Coorg	102	92	90	90	84	92	91	372	259
Mercara	106	99	105	105	99	104	111	371	260
Bangalore	115	115	114	106	103	111	113	375	261
Hyderabad	108	106	115	108	97	116	113	366	258

EMPLOYMENT IN FACTORIES COMING UNDER FACTORY ACT									
State	Average daily number of workers employed								1956
	1939	1950	1951	1952	1953	1954	1955	First half	Second half
Andhra	43,936†	61,265	65,136	66,620	96,339	108,840	117,514	128,437	135,874
Assam	85,988	180,204	191,724	172,599	160,771	170,521	172,082	175,247	172,730
Bihar	466,040	773,332	767,704	787,014	782,079	809,955	863,029	864,547	947,443
Bombay	64,404	190,056	110,994	114,744	122,110	122,204	130,576	120,031	91,602
Madhya Pradesh	197,266	391,457	417,545	407,451	301,035	328,477	337,929	339,830	301,267
Orissa	5,371	14,439	17,188	18,087	18,419	20,174	20,228	22,500	20,520
Punjab	22,828†	10,713	18,175	55,159	45,900	33,578	63,712	62,502	78,179
Uttar Pradesh	159,733	232,695	202,514	240,235	242,304	239,874	245,012	260,519	266,918
West Bengal	532,830†	641,694	654,001	646,871	627,180	609,925	616,739	651,287	645,131
Almer	13,830	16,597	16,927	15,804	15,884	14,452	14,609	14,449	N.A.
Coorg	1,485	380	485	458	458	458	458	458	N.A.
Delhi	17,400	40,288	42,838	43,375	41,174	42,826	47,252	48,495	49,569
Andaman and Nicobar Islands	N.A.	1,497	1,537	1,284	1,482	2,093	1,928	N.A.	N.A.
Total ..	1,616,876	2,664,399	2,536,564	2,567,453	2,528,026	2,589,767	2,900,403	2,744,346	—
† Estimated. N.A. = Not Available. § Provisional (for Reorganised States).									

CLASSIFICATION OF DISPUTES BY INDUSTRIES									
Industry	1954 (January-December) (Approximate)			1955 (January-December)			1956 (January-December)		
	No. of disputes	No. of workers involved	No. of man-days lost	No. of disputes	No. of workers involved	No. of man-days lost	No. of disputes	No. of workers involved	No. of man-days lost
Plantation	17	8,749	17,058	217	14,357	611,812	50	19,530	172,725
Coal	42	19,712	223,589	50	94,881	1,011,394	67	61,618	1,108,599
Others (mining and quarrying)	14	6,800	20,389	23	8,191	306,594	17	61,618	1,108,599
Sugar mills	—	—	—	9	5,384	22,401	10	20,170	418,446
Hydrogenated oil industry	—	—	—	3	4,581	23,444	2	1,099	1,612
Cotton mills	111	124,811	433,079	231	169,851	2,104,435	203	246,289	2,010,190
Jute mills	25	62,841	347,299	25	53,156	809,387	21	40,063	1,166,023
Silk mills	—	—	—	3	1,494	3,744	6	709	30,142
Woolen mills	88	20,143	103,093	4	3,579	141,163	33	2,339	16,403
Leather and leather products	14	2,291	12,124	7	801	2,780	5	1,517	2,248
Heavy chemicals	10	10,713	173,281	7	701	81	6	871	5,115
Chemical	—	—	—	6	1,849	4,542	16	363	30,142
Engineering (except iron and steel)	105	38,029	233,280	95	43,815	399,003	6	4,482	8,866
Iron and steel	16	12,802	12,802	46	13,372	45,905	195	132,164	915,657
Others (manufacturing)	142	82,804	1,264,692	204	48,716	474,556	19	2,871	39,664
Construction	—	—	—	6	2,870	6,946	10	10,274	43,196
Electricity, gas, water and sanitary services	—	—	—	26	1,944	8,780	28	4,187	8,623
Wholesale and retail trade	—	—	—	8	988	448	10	2,165	3,163
Banking and insurance	—	—	—	6	6,281	5,465	29	12,168	10,352
Dock and ports	33	17,182	25,875	24	19,635	59,272	35	34,949	112,398
Railways	11	20,329	24,946	15	7,047	41,443	34	7,744	10,857
Others (transport, storage and commu- nication)	12	8,431	30,816	9	13,438	131,070	18	13,477	47,788
Services	26†	5,352†	32,405†	26	4,358	35,209	12	774	2,833
Miscellaneous	16§	55,990	429,163	53	5,465	74,991	84	19,038	156,585
Total	840	477,138	3,872,630	1,189	623,034	5,637,555	916	647,571	6,299,737
—Not available. * Relate to chemicals and dyes. † Relate to Municipalities.									

WORLD COMMODITY SURVEY									
Commodity	Unit	Year begins	WORLD PRODUCTION				Indian Production 1955-56	Indian Production 1956-57	
			Pre-war	Years beginning in					
				1953	1954	1955			1956
Wheat	Million bush.	April	6,085	7,300	6,945	7,405	319.9	338.5	
Maize (corn)	Million bush.	April	4,772	5,840	5,615	6,280	102.2	120.8	
Oats	Million bush.	April	4,865	4,135	4,295	4,445	4,250	—	
Barley	Million bush.	April	2,362	2,810	2,820	3,005	3,295	128.3	
Rice (rough)	Million tons	July	99	124	117	121	127	26.8	
Fats and oils	000 tons	January	21,250	24,030	25,200	26,300	27,900	256*	
Sugar†	000 tons	September	30,301	41,690	42,250	42,723	44,000	5,982	
Tea	Million lbs.	January	886	1,030	1,078	1,000	1,500	677.2	
Coffee	Mlln. bags (132 lbs.)	July	41.6	42.4	41.3	46.5	46.1	0.6	
Cocoa	000 tons	October	708	715	779	796	832	—	
Tobacco	Million lbs.	July	6,530	7,468	7,946	8,130	6,406	661	
Cotton	Mlln. bales (478 lbs.)	August	30.5	39.3	38.4	39.8	38.2	4.0†	
Wool (total)	Million lbs. (clean)	July	2,070	2,540	2,555	2,745	2,847	—	
Jute	000 tons	July	1,585	1,485	1,655	2,283	2,243	754	
Sisal, Abaca, Hennequen	000 tons	January	530	617	638	685	732	—	
Rubber (natural)	000 tons	January	997	1,728	1,808	1,918	1,888	23	
Rubber (synthetic)	000 tons	January	—	936	716	1,085	1,211	—	
Coal	Million tons	January	970	—	1,460	1,602	1,670	38.2	
Iron ore	Million tons	January	151	253	—	214	243	—	
Copper	000 tons	January	2,140	2,740	2,715	—	3,338	7.63	
Lead	000 tons	January	1,680	1,840	2,065	—	2,112	2.50	
Tin	000 tons	January	184.2	176.5	117.0	178.4	174	—	
Zinc	000 tons	January	1,330	2,325	2,350	—	2,533	—	
Many figures included above are rough estimates only. Tons are long tons of 2,240 lbs.; the capacity of the bushel is normally 80 lbs. for wheat, 66 lbs. for maize, 32 lbs. for oats, 48 lbs. for barley.									
* Vegetable oils. † Bales of 392 lbs. each of cotton lint. ‡ Raw sugar.									

SOME VITAL ECONOMIC STATISTICS—(Continued)

COMPARATIVE BANKING STATISTICS
(In crores of rupees)

	1st Sept. 1956 (pre-war)	13th Dec. 1956	End of 1956	End of 1955	End of 1954
RESERVE BANK					
Issue Department	172.44	1,512.02	1,466.07	1,361.98	1,200.49
Notes in circulation	35.05	10.02	9.14	12.04	26.01
Department	39.50	280.19	447.30	686.88	663.15
Foreign Securities	37.39	992.29	785.35	538.67	417.75
Rupee Securities					
Banking Department					
Deposits of	14.89	55.53	57.24	54.01	54.89
Government of India		4.97	8.00	10.62	16.74
Other Governments	10.08	24.38	82.61	43.30	67.94
Deposits held abroad					
SCHEDULED BANKS					
Demand Liabilities	134.87	729.24	654.19	614.48	579.36
(17.54)†	(9.45)†	(5.22)†	(6.19)†	(6.19)†	(6.19)†
Time Liabilities	102.84	682.05	659.50	618.40	598.71
(23.99)†	(2.49)†	(5.34)†	(5.34)†	(5.34)†	(5.34)†
Borrowings from					
Reserve Bank	15.01	79.06	30.02	9.03	9.03
(14.35)†	(67.20)†	(18.80)†	(2.90)†	(2.90)†	(2.90)†
Borrowings from State					
Bank of India	6.71	39.30	38.33	35.06	35.90
Cash in India	25.28	73.46	52.66	60.17	67.54
Advances with	15.52	23.80	10.76	21.08	31.50
Reserve Bank					
Excess over statutory					
limits					
Balances with other					
banks in current					
account in India		11.05	12.84	14.35	13.79
Money at call and					
short notice in					
India		50.98	10.78	10.50	15.76
Investments (at book					
value)		432.01	384.75	355.05	348.04
Advances and bills	105.09	847.47	788.46	631.45	538.41
STATE BANK OF INDIA					
Deposits	87.76	365.58	242.02	222.30	231.19
Investments	51.99	133.43	106.90	118.37	108.76
Advances	30.87	102.61	140.12	103.31	100.89
Cash	18.99	30.64	19.67	21.62	32.94

† Borrowings from Banks excluding the Reserve Bank and the State Bank of India.
† Borrowings against advances bills and promissory notes.
† The figures up to the end of 1954 relate to those of Imperial Bank of India.

COMPOSITION OF INDIA'S FOREIGN TRADE
(In crores of rupees)

	1956	1955	January to June 1957
Exports			
Tea	588.04	602.21	311.01
Re-exports	2.56	2.40	2.51
Total exports	590.60	604.61	313.52
Imports	813.27	673.00	497.71
Overall balance of trade	(222.67)	(68.39)	(184.19)
Exports—			
Tea	142.84	113.62	49.30
Jute yarns and manufactures	113.48	123.57	29.00
Cotton yarns and manufactures	62.30	63.81	37.71
Metallic ores and scrap iron or steel for re-manufacture	30.09	23.72	26.59
Oil—vegetable, mineral and animal	25.09	34.69	14.46
Other—vegetable, mineral and animal	24.56	42.14	9.56
Fruits and vegetables	18.06	14.09	8.58
Tobacco	13.31	13.35	9.01
Wool, raw and waste	10.64	8.10	6.45
Gums, resins and lac	11.19	13.85	4.73
Spices	9.23	10.50	5.11
Hides and skins, raw	6.07	6.73	3.88
Woolen yarns and manufactures	4.35	4.32	2.38
Imports—			
Machinery of all kinds	150.11	110.03	80.56
Metals, iron and steel and manufactures thereof	122.42	52.18	79.52
Oil—vegetable, mineral and animal	82.48	82.30	52.78
Cotton, raw and waste	62.30	63.81	37.71
Chemicals, drugs and medicines	41.96	34.79	31.49
Textiles, hardware, etc.	27.07	22.37	5.63
Electrical goods and apparatus	15.14	14.10	27.30
Vehicle, parts and accessories	15.14	14.10	27.30
Foodstuffs and vegetables	15.14	14.10	27.30
Spices	15.14	14.10	27.30
Dyes and colours	15.14	14.10	27.30
Wool, raw and waste	15.14	14.10	27.30
Woolen yarns and manufactures	15.14	14.10	27.30

PRINCIPAL BANK RATES %

Centre	Changed on	From	To
Argentina	1st Mar., 1936	4 1/2	4
Austria	17th Nov., 1955	4 1/2	4
Belgium	14th July, 1957	4 1/2	4
Bolivia	30th Sept., 1950	6	6
Burma	11th June, 1954	3	2 1/2
Ceylon	11th June, 1954	3	2 1/2
Chile	11th June, 1954	3	2 1/2
Colombia	18th July, 1953	5	4
Costa Rica	1st April, 1954	4	4
Denmark	1st Mar., 1955	4 1/2	4 1/2
Ecuador	13th May, 1948	7	10
El Salvador	15th Nov., 1952	4	4
Finland	20th April, 1956	6	6
France	12th Aug., 1957	4	4
Greece	1st Mar., 1955	4 1/2	4 1/2
India	10th May, 1957	4	4
Indonesia	1st April, 1946	4	4
Ireland	30th Sept., 1957	6	6
Italy	6th April, 1950	4 1/2	4 1/2
Japan	8th May, 1957	4 1/2	4 1/2
Mexico	15th Aug., 1957	4	4
Netherlands	15th Oct., 1955	6	6
New Zealand	15th Oct., 1955	6	6
Norway	14th Feb., 1955	4	4
Pakistan	1st July, 1948	5	3
Peru	13th Nov., 1947	5	3
Philippines	12th April, 1957	14	14
Portugal	12th Jan., 1944	3	2 1/2
South Africa	22nd Sept., 1955	4	4
Spain	22nd July, 1957	4 1/2	4 1/2
Sweden	11th July, 1957	4 1/2	4 1/2
Switzerland	15th May, 1957	4 1/2	4 1/2
Thailand	1st Feb., 1946	4	4
Turkey	6th Oct., 1950	4	4
United Kingdom	19th Sept., 1957	6	6
U.S.R.	1st July, 1936	3	3
U.S.A.	30th Sept., 1957	3 1/2	3 1/2
West Germany	18th Sept., 1957	4 1/2	4 1/2

† Five of the Federal Reserve Banks have lowered the rate to 3 per cent. between 15th and 19th November, 1957.

INDUSTRIAL PRODUCTION

Industry	Unit	Installed capacity	For the year ended 31st December					First 8 months of 1956	First 8 months of 1957
			1952	1953	1954	1955	1956		
Mining and Quarrying :									
Coal	Million tons	..	36.2	35.84	36.77	38.20	39.43	26.13	28.36
Food Manufacturing Industries :									
Coffee	Tons	..	21,096	22,572	29,364	24,948	34,440	29,847	35,640
Salt	Million maunds	..	76.9	86.3	73.9	81.0	88.8	79.5	88.1
Sugar	Thousand tons	1,357.2	1,483	1,297	1,008	1,015	1,346	1,500	1,680
Tea	Million lbs.	..	614	605	644	605	607	387	372
Vegetable oil products (sanaspati)	Thousand tons	444	191	192	231	261	256	176	182
Wheat flour	Do.	1,475	512	453	443	383	538	344	331
Textiles :									
Cotton yarn	Million lbs.	..	1,450	1,606	1,561	1,631	1,672	1,088	1,185
Cotton cloth	Million yards	..	4,598	4,878	4,998	5,094	5,306	3,488	3,589
Jute—lessian	Thousand tons	..	311	359	359	402	415	271	283
Jute—sacking	Do.	..	607	450	506	455	606	438	316
Jute—other manufactures	Do.	..	34	30	32	50	72	51	46
Woolen manufactures	Million lbs.	19.0	16.6	19.2	19.46	20.7	25.6	16.3	17.3
Do yds.	Do.	24.0	18.6	19.2	18.8	19	16.3	10.4	9.6
Rubber Products :									
Dipped rubber goods	Million dozens	42.8	13.8	12.5	18.4	22.9	26.0	19.5	12.7
Ebonite sheets, rods and tubes	Thousand lbs.	1,384	126	89	116	131	210	129	155
Fan belts	Thousand	1,008	568	432	500	655	725	448	448
Footwear rubber	Million pairs	48.7	22.8	24.0	31.2	34.9	36.1	23.4	23.2
Hoses—Radial	Thousand	570	165	140	192	190	128	151	121
Hoses—Vacuum Brake	Do.	1,080	444	473	620	809	552	421	337
Hoses—Other types	Thousand ft.	11,344	3,850	4,422	4,866	5,735	6,003	4,041	5,503
Latex foam sponge	Thousand lbs.	1,674	840	496	938	1,470	1,777	1,160	1,290
Tyres—									
Automobiles	Thousand	1,063	721	708	853	882	938	624	673
Aero	Nos.	9,929	4,184	4,266	5,516	4,904	3,660	2,618	2,869
Car	Thousand ft.	1,284	325	359	371	290	203	203	203
Cycle	Thousand	8,254	4,185	4,845	5,220	5,748	6,320	4,170	4,908
Tractor	Nos.	32,148	3,852	9,012	19,152	24,628	30,768	19,487	32,362
Tubes—									
Automobiles	Thousand	1,046	661	659	749	786	918	596	664
Aero	Nos.	4,428	984	528	1,572	2,448	2,292	1,701	1,456
Cycle	Thousand	8,254	4,186	4,601	5,578	5,593	6,373	4,286	4,748
Tractor	Nos.	33,912	5,484	8,136	16,884	23,112	30,720	19,936	29,814
Chemicals and Chemical Products :									
Ammonium sulphate	Thousand tons	431	220	320	340	393	349	219	213
Phenol	Thousand lbs.	2,352	667	838	1,057	1,206	1,347	1,688	1,688
Formaldehyde	Thousand tons	6,018	1,484	2,508	3,240	2,028	3,264	2,067	2,067
Richomoda	Thousand	14,040	792	1,944	2,928	2,700	4,560	3,802	3,451
Bleaching powder	Do.	45,300	17,064	22,909	29,304	34,248	39,420	35,308	24,423
Catechu	Thousand	20,820	6,240	8,186	9,780	11,580	13,072	10,084	9,142
Chlorine liquid	Thousand	3,132	338	616	840	1,034	1,353	1,353	977
Copper sulphate	Do.	2,220	2,608	2,368	2,368	2,368	2,368	1,905	1,904
Glycerine (refined)	Thousand	48,900	732	555	906	873	1,091	728	877
Glue	Thousand	100.0	10.4	10.1	16.6	24.24	24.56	14.34	15.73
Injection	Thousand lbs.	1,439	311	284	259	294	290	155	143
Oral	Thousand cases	705	619	613	529	616	616	423	336
Paints and varnishes	Thousand tons	39	37	32	37	30	42	27	27
Rayon (Viscose yarn)	Thousand tons	12,456	3,688	4,356	4,944	5,736	7,296	4,890	5,842
Soap	Thousand tons	253	86	82	88	99	110	74	60
Soda ash	Do.	108	44	47	58	77	84	52	61
Sulphuric acid	Do.	278	96	109	148	165	165	109	107
Superphosphates	Do.	273	47	48	105	74	81	53	80
Welding gases	Million c. ft.	598	194	225	277	331	384	264	261
Basic Metal Industries :									
Pig Iron and ferro alloys	Thousand tons	2,221	1,855	1,777	1,961	1,757	1,958	1,550	1,100
Finished steel	Do.	1,730	1,103	1,023	1,243	1,230	1,328	889	982
Semi-finished steel	Do.	1,360	1,308	1,230	1,452	1,457	1,484	987	947
Steel ingots and metal for castings	Do.	1,462	1,378	1,267	1,507	1,656	1,704	1,738	1,151
Aluminium	Tons	7,500	3,560	3,758	4,866	7,225	6,900	5,142	5,142
Antimony	Tons	700	181	311	539	504	589	376	318
Copper	Thousand tons	7,200	6,079	4,920	7,161	7,281	7,628	5,005	5,151
Pipes and tubes	Thousand tons	360	35	44	17	49	35	35	45
Sheets and circles	Thousand tons	45,720	804	1,128	1,464	1,560	1,752	1,002	1,311
Lead	Thousand tons	6,000	1,132	1,094	1,788	2,234	2,497	1,531	1,922
Virgin metal	Do.	4,800	332	311	166	283	341	233	233
Brass	Thousand tons	8,388	10,080	15,626	13,034	13,584	8,543	10,087	10,087
Pipes and tubes	Thousand tons	253	80	82	13	8	7	5	5
Sheets and circles	Thousand tons	253	80	82	13	8	7	5	5
Gold	Thousand ozs.	223	241	211	209	140	140	140	105
Metal Products :									
Duplicators	Nos.	6,240	1,020	924	1,128	2,088	2,784	1,853	1,790
Enamel-ware	Thousand pieces	30.0	7.7	9.5	15.0	19.7	15.2	10.7	7.9
Expanded metal	Thousand tons	2,940	2,016	1,858	2,058	2,385	2,748	1,517	697
Hurricane lanterns	Thousand	3,793	3,523	4,813	4,987	5,579	5,770	3,336	3,336
Oil pressure lamps	Thousand	142	35	80	87	50	84	60	60
Razor blades	Millions	615	10.8	23.2	131.4	174.6	295.2	151.7	230.0
Screws	Thousand gross	1,241	143	168	229	641	1,278	896	768
Machine	Do.	5,825	1,880	2,572	5,197	6,662	7,502	4,861	4,873
Non-metallic Mineral Products :									
Alumina	Thousand	189,890	55,200	61,200	70,800	79,200	98,400	61,900	46,000
Asbestos (cement sheets)	Thousand tons	145	88	70	70	79	102	102	102
Cement	Do.	6,108	3,398	3,780	4,308	4,487	4,928	3,247	3,247
Ceramics									
Glazed tiles	Thousand dozens	559	346	374	419	380	455	292	300
Insulators	Thousand	14,196	9,403	2,953	3,182	4,523	4,794	3,303	2,924
Industrial	Thousand	469	604	228	240	278	318	292	292
Sanitary-ware	Tons	1,944	432	648	1,322	1,322	1,322	1,322	1,322
Stone-ware	Do.	69,600	33,600	33,600	40,800	42,300	45,600	31,920	17,727
Wile-ware	Do.	20,880	9,080	10,440	10,966	10,224	15,144	10,107	8,778
Glass—									
Sheet	Million sq. ft.	101.3	9.1	22.8	38.1	38.9	47.6	28.8	23.5
Drinking	Do.	6,024	1,476	1,320	1,512	2,496	3,300	1,829	1,332
Shells	Million pieces	27.3	16.7	16.9	28.4	28.4	30.7	30.3	25.2
Other glasswares	Thousand tons	239	85	72	85	100	114	73	70
Machinery :									
Carding engines (revolving spindles)	Nos.	1,692	1,098	192	432	600	732	457	641
Combed spinning frames	Do.	2,196	2,852	204	360	884	1,116	672	942
Diesel engines	Do.	22,154	4,248	3,720	4,032	4,432	5,491	1,492	1,492
Grinding wheels	Thousand	4,189	865	808	1,134	10,224	12,742	7,741	8,579
Machine tools	Value (lakh Rs.)	14.48	44.37	50.32	1,284	2,828	2,828	2,828	2,828
Plain calico looms	Thousand	4,980	2,804	44.07	50.32	74.40	120.23	65.85	126.18
Power-driven pumps	Thousand	68	32	25	28	2,736	2,868	1,808	2,013
Sewing machines	Do.	81	30	35	47	30	47	30	47
Twist drills	Thousand	3,042	775	335	539	779	1,549	887	1,363
Electrical Goods :									
Baro copper conductors	Tons	5,928	5,928	7,562	8,436	10,280	6,910	5,649	5,649
Conduit pipes	Thousand R. ft.	17,796	3,695	7,562	8,436	10,280	6,910	5,649	5,649
Domestic refrigerators	Nos.	3,600	800	1,140	1,008	843	10,980	6,544	6,161
Dry cells	Thousand	224	402	199	149	161	181	117	118
Electric fans	Thousand	402	199	149	149	161	181	117	118
Electric lamps	Do.	45,880	20,880	10,768	23,076	292	30,728	19,492	22,492
Electric motors	Thousand H.P.	340	157	182	187	256	359	222	216
House service meters	Thousand	34	34	34	34	34	34	34	34
Power transformers	Thousand K.V.A.	934	215	308	400	525	565	619	619
Radio receivers	Thousand	27	17	58	57	81	151	92	123
Storage batteries	Do.	317	158	176	198	235	314	213	215
Transport Equipment :									
Automobiles—									
Car	Nos.	49,800	6,048	4,932	5,436	9,492	12,984	8,564	7,922
Trucks	Do.	7,001,004	8,408	9,024	6,456	10,920	6,370	7,445	7,445
Complete cycles	Do.	82	104	104	104	104	104	104	104
Spare parts and accessories	Value (lakh Rs.)	..	82	104	104	104	104	104	104
Other Industries									
Alcohol—									
Power	Thousand bulk gals.	13,800	7,742	8,120	8,008	10,433	10,271	7,293	6,807
Industrial	Do.	14,904	6,840	8,870	7,465	8,145	7,592	4,746	4,604
Chrome tanned hides	Thousand	1,644	650	1,024	1,024	1,024	1,024	1,024	1,024
Cigarettes	Millions	21,250	19,119	18,423	18,423	18,423	18,423	18,423	18,423
Leather (other)	Thousand pairs	5,075	5,075	5,075	5,075	5,075	5,075	5,075	5,075
Leather cloth	Thousand	654	180	180	180	180	180	180	180
Linoleum	Thousand lineal yds.	450	180	180	180	180	180	180	180
Plastic paperboards	Thousand	252	137	140	155	155	155	155	155
Plastic moulding	Thousand	1,544	1,357	1,308	2,478	3,592	2,364	2,126	2,126
Plywood—									
Tea chests	Thousand sq. ft.	154	78.2	49.8	64.2	91.7	98.3	70.0	58.1
Commercial	Do.	12.3	11.4	13.0	13.0	14.0	25.8	16.6	18.8
Vegetable tanned buffalo and cow hides	Thousand hides	3,180	1,428	1,298	1,370	1,636	1,684	1,112	1,112

SOME VITAL ECONOMIC STATISTICS—(Concluded)

TRANSPORT AND COMMUNICATIONS IN INDIA

	End of March 1957	1955
Total road mileage (excluding Municipal)	316,668	268,000
Of which:		
Metalled	121,817	105,000
Non-metalled	195,051	163,000
Waterways		
Approximate main waterways navigable by steamers and large country boats (in miles)	5,500	5,500
Shipping		
Total gross registered tonnage owned	521,440	479,800
Of which tonnage on:		
Overseas trade	239,953	239,847
Coastal trade	282,167	239,847
Railways		
Total route mileage	34,735	34,705
Capital-at-charge (in crores of Rs.)†	1,191.20**	1,067.03**
Aviation (Scheduled and Non-scheduled)		
Total route mileage (approximate)	27,000	27,000
Number of miles flown (approximate)	28,430,000	20,000,000
Number of passengers flown	645,000	568,500
Freight carried (in lbs.)	169,572,000	213,734,000
Mail carried (in lbs.)	12,481,000	11,112,000
Number of aerodromes maintained by Civil Aviation Department	81	81
Number of Flying Clubs	12	12
Automobiles (††)		
Total number	418,067	377,600
Of which:		
Private cars	180,203	171,561
Taxi-cabs	10,760	14,841
Buses run on diesel	10,397	7,936
Buses run on other fuels	34,245	34,070
Goods vehicles run on diesel	9,856	5,602
Goods vehicles run on other fuels	107,351	99,605
Motor cycles	38,210	33,927
Miscellaneous run on diesel	3,114	2,733
Miscellaneous run on other fuels	10,867	7,525
Total number of manufacturing units	6	6
Installed capacity (cars, jeeps and land rovers, station wagons, trucks and passenger buses)	49,800(—)	51,906
Total number of cars and commercial vehicles manufactured per year	52,136(—)	23,088
Posts, Telegraphs and Tele-communications		
Number of post offices	56,438	49,790
Total number of telephones	278,000	247,000
Number of radio-telephone services	22	17
Number of radio-telephone services	6	6

* On scheduled flights only.
† Includes Chittaranjan Locomotive Works, Integral Coach Factory (Perambur), State Railway Collieries, etc.
** Year ending 31st March 1956
†† Last quarter of 1955-56
§ 1954
§§ 1955

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939=100)

	For the Year ended 31st December			For ten months ended 30th October	
	1954	1955	1956	1956	1957
Food Articles	358.3	304	374	366	418
Rice	472.0	443	522	542	650
Wheat	405.1	406	527	497	565
Jowar	186.0	120	230	213	259
Bajra	234.5	212	255	269	365
Pulses	280.9	262	379	372	408
Tea	596.4	511	386	367	420
Coffee	547.0	617	635	639	627
Sugar	298.2	297	266	263	260
Gur	253.8	153	182	180	191
Industrial Raw Materials	447.1	411	488	482	529
Raw cotton	464.5	374	478	479	495
Raw jute	439.2	446	450	464	523
Groundnut	519.2	384	579	570	601
Linseed	363.2	352	465	458	442
Coal	557.0	358	396	359	442
Semi-manufactures	355.4	333	380	384	409
Leather	377.2	374	406	399	409
Mineral oils	221.0	211	208	207	213
Vegetable oils	485.5	375	544	527	600
Cotton yarn	453.5	423	471	479	471
Metals	238.9	255	307	303	338
Oilseeds	416.2	322	431	421	439
Others	305.3	330	360	359	374
Manufactures	375.5	373	382	381	380
Cotton	436.1	431	435	417	417
Rayon	412.3	405	416	410	417
Cotton and silk	465.5	476	469	478	413
Woolen	568.5	529	568	568	576
Iron and steel	273.0	287	326	324	349
Miscellaneous	648.8	555	546	537	603
All Commodities	386.7	355	403	398	431

NATIONAL INCOME*

Country	Year	Population (In millions)	National Income (In millions)	In terms of rupee (Crores)	Per capita income (Rs.)
India†	1954-55	383.09	...	10,420	272
Pakistan††	1954-55	79.71	...	1,590	237
Burma	1955	19.43	Kyats 4,087	400	210
Ceylon	1955	8.38	...	475	567
Japan	1956	90.00	Y. 7,427,000	9,233	1,031
Philippines	1955	21.85	P. 1,873	887	...
New Zealand	1956	2.17	£ (N.Z.) 884	1,178	542
Australia	1956	9.40	£ (A.) 4,238	4,623	491
U.K.	1956	51.20	£ 16,485	21,953	428
U.S.A.	1956	168.09	\$ 343,600	163,540	971
Canada	1956	16.00	\$ 22,710	10,787	672
France	1956	42.60	F. Fr. 13,900,000	17,040	406
W. Germany	1956	51.50	Dm. 147,000	16,889	327
Italy	1956	48.10	Lr. 11,476,000	8,700	182
Norway	1956	2.46	Kr. 29,000	1,498	608
Sweden	1956	7.30	Kr. 44,580	4,127	563
Netherlands	1956	10.80	Grs. 26,400	3,216	297
Denmark	1956	4.46	Kr. 24,950	3,789	849
Switzerland	1956	5.00	Sw. Fr. 24,700	2,714	542

* National income at factor cost—the aggregate of all incomes earned in the production of goods and services in the course of a year including net income from abroad.
† Source: International Financial Statistics, November 1957.
†† Estimates (at 1948-49 prices) are based on the fourth issue of the annual paper on national income issued by the Central Statistical Organisation.
†† Report on Currency and Finance (1955-56)—State Bank of Pakistan.

FINANCES OF GOVERNMENT OF INDIA

(In crores of rupees)

	1952-53	1953-54	1954-55	1955-56	1956-57 Budget	1956-57 Revised	1957-58 Budget
Revenue Account:							
Revenue	84.45	65.55	66.31	70.19	86.35†	82.61	88.71†
Income-tax	43.80	41.54	37.33	37.04	48.24†	48.24	54.75†
Corporation tax	173.75	158.71	184.86	166.70	150.00	171.00	168.00†
Customs	83.03	94.98	108.22	145.25	170.35†	168.73	258.43†
Excise	...	...	...	...	...	...	...
Estate Duty	...	...	...	...	...	...	...
Wealth tax	...	...	...	...	...	...	...
Administrative Receipts	13.10	12.09	12.96	17.08	13.48	18.17	15.00
Currency and Mint	7.21	13.14	17.42	19.75	19.90	19.46	48.13
Contribution from Railways	7.11	6.96	6.68	5.80	6.57	6.03	6.67
Contribution from Posts and Telegraphs	1.87	2.40	2.60	3.47	1.60†	5.30	3.94†
Miscellaneous	15.28	14.44	13.24	26.43	21.56	22.19	20.40
Total revenue	429.60	409.80	449.88	467.78	518.21	561.84	700.42†
Expenditure—							
Direct demands	27.84	28.24	26.44	29.08	31.73	33.29	36.12
Civil administration	23.30	20.74	30.63	38.39	39.31	39.31	43.28
Defence services (net)	179.52	186.30	186.66	172.23	203.97	202.95	252.71
Defence services	36.53	40.82	39.72	43.14	35.50	38.21	35.00
Pensions and superannuation	7.84	8.60	8.87	8.97	8.83	8.88	9.15
Extraordinary charges	7.63	10.41	13.80	...	...	...	10.00
Miscellaneous	39.25	20.71	18.68	48.82	49.39	48.28	63.85
Development services	41.72	51.53	58.17	42.41	127.10	120.00	178.00
Adjustments between Union and States	22.80	25.91	29.79	35.87	38.00	29.60	25.29
Other expenditure	5.27	4.04	3.59	3.22	3.34	3.10	3.41
Total expenditure	390.67	401.30	416.35	457.31	538.25	523.80	655.69
Net revenue position	+ 38.93	+ 8.50	+ 33.51	+ 40.45	- 18.04	+ 37.94	+ 44.73
Capital Account:							
Receipts (net)	27.76	117.36	100.19	34.51	135.54	106.89	171.99
Permanent debt	2.19	...	204.33	273.82	527.68	468.46	579.45
Other debt	...	...	...	...	...	...	...
Total Receipts	29.95	117.36	314.23	308.33	663.22	575.35	751.44
Disbursements (net)—							
Defence	5.96	10.16	8.47	17.59	26.30	21.36	33.55
Pensions (commutation)	-6.91	-7.08	-7.03	-9.01	-9.32	-9.32	-9.32
State trading	-13.43	-25.44	63.47	-29.59	9.51	29.05	49.35
Currency and Mint	0.12	0.80	0.37	8.78	1.21	1.42	0.83
Railways	7.05	11.85	32.25	67.52	113.43	108.81	124.17
Posts and Telegraphs	6.53	7.66	9.33	9.73	9.85	9.85	9.85
Civil aviation	0.88	1.37	3.28	1.95	3.37	3.18	2.88
Irrigation and power	4.10	4.28	3.59	2.55	2.57	2.57	3.89
Civil works	11.57	13.38	17.14	24.56	28.97	29.26	32.26
Industrial development	0.40	5.07	13.37	11.07	79.60	79.91	185.92
Other heads	28.15	2.95	11.44	22.51	25.46	44.98	137.01
Discharge of permanent debts	5.80	115.30	92.76	83.74	83.74	38.64	38.64
Grants, loans and advances	119.00	168.29	243.90	270.62	364.27	293.44	304.76
Total disbursements	164.91	307.88	461.84	470.92	665.52	693.93	895.42
Net position	-94.24	-69.84	-52.20	-66.50	+ 18.27	+ 8.64	-43.78
Miscellaneous (net)	-8.23	+ 0.05	+ 13.21	-10.35	- 0.18	+ 7.80	- 1.08
Overall surplus (+) or deficit (—)	-83.54	-61.29	-5.48	-36.49	+ 0.05	+ 54.38	- 0.06
Cash balances—							
Opening	182.68	99.14	37.49	32.23	50.10	- 4.28	50.12
Closing	99.14	37.85	32.01	- 4.28	50.10	50.12	50.04
Public debt (at the end of the year):							
Interest-bearing obligations—							
Treasury Bills, ways and means advances and T.D.K's	1,403.58	1,366.05	1,474.91	1,500.61	1,610.10	1,588.45	1,654.38
Small savings	319.19	405.29	564.95	711.87	1,007.72	885.25	1,140.25
Depreciation and reserve fund	417.64	454.87	505.39	574.41	644.36	638.20	717.50
Others	170.18	171.98	174.25	188.76	192.07	215.41	218.28
In England	30.23	28.97	27.28	23.20	20.89	20.79	24.42
Dollar loans	113.74	111.80	111.91	117.57	144.94	132.95	204.18
Total	2,642.70	2,694.82	3,039.16	3,311.60	3,867.64	3,876.13	4,233.88
Interest-yielding assets—							
Capital advanced to—							
Railways	864.23	875.16	901.72	973.66	1,087.09	1,072.79	1,198.96
Other commercial departments	81.25	88.24	115.33	112.08	125.68	150.19	172.28
Investment in commercial concerns	58.02	58.02	58.02	58.02	58.02	58.02	58.02
Debt due from Burma and Pakistan	377.47	482.78	734.05	959.13	1,287.34	1,287.30	1,431.95
Deposits with U.K. Government for redemption of railway annuities	348.15	348.15	300.00**	300.00**	300.00**	300.00**	300.00**
Purchase of annuities for sterling pensions	5.44	4.38	3.18	1.99	1.08	1.07	0.48
Total	1,682.52	2,003.83	2,260.08	2,488.29	2,995.96	2,906.89	3,476.80
Cash and securities held on Treasury account	136.18	70.44	65.38	50.33	60.74	60.41	60.48
Balance of total interest-bearing obligations not covered by the above	644.66	620.35	707.69	792.97	850.84	719.88	706.60

* Exclusive of States' share. † Includes budget proposals. ** Due from Pakistan only.
§ Loan from the U.S.S.R. ‡ This amount will be lower by Rs. 5.05 crores as a result of the subsequent changes in tax proposals.

FINANCES OF STATE GOVERNMENTS

(In crores of rupees)

	1951-52	1952-53	1953-54	1954-55	1955-56 (Revised)	1956-57 (Budget)	1957-58 (Budget)
Revenue Account—							
Revenue	405.4	420.1	453.7	500.3	560.1	577.0	630.9

Economic Trends in the United Kingdom

Balance of Payments Position Improving

By Our Own Correspondent

LONDON, 29th November
1957 will go down to history as an uneasy year, which began with the Prime Minister declaring that the country "had never had it so good" and concluded with an agitated Government campaign to cope with inflation. This review appraises the economic position of the United Kingdom, with particular attention to solid and material developments, without getting too sidetracked by the inflation bogey.

A review of home economic affairs should begin by looking at what is happening on the industrial front. The index of production for all industries based on 1948 as 100, stood at 140 in September of this year compared with 137 in the same period last year. But in October it dipped to 138 which is only 1 per cent. over last year's level. The volume of production which had been tending to fall during 1956 was, however, steadily rising through 1957, in spite of strikes in the spring in the engineering and ship-building industries. By mid-year, the best figures of 1956, had been surpassed and there has been steady progress since of the order of 14 per cent. over last year, until the slackening of the last month which is ascribed to Asian influenza. When one takes account of the strikes referred to and of the effects of Suez, which were still encumbering production in the early months of this year when production was lower than last year, the summer improvement is encouraging.

Demand

The demand for both capital and consumer goods was, however, increasing even faster than the output of goods, hence the rise in prices. Analysing in more detail, it is the consumer goods—particularly those known as durable consumer goods, for instance, motor cars—where the increase in production (and, incidentally, the recovery compared with last year) has been most noted and production in these classes has run high, that has been topping the record levels of two years ago.

Throughout the first half of the year, moreover, retail sales were higher than a year ago and, in real terms, the improvement amounted to about 3½ per cent. In the second half of this year, however, though sales have continued to rise, the increase can be ascribed to higher prices.

Less satisfactory is the industrial investment picture. A good guide to the future is always given by the trend of industrial building. For the first half of this year, 1,240 industrial building projects were approved, as compared with 1,406 in the first half of 1956 and 1,792 in the first half of 1955. In area covered, the approved buildings amounted to 32 million square feet in the first half of this year, against over 36 million in the first half of last year; which means, if one looks at the volume of work being done on building, that there was no more work in progress in the middle of this year than in the middle of last. Indeed, if one can discount the construction of public buildings, the fall in the rest is more marked. As for investment as a whole in industry, this has continued to rise this year, though at a declining rate. Both these points are important and too easily confused. One fears of the Government's measures slowing down investment and so on; it must be remembered that the current

rate of investment is higher than it was a year ago, but all the time the curve of progress is tapering off, and what the critics of Government policy really mean is that that policy should be directed towards accelerating the rate of investment rather than the reverse.

It is well known that primary producing countries are going through a slump in the prices of their basic exports. Until July of this year, commodity prices had been enjoying a steady and spectacular rise, broken only by the short-lived slump at the time of the Suez adventure, but, after the half-year, the international picture changed entirely and the impression has grown that a general slump is on the way. Seen from this country, however, the developments of the past few months appear to be only a rectification of the extravagant boom which began with the Korean war. It is striking to notice that, in the autumn of this year, commodity prices dipped down to the lowest level for seven years, the November index of 87 comparing with 99 after Suez had begun and 100 in 1952. But an importing country like the United Kingdom looks at this as the beginning of a return to normality. Moreover, the underlying picture in the commodities markets is satisfactory, as there is no stockpiling going on at present and the tightening of bank credit has indeed caused a running down of stocks. Provided there is no serious industrial recession in this country or Western Europe and North America, then one can expect a continued cheapening of commodities to make, generally for lower costs.

Capital Issues

This is the second year of restriction on the issue of new capital in this country, though the markets can scarcely be said to have been really free since 1939. Although the Government is often accused of being laissez faire, this accusation would not be made by any applicant to raise money in excess of £10,000 in the City, for his application would be scrutinised by the Capital Issues Committee who lowered their sights to this level in March of 1956, when it had previously been £50,000. Nor has it been possible this year to dodge the control on the capital markets by obtaining a bank advance, since, as part of the general credit stringency, the banks are working under instructions not to permit advances for capital purposes. Nevertheless, in spite of the restrictions and the excitement they cause when some particularly large application is turned down, it is noteworthy that the total sums of money which have been permitted to be issued in the first half of this year was greater than that permitted in the first half of last year. On the other hand, while in the first half of 1956 about 11 per cent. of all applications were refused, in the first half of this year the percentage refusals rose to 15 per cent. and that percentage has been rising since, particularly since the Bank rate increase on 19th September. That increase was accompanied by a specific directive by the Chancellor of the Exchequer to the Capital Issues Committee to take a more restrictive and critical attitude towards applicants. The Chancellor rightly appraised that even a 7 per cent. Bank rate would not stop new investment, since the investment would not normally be

paid for out of fixed interest borrowed money and the rise in the return on equities would ensure a steady supply of money to finance new ventures. By driving companies in upon themselves to use up their own resources, the Chancellor hoped to mop up still more of the liquid funds that might be contributing to inflation, the effect of the restrictions on new borrowing for private investment since the Bank rate rise has been estimated at the order of £100 million a year.

New capital issues advised by the Bank of England in the first half of this year totalled £201 million, as against £167 million for the same period in 1956. The section of the market to borrow less were home local authorities but Commonwealth industry borrowed more and so did Commonwealth Governments and local authorities. However, the position in the second half of this year must have been very different from that in the first, as the general effect was one of increasing stringency.

Stock Markets

This year has seen both boom and slump in the markets. Two years ago, equities stood at their post-war highest and, in the intervening period, the Suez adventure brought them to their lowest points, with the Financial Times index at 161.5 exactly a year ago. The cut in Bank rate at the beginning of the year to 5 per cent. helped the rise, the Budget gave it an extra impetus and by 9th July it had reached its peak of 207.6. Then began the tumble which the 7 per cent. Bank rate merely accelerated. The degree of drop can be gauged by the fact that while yields on all classes of industrial stocks had risen to 6½ per cent. in the Suez slump they had fallen to 5.85 per cent. at the end of July and in three short months were up to over 6½ per cent. 6th November this year saw the Financial Times index at 159.0, even lower than in the Suez days. The improvement during the month has been small.

The depression in equities is due primarily to the general drop in commodity markets, the credit squeeze with its accompanying need for firms to use up their own resources, the rising pressure of wage claims on profits, the growing danger of trade disputes, the uncertainty about the course of industry in the United States and the uncertainty about whether another general depression might be on the way.

Gilt-edged which have followed a steady decline for years past, a decline so relentless and dismal that even events such as Suez or the stock market turn of this summer or the 7 per cent. Bank rate, scarcely bring more than a passing ripple into the miserable pattern. Consols 2½ per cent. began the year with a yield as low as 4½ per cent. and as their prices have sagged so the yield has increased to about 5½ per cent. War Loan 3½ per cent. yielded £4 14s. 2d. in January and £5 14s. in October. Savings Bonds 3 per cent. redeemable in just over ten years were yielding £4 17s. in January and over £5 17s. in October. So much for the aftermath of cheap money and the 2 per cent. post-war Bank rate. Gilt-edged, indeed, after dropping 15 per cent. in value two years ago and 6½ per cent. last year, have now fallen another 6½ per cent. It is this sorry story in Gilt-edged that is

worrying the Government most of all for it is this they take as their clearest index of inflation. It is no consolation to the Government to realise that the buyer of Gilts now gets a return on his money which one would have to go far back into the historical past to equal.

However uncertain the economic picture looks elsewhere it is a curious paradox that this year should have seen both a run on the pound and an apparently highly satisfactory balance of payments. In the year ended 30th June 1957, there was a surplus of no less than £211 million on current account, almost four times as much as the surplus a year before. At the International Monetary Fund meetings, the British Chancellor was able to point to this as a solid achievement but he had also to explain the paradox of the fall in the resources. This he had to do by reference to speculation, a speculation which itself sprang from inflation. At the end of September, the gold and dollar reserves at £661 million were at their lowest level for five years and yet the general trends are that, in the year ending June 1958, the balance of payments will show an even greater surplus than over the last year. Meanwhile, the month of October ended with reserves having recovered to £748 million.

During the year ending September 1957, the average monthly value of exports has been £288 million, a record high figure. The question is whether this rate of improvement can be maintained. But it is encouraging to note that the improvement in the year ending June 1957 over the previous year was shared between the non-sterling and the sterling countries, each contributing about half of the gain.

Terms of Trade

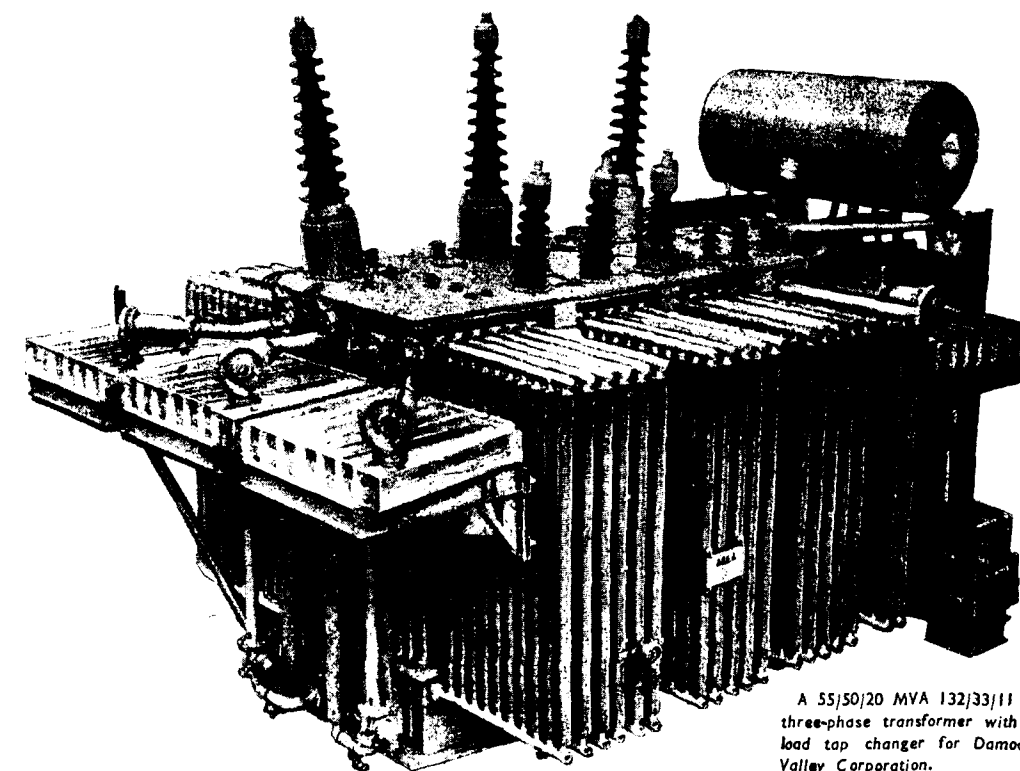
The other point to this country's favour is that the terms of trade are steadily moving this way as import prices drop faster than export prices. Against an import price index of 106 a year ago, the index today is 108. But against an export price index of 107 a year ago, the index today is 111. Thus, there has been an improvement of about 7 per cent. in the United Kingdom's favour in the terms of trade.

Total exports improved over the year 7 per cent. but imports rose less than 2 per cent. The increase in exports went mainly to the non-sterling countries (in the first year £1,814 million and in the second year £2,042 million), an increase of 12½ per cent. Shipments to the outer sterling area rose (from £1,427 million to £1,437 million) less than 1 per cent. Imports from the non-sterling countries in the year ending June 1957 were £2,124 million or only about 2 per cent. more than in the previous year. Imports from the outer sterling area were £1,406 million or about 1 per cent. more. It will be noticed that the improvement in visible trade more than accounts for the improvement in the balance of payments. The responsibility for the decline in invisible lies with Suez which on this showing must have cost the country £100 million. The broad conclusion appears to be that, until Suez, there was a rapid improvement in this country's balance of payments, that Suez caused a substantial setback but that the whole present trend is towards even better results for the year in which we are now in.—All Rights Reserved.

ASEA are Pioneers in the Field of

Transformers

- In 1890** ASEA built the first three-phase transformer in the world. It was designed by the technical head of the company, Jonas Wenström.
- In 1893** ASEA built a power-transmission installation for 9,500 V, 100 h.p., which was almost ten miles long.
- In 1930** ASEA supplied the largest self-cooled transformer to date rated at 45,000 kVA, 126 kV.
- In 1936** ASEA manufactured all the transformers for the first 220 kV transmission system in Europe.
- In 1942** ASEA made the first three-phase, multi-winding transformer rated at 120,000 kVA, 220 kV.
- In 1952** the first 400 kV power-transmission system in the world was inaugurated in Sweden. All the transformers for this 1,000-mile, 350,000 kVA project were built by ASEA.
- In 1957** ASEA can publish a reference list comprising no less than sixty-four 400 kV transformers with a combined rating of almost nine million kVA, designed for insulation level 1775, the highest so far in use.



A 55/50/20 MVA 132/33/11 kV three-phase transformer with an load tap changer for Damodar Valley Corporation.

ASEA ELECTRIC INDIA, PRIVATE LIMITED
BOMBAY CALCUTTA MADRAS

The package can help
sell the product

Diamond Products make
the modern packs that sell

Polythene
Metalfoil

CARDBOARD CARTONS • FLEXIBLE
PACKAGING • SHIPPING CONTAINERS



DIAMOND PRODUCTS LIMITED 4, CLIVE ROW, CALCUTTA - 1

LOCAL FINANCE IN INDIA

Limitations of Present System and Lines of Improvement Indicated

By A Special Correspondent

THE mighty adventure of socio-economic reconstruction of India, after the achievement of independence, has amply indicated that, if social justice and economic progress is to be brought about, through the democratic process of planning, public co-operation, rather active participation, of the community will have to be promoted, the institutional pattern of democratic life will have to be built from below, and the edifice of Welfare State will have to be built up brick by brick. This process of democratic growth, though slow in pace but enduring in results, has lent added importance to the community, because the most important single factor in promoting the development of a community is the community's urge for and readiness to develop. It has further underlined the view that social welfare cannot be separated from civic welfare.

Local Self-Government or Local Government may broadly be defined as that part of the administration of a nation or State which deals mainly with such matters as concern the residents of a particular station or district or region together with those matters which the legislatures have deemed it desirable to be administered by Local Authorities. Local Self-Government has, in some form or other existed in India since ancient times and the country can proudly claim a historical background of continuous activity in Indian polity. These institutions of Local Self-Government continued to exist till the middle of the nineteenth century. But the framework of Local administration, as found at present, is of recent origin. The course of this era of modernised version of Local Self-Government can be divided into five distinct stages, namely, (1) from the beginning to 1882, (2) from 1882 to 1919, (3) from 1919 to 1935, (4) from 1935 to 1947 and (5) from 1947 to the present day.

Municipalities

The first attempts were aimed at introducing the British system of municipal administration in the newly developed towns of Calcutta, Madras and Bombay. As a result of the first enactment on local administration for Bengal in 1842 and its subsequent extension to other parts of the then British India in 1850, municipal administration was introduced in many mofussil towns in the provinces. These municipalities were expected to provide, according to the 1842 legislation, better civic amenities and were empowered to levy a house tax. In 1870-71, Lord Mayo introduced his scheme for decentralisation of public administration and financial devolution on account of the necessity of "local interest, supervision and care" for the successful "management of funds devoted to education, sanitation, medical relief and local public work." The emphasis, however, in the resultant scheme of Local Self-Government was upon "Local" rather than upon "Self-Government."

In 1882, Lord Ripon's resolution really opened the way for the wide extension of Local Self-Government in urban and rural areas "chiefly as an instrument of popular and poli-

tical education," with the pronounced accent upon "Self-Government." But, on account of meagre financial resources and other difficulties, the Local Bodies could not develop in the real spirit of Ripon's resolution. On the eve of Constitutional Reforms of 1919, it was increasingly felt that Local Self-Government needed a "complete overhaul" and, therefore, the Montford Report explicitly recommended that "there should be, as far as possible, complete popular control in local bodies and the largest possible independence for them of outside control." The Government of India Act 1919, accepting this recommendation, made Local Self-Government a transferred subject, to be administered by popular ministers, with a further shift of emphasis towards Self-Government in local administration. The Government of India Act 1919, moreover, laid down a schedule of taxes which could be levied only by or for the local bodies. The pace of development received a further impetus when the Government of India Act 1935 introduced Provincial Autonomy.

After 1947

When India became independent in 1947, a new chapter was opened in socio-political reforms, as evidenced in the Directive Principles of State Policy, enunciated in the Constitution, which have resulted in the federal system of public administration, reorganisation of States, universal adult franchise, acceptance of the objectives of a Welfare State and the policy of decentralised democracy, enlargement of Local Administration and its responsibilities. The State policy now visualises that civic administration is no longer mere training ground but is destined to be an integral part of the whole system of public administration and an important instrument for achieving welfare State.

At present, there are different kinds of local bodies, existing in urban and rural areas. In the urban sector, there are Municipal Corporations with extensive responsibilities in big cities, followed by "Municipalities in large towns, variously called 'Municipal Boards' or 'Municipal Councils' or 'Municipal Committees.'" In smaller towns, there exist either town area committees or small town committees or notified area committees. In those towns where military cantonments are in existence, Cantonment Boards have also been created. In big cities, Improvement Trusts and Development Boards have been created, independent of the municipal administration, for slum-clearance and other development works. In rural areas, there are District Boards and other rural boards; the former extend over a district, whereas rural boards operate over areas smaller than a district, and are variously termed as "Local Boards," *Janpada Sabhas*, *Anchal Shasans*, etc. At the end of October 1956, there were 12 Municipal Corporations, 1,453 Municipal Committees and Boards, 383 Small Town Committees, 82 Notified Area Committees, 309 District Boards and other Local Boards, and 123,670 *Gram Panchayats*. Under the Second Five-year Plan, the number of *Gram Panchayats*

is expected to increase to 244,564 by the end of 1960-61.

The emerging social pattern of society, the republican spirit of public administration and the development planning undertaken in order to create a welfare State are all expected to give added zest to the progress of Local Self-Government in local affairs and promote a fully decentralised democracy in India. But, before this can become possible, the obstacles in the way of progress should be looked into and removed. Of all these obstacles, the meagre and inelastic conditions of Local finance act as a major hindrance. In fact, the problem of inadequate and inelastic finance has been one of the unmitigated worries and great hardships for the Local Bodies ever since their inception. Local finance is also handicapped, unlike public finance, by the limitations of "ways and means" to meet the deficit and it is, therefore, compelled to make the best of what it has got. This leads to undesirable but inevitable cuts in services and makes municipal administration unpopular. Local finance does not enjoy statutory powers for taxation and administration of its financial affairs but derives financial powers from the State. This obligation leads to general supervision and financial control of the Local administration by the State Government. This tends towards fiscal centralisation, as compared with the accepted policy of decentralisation in Local Self-Government. Notwithstanding these and many other limitations, Local finance is expected to become an expression of the purpose implicit in the institutional growth of Local Self-Government and to accept new responsibility inspired by and arising from the determination to march towards social welfare and economic progress.

Inadequate Revenues

It is, however, being increasingly felt that the present yields of local revenues are entirely inadequate for meeting the demands, because the scope of functions of Local administrations has progressively expanded. The meaning and contents of Local finance are, therefore, bound to change, and, to that extent, Local revenues can no longer be adequately raised from purely Local resources. Local finance, therefore, must transcend the present limitations and create new conventions, in order to reshape the destiny of Local Self-Government in the context of a welfare State.

The most obvious way of raising Local Revenues is the system of separation of revenues, which is also called "fiscal decentralisation." The other method is the opposite system of shared revenues which can be called "fiscal centralisation." In some countries, Local revenues are raised by the system of super-imposition of surtaxes on State taxes by the Local Authorities. Yet another method of raising local revenues is the system of assignments or grants-in-aid, which are essentially deductions from the State revenues to augment Local revenues. The sources of Local finance in India are a combination of all these methods of raising Local revenues and consist of: (1) taxes levied by the Local Bodies,

(2) taxes levied by the Local Bodies but collected by State Governments on their behalf, (3) a share in the taxes levied and collected by the State Governments, (4) grants-in-aid given by the State Governments, (5) receipts from municipal services and undertakings, and (6) other non-tax revenues.

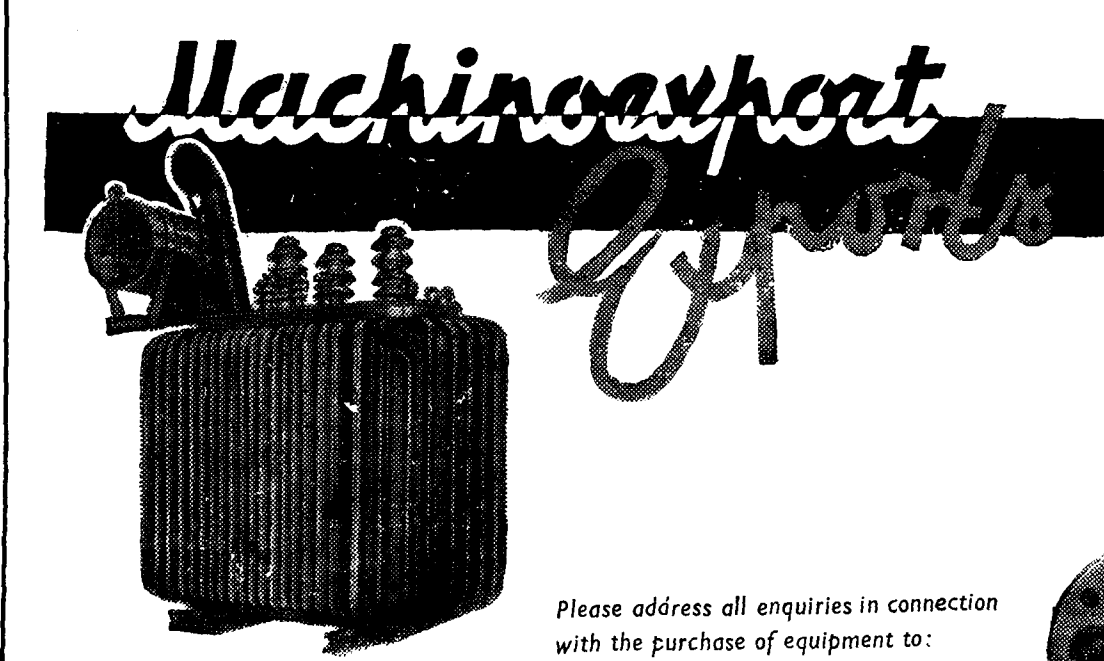
Separation of Local revenues in India was first accepted and incorporated in the Government of India Act 1919 when under the Scheduled Taxes Rules, certain taxes were separately reserved for the Local Authorities. In the new Constitution of India, no such reservation of a separate list of local taxes was made. It has, therefore, been repeatedly demanded that the Constitution should be amended so as to incorporate a separate 'Local' list of statutory powers in the Seventh Schedule of the Constitution and make a separate assignment of local revenues. However, the Local Finance Enquiry Committee, appointed in 1949, did not accept this demand. It recommended that definite sources of tax revenues should be separately assigned but suggested that this object should be secured by the acceptance of a convention. The Committee recommended one tax (terminal tax on goods or passengers) from the Union List and twelve taxes from the State List for such reservation. The Taxation Enquiry Commission (1953-54) did not accept the suggestion for a Constitutional amendment but strongly recommended that certain taxes should be developed only by the Local Bodies or for them and where the State Governments are, at present, exploiting any of these taxes for appropriation to State revenues, they should gradually withdraw from the field and, meanwhile, allot the proceeds to the Local Bodies concerned.

Fiscal Adequacy

The taxes to be reserved for Local Bodies are: (1) taxes on lands and buildings, (2) taxes on the entry of goods into the area of a Local authority for consumption, use or sale popularly known as octroi duties, (3) taxes on vehicles other than those mechanically propelled, (4) taxes on animals and boats, (5) taxes on professions, trades, employment and callings and (6) taxes on advertisements other than those published in newspapers. In addition to these six taxes, two other taxes, namely, theatre or show tax and the duty on transfer of property were also recommended for transfer to Local Bodies.

But this separation or reservation of taxes for Local Bodies is not going to help local finance very much, because these taxes, which are exclusively local and unimportant in their impact, are relatively inelastic and inadequate for the purpose of raising local revenues. This is, more or less, because of the policy to allocate better-yielding taxes to State authorities and to assign the residuary taxes, generally of very insignificant character, to Local Bodies. These Local taxes are proportional or regressive in incidence, put additional burdens upon family budgets of middle and poor classes, and do not allow much scope for elasticity or diversity. Further, these Local taxes do not provide for fiscal adequacy or financial self-sufficiency to local finance and, therefore, compel the local bodies to seek and get financial aid from State Governments for balancing their budgets at the cost of Self-Government.

In view of this financial inadequacy of Local revenues, the Taxation Enquiry Commission observed that its recommendations (for reservation of the above mentioned taxes) should not be construed as precluding the transfer of other taxes to Local Bodies, wherever appropriate.



TRADE REPRESENTATION OF THE U.S.S.R. IN INDIA

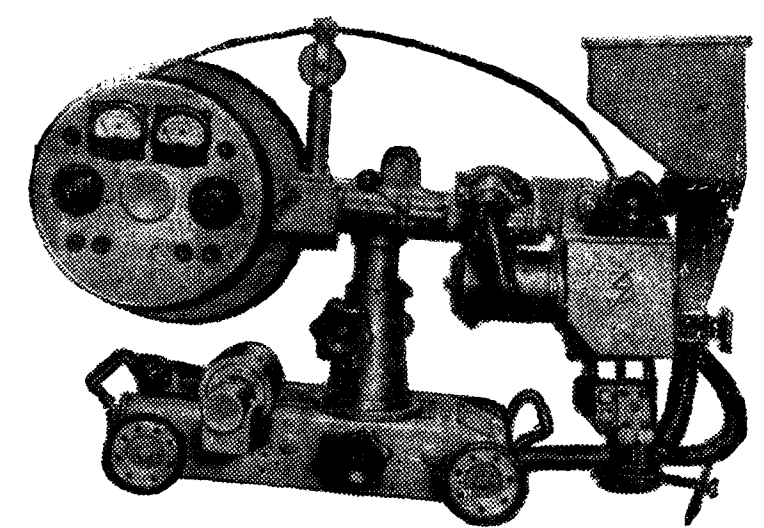
NEW DELHI
House 21, Block 48, Panch Sheel Marg, CHANAKYA PURI

BOMBAY
(Branch)
46, Pedder Road

CALCUTTA
(Branch)
1, Bishop Lefroy Road

WIDE RANGE OF ELECTRICAL MACHINERY

TRANSFORMERS * HIGH AND LOW TENSION EQUIPMENT * ELECTRIC WELDING EQUIPMENT * MOTORS GENERATORS * ELECTRO THERMAL EQUIPMENT, ETC.



Please address all enquiries in connection with the purchase of equipment to:

V/O "MACHINOEXPORT"
32/34 - Smolenskaya - Sennaya, MOSCOW - G-200 U.S.S.R.
Cable address: Machinoexport, Moscow

KOTHARI & SONS.

Established in 1919

ORIENTAL BUILDINGS - POST BOX NO. 267 - ARMENIAN ST., MADRAS

BROKERS, MANAGING AGENTS, MERCHANTS, EXPORTERS AND IMPORTERS.

TEA
BLUE MOUNTAIN ESTATES LTD.; WATERFALL ESTATES LTD.
Total acreage 2,292. Total production 21 lakhs lbs. Total value Rs. 48 lakhs.

YARN
KOTHARI TEXTILES LIMITED
Capital Rs. 85.2 lakhs. Spindles 42,000. Looms 300
Counts from 40's to 100's
Manufacturers also of 30's and 40's staple fibre yarn and Muli Muli
ADONI SPINNING & WEAVING CO., LTD.
Capital Rs. 50 lakhs. Spindles 12,000
Manufacturers of 20's and 26's

INVESTMENT
INVESTMENT TRUST OF INDIA LTD. Capital Rs. 10 lakhs

COFFEE
BLUE MOUNTAIN ESTATES LTD. Capital Rs. 52.5 lakhs
WATERFALL ESTATES LIMITED. Capital Rs. 36.5 lakhs
BALMADIES PLANTATIONS LTD. Capital Rs. 3.75 lakhs
Total acreage (of all Est.) 4,083. Total production (of all Estates) 1,600 tons. Total value Rs. 57.25 lakhs

SAFE DEPOSIT
MADRAS SAFE DEPOSIT CO., LTD.
Capital Rs. 2 lakhs. Rental of each safe from Rs. 16 p.a. onwards.

INSURANCE
THE NEW INDIA ASSURANCE CO., LTD.
HERCULES INSURANCE CO., LTD.
Agents: FIRE, MARINE AND ACCIDENT

Managing Agents:
KOTHARI TEXTILES LTD.
ADONI SPINNING & WEAVING CO., LTD.
MADRAS SAFE DEPOSIT CO., LTD.

Associated Companies Managing Agents
BLUE MOUNTAIN ESTATES LTD.
WATERFALL ESTATES LTD.
BALMADIES PLANTATIONS LTD.
INVESTMENT TRUST OF INDIA LTD.

Total Paid-up Capital of all Enterprises: Rs. 239.95 lakhs
Total Reserve Funds Rs. 64 lakhs

Details of Production

	Capacity	Expansion	Expansion
Spindles	54,000	24,000	12,000
Looms	300		

TEXTILES



EMPLOYMENT FOR OVER 5000 PEOPLE

if the State Governments consider such a course desirable. For encouraging the evolution of a proper tax system for Local Bodies, the Commission emphasised that (1) it is essential to ensure the devolution of suitable taxes to local bodies so as to avoid the transference of unsuitable ones, (2) the devolution should be prompt, flexible and diversified, and should take sufficient notice of the different degrees to which different powers could be devolved on different categories of Local Bodies, and (3) overlapping and unco-ordinated tax jurisdiction should be avoided.

The Taxation Enquiry Commission did not, however, favour the proposal of sharing the State revenues with Local Bodies and observed that "the taxes of which the local bodies get some benefit should be taxes for which they bear some responsibility." It added: "Where the element of responsibility is absent, assignment of a share of tax amounts merely to a grant-in-aid unspecified as to the amount and unrelated to the principles usually governing grants-in-aid." The Commission, therefore, recommended that, normally, grants-in-aid should be preferred to assignments of shares of taxes as a method of financing Local Bodies. It nevertheless made tax exceptions. They are in respect of motor vehicles tax and land revenue.

A Precedent

But the Commission, which did not agree to sharing of tax revenues between the States and Local Bodies, agreed to sharing of tax revenues between the Centre and States. It may be asked why the second Finance Commission, which presented its report to the Lok Sabha on 14th November 1957, recommended the raising of the States' share of the divisible pool of income-tax from 55 per cent to 60 per cent. It has estimated that the scheme of devolution would involve a transfer from Central revenues to the States. This increase in the share of the States in the divisible pool of the Central revenues is justified on the ground that the States are unable to raise adequate funds for mounting financial outlays required for socio-economic development and, therefore, the Centre must give financial aid through the medium of shared revenues and grants-in-aid. Cannot the same policy be extended further down to Local Bodies, if an integrated development programme is expected to reach down to Local Bodies and the interests covered by Local Bodies? If this policy is accepted, shares from a divisible pool in the States, particularly the proceeds from land revenues and motor vehicles tax, which are already recommended by the Taxation Enquiry Commission and the additional proceeds from the sales tax and the entertainment tax, will provide a much needed element of elasticity in Local finance and a necessary incentive of Local development programmes.

The position regarding grants-in-aid, which have been regarded by the Taxation Enquiry Commission as a better way of financing the Local Bodies, is equally not very encouraging. The main purposes, for which these grants are sanctioned, relate to (1) water-supply and drainage schemes, (2) education, medical services and public health, (3) establishment charges and (4) balancing the budgets of Local Bodies, if necessary. But the grants are mostly a fixed uniform proportion of the expenditure to be incurred on specified services or projects, without taking into account the total financial needs of the work or the available resources of the Local Bodies. It is also not unknown that State Authorities do not allocate grants accord-

ing to any well-defined grants code, but usually sanction the grants either according to their own budgetary conditions or according to the whims and fancies of the sanctioning authorities. This explains why the grants at present do not form a significant part of the Local revenues, except in the case of district boards. However helpful it may be, past experience suggests that this source of non-tax revenue in Local finance can only be regarded as an undependable element.

Outside Control

Grants are, essentially, in the nature of contribution by the rich to assist the poor. And, in the case of Local finance, financial aid by the higher unit of public authority to the lower unit is given for the sake not only of making a fair contribution towards the cost of Local service or for meeting the needs of beneficial services in the Local areas in return for collecting Central taxes, but also for providing a medium of sufficient general control to ensure a reasonable standard of efficiency in work performance. But grants have been used by the State authorities as a mechanism to introduce outside control in the sphere of Local Self-Government. (According to Sydney Webb, the national Government in Great Britain has "bought" the right of supervision over the Local Bodies by developing a system of grants-in-aid.) Grants-in-aid are, in fact, a device by which each Local Authority receives according to its needs in return for contributions by each Local area according to its capacity.

There are many methods of distributing grants. The distribution of grants on the basis of population or area, though it provides an equitable way of distributing the total allotted amount of a grant among various claimant districts or areas, serves partially the demand on the basis of actual requirements. Another system of giving grants is called "proportionate grants," or "matching grants" as the Americans call it, "matching dollar for dollar." The matching grant system stipulates, from the standpoint of fiscal equity among all claimants, that those Local Bodies which cannot afford to contribute larger amounts cannot earn larger grants, in spite of their pressing needs. Moreover, matching grants also encourage compulsory spending. Grants on the basis of needs are either in the form of block grants or allocated grants. Under the block grant system, the grant is given for meeting the cost of an entire service or project, whereas, under the allocated grant system, the grant is given to meet the cost of specific branch or a particular item of a service. The rising tempo of development planning in India, which visualises an expanding scope for Local works and civic welfare sets the upper limits for grants-in-aid to supplement the Local finance for undertaking the future programmes.

State vs. Local Bodies

Another weak spot of Local finance is the non-tax revenue arising from net earnings of Local enterprises, because Local Bodies in India do not depend upon business enterprises for their revenues to any considerable extent. While the sector of State enterprise, generally known as public sector, is steadily expanding its scope of work and undertaking many enterprises, the sector of Local enterprises has not expanded or has not been allowed to expand to any appreciable extent. It is generally in this field that State Governments have encroached upon the legitimate jurisdiction of Local Bodies, on the plea that Local Bodies are not in a position to command the necessary financial resources and administrative ability to undertake the enter-

prises. It is in this way that road transport undertaking, milk supply schemes, power generation and supply schemes and urban housing have been undertaken by State Governments. Local Bodies, if provided with adequate grants and loans for these specific purposes, can manage these undertakings equally well as compared with the results achieved by the State Governments which have carried out these undertakings with the financial aid and active assistance of the Central Government. An added advantage of this localisation or local enterprise would have been the "unloading" of a large number of functions which the State Governments are undertaking to promote social welfare, by shifting or handing them over to Local Authorities, thereby giving a necessary fillip to the system of decentralisation. Another advantage of Local enterprise is that complaints against shortcomings and inefficiency are likely to receive more attention and searching investigation in the Committee rooms of the Local Bodies whereas they get cursory attention or hurried examination in the State Assemblies.

Other Avenues

Other possible avenues of municipal enterprise are: (1) rest houses, serais or hotels, (2) municipal cinema houses and stadia, (3) municipal banks, (4) sale of manure, (5) emporia and marketing centres. If and when undertaken, these municipal enterprises are expected to yield enough earnings to replenish their furnished revenues, which, in the context of increasing welfare activities and other services, are required in larger amounts but are hard to find from the conventional sources. Moreover, the social benefits of providing services which contribute to the welfare and efficiency of the community should be considered as real revenue in terms of civic welfare.

At present, the Local Authorities are not very popular because they tax the citizens but do not add substantially to public conveniences or benefits. But the policy of municipal enterprises involves decisions regarding (1) control to be vested in municipal authorities or semi-autonomous corporations, (2) fixation of rates or charges on profit basis or cost basis, and (3) accounts and audit.

Current Revenues

As generally happens, current revenues of the Local bodies are not capable of meeting development expenditure, which is fast expanding in order to catch up with the desirable pace of progress. When this is so, only local borrowing can provide the needed funds to meet the deficit. These borrowing programmes are based upon the concept that any capital expenditure, which cannot be met out of the current revenues should be provided for out of borrowed funds. But, left to themselves, as happened in the U.S.A., Local Bodies are sure to exceed the necessary limits and overstrain their credit, thereby increasing their financial worries. Local Bodies in India, however, have not been allowed complete autonomy, in the sphere of Local borrowings as in other spheres of Local administration. They have been subject to the Local Authorities Loan Acts of 1871, 1879 and 1914, which aimed at regulating the Local borrowing and enabling the Government of India to exercise supervision and control over the administration of Local debts.

Borrowings

A satisfactory outcome of the Central regulation of Local borrowing was that local indebtedness in India, unlike in certain other countries, has not increased. Under the Local Authorities Loans Act 1914,

and the various special Acts, the local authorities are permitted to borrow for (a) the construction of works, (b) relief works in times of scarcity and famine, (c) public health campaigns and prevention of epidemic diseases, (d) acquisition of land, and (e) repayment of outstanding debts. Obviously, Local administrations were allowed to borrow only for capital works, emergencies and discharge of liabilities. This restricted loan policy culminated in not very elastic receipts from non-tax revenues so far as loans were concerned and, therefore, led to much pruning of the development programmes in respect of municipal services. Now that the development of municipal services and the promotion of civic welfare have been taken up under national planning, a new loan policy for the successful execution of local programmes must be evolved particularly (1) for financing the capital expenditure on remunerative or self-supporting undertakings and essential municipal services, (2) for raising short-term loans to carry on the administration in anticipation of the collection of their ordinary revenues, and (3) for undertaking development loans for specific development programmes. In order to eliminate reckless borrowing and financial mismanagement, necessary checks and controls must, however, be formulated. This will require examination of each loan proposal with reference to its object, the general financial position of the borrowing Local Authority, the phasing of payment of interest and capital, debt limits to loans raised, and so on.

Trustee Status

The bonds issued by the municipalities in general are not *ipso facto* recognised as securities, under the Indian Trusts Act, as is the case with the bonds of the three corporations of Bombay, Calcutta and Madras. Moreover, the prospects of local bodies securing the development capital needed on the strength of their own credit is very limited. The Taxation Enquiry Commission, therefore recommended a general adoption of a system of Government guarantee of municipal loans. But the Commission visualised that "even this will not suffice for the smaller municipalities; the State Governments will have to provide them the loans and, since their own resources are limited, will have to pursue a phased programme of assistance related to the needs and priority of different municipalities in their area. A part of the assistance will have to be in the form of graded subsidies to the bigger municipalities no less than the smaller."

Apart from these aspects of Local finance, there is a great necessity for (1) strengthening or rationalising the tax administration, (2) the machinery of local audit, and (3) cost accounting, for the sake of more efficient management of Local finances. It is also highly desirable that balances of Local Bodies, which are at present deposited in the local Treasuries or in the State Bank or in the State Co-operative Banks, should be managed with a view to securing the greatest possible mobility and economy. These and many other improvements, as well as innovations, postulate the fullest possible progress of Local Self-Government, which in turn is dependent upon maximum development of Local services and utilisation of Local resources and achievement of a high degree of financial efficiency.

—All Rights Reserved.

WHAT MAKES A VOILE BEAUTIFUL?
A - its design



Shree Ram Voiles
HAVE THE BEAUTIFUL DESIGNS
YOU PREFER

SHREE RAM MILLS
Limited Bombay 13

THE CANARA INDUSTRIAL & BANKING SYNDICATE LTD.

Established: 1925

Head Office: UDUPI, S. India

Authorised Capital	-	-	-	Rs. 56,00,000
Issued Capital	-	-	-	„ 32,23,787
Subscribed Capital	-	-	-	„ 32,10,987
Paid-up Capital	-	-	-	„ 28,34,429
Reserve Funds	-	-	-	„ 18,00,000

Deposits exceed Rs. 9 Crores
Total Resources exceed Rs. 11 Crores

OUR BRANCHES IN STATES:

Branches in Bombay State:

BOMBAY	VENGURLA
KOLHAPUR	SHOLAPUR
RATNAGIRI	KARAD
MALWAN	SANGLI

MYSORE STATE	..	64
ANDHRA	„	15
KERALA	„	13
MADRAS	„	2

Bombay Branch:

RAHIMTOOLA HOUSE, HOMJI STREET, FORT, BOMBAY - I

T. A. PAI, B. Com., (Bom)
GENERAL MANAGER.

T. M. A. PAI, M. B. & B. S.,
MANAGING DIRECTOR.

Statutory Commodity Boards for Plantations

More Officialised and Less Useful

By VALALE I. CHACKO

ABOUT four years ago, there raged a controversy around so prosaic a subject as the constitution of a few Commodity Boards. To the general public the subject was scarcely of any particular interest, but, to the industries concerned, the issues appeared to be so vital that they were prepared to keep up their protests for two years. There are at present in India some 11 Commodity Committees or Boards set up under statute besides the Export Promotion Councils for Commodities, a relatively recent innovation. Among these, the most prominent are the Tea, Coffee and Rubber Boards. It was around the legislative proposals for the reconstitution of these Boards that the controversy raged.

It was the plantation industry which gave birth to the unique type of institution called Commodity Committees or Boards. The first such committee ever to be formed was in Ceylon. The tea interests in Ceylon, intermittently faced with overproduction of tea, came to the conclusion that the only solution to the problem was a steadily expanding market capable of absorbing all the tea that would be produced. For a few years, the Ceylon producers attempted the voluntary raising of sufficient funds, with a view to financing publicity on behalf of tea. This did not succeed very well, as the collection of free voluntary subscriptions was inadequate to sustain a vigorous campaign. This experience led them to the idea of moving the Government of Ceylon to levy a cess, the proceeds of which were to be handed over to a committee selected from among the growers and traders of tea. In 1892 a cess began to be levied under ordinance and a committee, known for long as the "Thirty Committee," was formed to administer the fund. Ceylon was exporting less than 100 million pounds at the time the ordinance was introduced. The cess on tea in Ceylon began with 10 cents per 100 lbs. in 1892 and it was raised to 20 cents per 100 lbs. in 1894. Soon after, Ceylon brought into being the "Thirty Committee," so called because of its composition of 24 producer representatives and six of the Ceylon Chamber of Commerce to represent the trade.

Early History

Producers of tea in India soon followed the example of Ceylon and organised, in 1893 a voluntary fund which brought in Rs. 14 lakhs per annum. A Tea Market Expansion Commission was set up under the voluntary scheme and Messrs. Andrew Yule and Company, the well-known Calcutta Agency house, were appointed as the Commissioners. In 1900, with an experience of seven years of fund-raising on a voluntary basis behind them, the tea interests in Calcutta decided upon appealing to the Governor of Bengal for the imposition of a cess as in the case of Ceylon. The memorial states how the fund created out of a cess would compel all exporters to contribute to the cost of expanding the tea market. It took another three years before the matter reached the Viceroy, Lord Curzon, and he consented to the introduction of an enactment which became known as the Indian Tea Cess Act, IX of 1903. The initial cess was 1 pie per lb. of tea exported or 2 annas 1 pie per 100 lbs. That was the modest beginning of what was later to become the huge organisation which today holds sway over the affairs of

the tea industry. It was also the original model of the large number of statutory boards in existence today.

The question arose fairly early as to what should be the role of the Government in the functioning of the statutory committees. The early planters took it for granted that the Government which provided the law for the compulsory levy of a cess would want to assure itself that the funds so collected are not misused. The administrative genius of the British ensured by reserving to the Governor-General-in-Council the right of scrutiny of the accounts and the working of the Cess Committee and the power to set aside or modify any decision arrived at by the Committee—a balance of control which gave the maximum scope for the play of initiative in the affairs of the Board.

Cess Committee

This arrangement provided ample power to keep under check the functioning of the Cess Committee, without having to resort to arbitrary official interference. This fine balance between the Government and the authority of the Board existed more or less unimpaired till 1953. The number of statutory bodies for commodities and their powers, scope and activities expanded to an enormous extent during the succeeding half a century. The reserve powers of the Government to set aside or modify any decision of the Boards concerned operated as a universal corrective to which, however, very few resorts have ever had to be made. The primary virtue of this arrangement was that those who were intimately connected with the industry were responsible for the conduct of the Board and for all the initiative on it. Accordingly, there was very little to frustrate them, so long as the Boards acted responsibly and did nothing that was manifestly repugnant to the Act.

The Indian Tea Cess Committee later became the Indian Tea Market Expansion Board, while overseas propaganda was handed over to a joint International Tea Market Expansion Board, with its headquarters in London on which the large producing countries were represented. This Board in turn organised promotional campaigns in various countries and controlled them from the London office. At one time as many as 14 countries were covered by this London Board through tea bureaux located in convenient centres.

In 1902, the coffee growers were as keen as the producers of tea to set up a cess committee, but nothing came of their efforts till 33 years later in 1935, when a Cess Committee was formed. Rubber growers were not thinking in terms of promotional activities but simply of controlling production and export in the thirties. In 1934, the Government of India brought into being a committee under the Indian Rubber Control Act.

The Second World War introduced new factors such as a shortage of rubber, a loss of market for coffee and the need for channelling and re-routing tea supplies, with the result that the nature and functions of the three statutory committees connected with plantation crops had to undergo structural changes. During the war, the Coffee Cess Committee was converted into the Coffee Market Expansion Board, somewhat on the

lines of the Tea Market Expansion Board, with the additional function of marketing. The Rubber Control Committee was transformed into the Rubber Production and Marketing Board. It was coffee which set the pace for innovations and some of the most objective lessons on the conduct and virtues of autonomy in statutory bodies are to be had from the expansion of the Coffee Board. It set up a network of coffee houses to popularise coffee under the Board's control. The remarkable growth of internal consumption from about 8,000 tons to over 25,000 tons at present was the result. The only Statutory Board to undertake pooled marketing was the Coffee Board and it remains a pioneer in that particular field, with the most elaborate and comprehensive marketing system ever devised.

The curing establishments were licensed and controlled and all their activities were carefully regulated. Service charges from the time the coffee is removed from the estate to the time it is sold to the ultimate consumer were fixed and enforced. The case with which thousands of producers surrendered many of the rights over their produce in fitting themselves into the elaborate discipline of blanket control was wholly due to the fact that the producers themselves devised the regulations and their representative organisations provided the sanction. Indeed, the Board derived its essential strength from the industry and, since there was an accepted oneness of interests between the Board and the industry, there was very little resistance or hesitation to the surrender of rights which would otherwise have been considered inviolable by them.

Growers' Affair

It is easy enough to trace the original purpose of statutory committees and the respective shares in the responsibility of making these committees function. They were considered as an instrument of the growers for their own common use and the Government came into it, because of the statutory sanction required to impose a cess. Otherwise, the committees were really the concern of the producers themselves and they made as much use of them as their collective needs or wisdom made possible. The marked difference in the extent and tempo of activities among the various Boards could be attributed to the last.

Till 1952, the changes brought about in the nature and composition of the plantation Commodity Boards were largely dictated by the circumstances of the market or some internal features of the industry as, for instance, the representation of labour on these Boards since 1947. It was in 1952 that the first important departure was made and there followed a train of events all forced by the Government's determination to expand the area of its control in the affairs of the industry. There has not been a clear and objective analysis of the consequences of the changes introduced to the Tea, Coffee and Rubber Acts in 1952.

The changes cannot be appreciated, unless there is some clarity of ideas about what is expected of Commodity Boards and in what measure the existing enactment fall short of those requirements in 1952.

In any planned economy, a certain amount of Central control cannot be avoided. In order to prevent

the control becoming excessive and frustrating, some form of balance, however, has to be maintained. In the relationship between Statutory Commodity Boards and the Government, that balance was maintained by leaving the Boards to manage their affairs as well as they could within the limits imposed by the statutes, while the Government retained four important forms of control in its hands, namely, (a) the authority of sanctioning the budget, (b) the power to modify or reject any decision taken by the Board, (c) having a powerful official contingent on each Board to watch over its affairs, and (d) a number of laws enacted for the specific purpose of controlling industries, industrial relations, development, etc. Further, the proper operation of these powers was contingent upon the Government having a correct appreciation of each issue as it arose within the Boards and taking a decision in time.

Main Weakness

The most noticeable weakness in the Government's relations with the Statutory Boards consisted of its official representation on each Board. Senior officials of the Ministries, who are already burdened with innumerable direct responsibilities, were nominated to Boards which they attended rarely and when they did, with scarce understanding of the intimate aspects of the subjects under discussion. The result was an inadequate appreciation of the issues dealt with by the Boards and an indifference to what happens on Boards, until they become matters of public controversy.

Reference has already been made to the composition of the early committees. With the war-time changes, official representations became more numerous. Officials most concerned with the particular crop or the connected trade from the States and the Centre began to be nominated to the Board. The Controller of Rubber was so appointed to the Indian Rubber Control Committee and the Controller of Tea to the Tea Licensing Committee. Expansion of official representation was part of the war-time development which could not be abandoned when normal conditions returned.

After 1947 there have been additions. One was representation for labour. The principle that lay behind this change was that all those interests present in the life of any industry, namely, capital, labour, consumer and the Government, should also be present in its statutory body. These various representatives did not operate from within the same framework of reference and conflict in approach, which was to become keen on the Boards, was inevitable. More than the conflicts, what showed up most was the casual interest by those members who did not suffer directly by the decisions taken in the Board.

One of the most fundamental changes brought about by the new Acts was the enlargement of the Boards and bringing into them persons purely by Government discretion and persons who have no direct interest in any branch of the industry. There was a simultaneous reduction in the proportion of producer representation on the Boards as there was an increase in other interests. Growers, whose interests were most concerned by any decision taken by the Board, and from whom initiative was most to be expected, were reduced to a minority. Cutting at the very root of all concept of democratic representation was the proposal that the Government shall nominate growers to the Boards. After considerable persuasion it was changed to "a panel of names." This method of representation has brought in an element

of Government patronage, while weakening the authority of organised bodies with the industry. Unlike most other industries in India, the plantations were well organised and have been so for nearly a century. In the appropriate Acts, prior to the introduction of the Amendments, the Planters' Associations were named as the bodies with the right of nominating their representatives. By extinguishing that right, the members chosen to represent the growers suffered not only in number but also in authority.

It was in respect of Coffee and Rubber Board representations, that the changes show up most markedly. The growers of these two crops opposed the change in the methods of nomination more resolutely than the tea growers did and in 1954, when the Bills were finally passed, a system of "election" was incorporated. It was a concession in the letter, not in the spirit, to the principle of election. Since the producers fought so hard for the principle of election, it was finally given to them with a vengeance.

On the Coffee Board, growers' representation dropped from 15 out of 30 to 12 out of 34. Out of the 12 growers, the Government took power to nominate six members to represent small growers, whose total acreage is less than 40 per cent. of the coffee acreage. The remaining six are to represent "large" growers who are defined as owners of 50 acres or more under coffee. Each grower so defined is to have one vote, irrespective of the acreage he owns. So, a company, representing perhaps 10,000 shareholders and owning 10,000 acres, would be a large grower and have one collective vote, as against the one vote of a grower owning 50 acres of coffee.

By this method, industrial representation on the two Statutory Boards was reduced to an absurdity. Those who had the biggest stake in the industry were thus put in the same position as those having smaller stakes.

Another consequence was the elimination of the organised bodies of growers from having any say in the representation. Once a member is elected he is under no discipline either imposed by the voters or by any association of growers. Unlike under the previous system, he need not consult any association of growers and he carries no sanction from his industry even if he commits himself to a decision in the Board. The weakness of this position should be recognised and the old responsibility of nomination of growers by their accredited association should be restored.

Yet another important change introduced was the provision for the appointment of a paid chairman. Growers are divided on the merits of this system. The enormous expansion of the functions of the Boards, it is argued, has made it impossible for an elected chairman to function efficiently. There are those who realise that a paid chairman becomes a member of the official hierarchy and loses some of the independence required in the chairmen of such policy-deciding bodies as the Statutory Boards. An official at the head of a Board is weaker than a non-official chairman when the need for differing from the Government's view, formulated probably by a minor official in the Central Government, arises. Tied down as he is by the rules of conduct of Government servants and used to time-consum-

ing procedures, he cannot greatly enliven the flow of business in keeping with the commercial and co-operative character of Commodity Boards. This fact is recognised, but it derives its sanctity from procedural rituals, probably necessary in Government but is a sure cause of stagnation in any business organisation.

The wholesale adoption of Governmental accounts and procedures by the Commodity Boards has merely resulted in gross delays and wastage. A few glaring examples have been quoted in a recent report on tea propaganda organisation and methods in India and any number of similar instances can be quoted from the records of the Coffee propaganda department. No individual officer can be held responsible for what results from a strict observance of the rules of procedure, the whole paraphernalia of Government accounts procedures become applicable for the reason that the Board's funds are treated as public funds. Some questionable logic lies behind this assumption that the proceeds of a cess, because the cess is levied under statutory authority, should be made part of the Consolidated Fund of India. For one thing, the cess is for a specific purpose and collected only from coffee producers and its proceeds go to the Coffee Board to meet its working expenditure. Before the 1953-54 amendments to the Plantation Acts, the cess levied on these crops was collected and paid to the concerned Board, subject to the deduction of the cost of collection. Under the new Acts, the cess is collected and paid to the Consolidated Fund and payments to the Boards come via appropriations sanctioned by respective Ministries of the Government. The only

known beneficiary of this procedure is that the Government retains the excess of collection from a cess over what it sanctions for expenditure for each Board. Thus, considerable sums can accrue to the Government by raising the cess, as in the case of tea, and by cutting down Board budgets.

In a situation, when the Government assumes powers and wishes to hold the initiative in a Commodity Board, under an Act which gives it unquestionable powers, it is obvious that the Board cannot function with efficiency of a higher order than that which is exhibited by any other department of the Government. When the Boards become vast organisations with a multiplicity of functions other than propaganda, for which they were originally intended, propaganda activity begins to receive less attention. The incursion of Government into the domestic affairs of industries, through Statutory Boards and by a plethora of legislative enactments, has become so much part and parcel of present-day life that nobody seriously questions whether such Government control is necessary at all and, if necessary, whether it is not abused. The fact is that controls grow on their own appetite. The controls exercised through the Plantation Boards have gone beyond anything that can be justified in the name of planning and they coil around the very body of the industry to a point that it may be strangled by them. Sooner or later, the working of these Boards, their powers, their efficiency, their effect on industrial initiative, and many other essential questions will have to be properly enquired into and their answers found.—All Rights Reserved.

The Right Kind of
CLOTH

**THACKERSEY
FABRICS**

Telephone: 253110
252562

THACKERSEY GROUP OF MILLS

SIR VITHALDAS CHAMBERS,
APOLLO STREET, BOMBAY 1.

TOBACCO CULTIVATION AND INDUSTRY

By DR. M. S. PATEL, M.Sc., Ph.D. (N. Carolina)* and P. N. B. PILLAI, M.A.†

TOBACCO is believed to be of American origin. It was originally used in religious rituals and as medicine. After its discovery in 1492, it was brought to Europe by the Spaniards and the Portuguese and thereafter to other parts of the world. Tobacco is said to have been introduced in India in the seventeenth century A.D.

Today, India is one of the principal tobacco growing countries in the world, being third after the U.S.A. and China. It brings to the Indian grower an annual return of about Rs. 40 crores; it fetches for the country foreign currencies to the tune of Rs. 13 to Rs. 15 crores. Besides, it gives to the national exchequer about Rs. 35 to Rs. 36 crores annually by way of excise duty and a further sum of about Rs. 6 lakhs by way of agricultural cess. The industry provides means of livelihood to hundreds of thousands of people.

Acreage and Production

The total production of tobacco in India, during 1956-57, is estimated at 685 million lbs. from an area of 1,022,000 acres. Andhra Pradesh is by far the most important tobacco producing State, accounting as it does for 291 million lbs., or over one-third, of the total production. Bombay comes next, with an annual production of about 143 million lbs., followed by Madras with about 85 million lbs. and Uttar Pradesh with 34 million lbs. The other important tobacco growing States are Bihar, West Bengal, Mysore, Assam, Orissa, Madhya Pradesh, Rajasthan and Punjab.

Tobacco grown in India is of two distinct botanical species—*Nicotiana tabacum* and *Nicotiana rustica*. *Nicotiana tabacum* is used in the manufacture of cigarettes, cigars, cheroots, bidi, chewing, snuff, hooka, and pipe tobacco, while *Nicotiana rustica* is used mainly for hooka, chewing and snuff.

Cultivation Zones

Tobacco cultivation in India is concentrated in certain well defined zones as follows:

(i) The *Guntur area* consists of the districts of Guntur, Krishna, East and West Godavari and the adjoining portions in Telangana of Andhra Pradesh. It was estimated that about 132 million lbs. of Virginia tobacco alone were produced in Andhra Pradesh from an area of 195,000 acres in 1956-57. About 95 per cent of the country's Virginia tobacco comes from this State.

The other types of tobacco grown in the Guntur area is White Burley, sun-cured Virginia and sun-cured country, or *Natu*, tobacco used in the manufacture of cigarettes, pipe and shag mixtures and in the preparation of small hand-rolled cheroots locally known as *chutta*. The "Lanka" tobacco, grown on the islands (called Lanka) in the Godavari and Krishna rivers is mainly used for preparing cheroots.

(ii) The *Charotar (Gujarat) area* comprises Anand, Borsad, Petlad and Nadiad taluks of Kaira district of Bombay State. This area is famous for its bidi tobacco.

(iii) The *Nipani area*, covering Belgaum and Satara districts with Kolhapur, Sangli and Miraj, is also an important bidi tobacco producing area.

*Secretary, Indian Central Tobacco Committee, Member, Tobacco Export Promotion Council.

†Statistical Assistant, Indian Central Tobacco Committee.

(iv) The *North Bihar and Bengal area*, comprising the districts of Muzaffarpur, Darbhanga and Purnea in Bihar, and Jalpaiguri, Malda, Berhampur and Dinajpur in Bengal, grows tobacco used mostly for hooka and also for chewing and snuff. They are known locally as *Vilayati*, *Motihari* and *Jati*.

(v) The *Uttar Pradesh and the Punjab area*, constituted by the districts of Farrukhabad in U.P. and the districts of Jullundur and Ferozepur in the Punjab, produces types of tobacco used mainly for hooka and chewing.

(vi) The *South Madras area* covers mainly Madurai and Coimbatore districts of the Madras State. In this area, chewing, snuff, filler and binder tobaccos are mostly grown.

N. rustica is confined to the North and North-east India, while *N. tabacum* is grown all over the country. The methods of tobacco cultivation varies in India, with the soils and climates in which it is grown.

Seedlings of *N. tabacum* are generally raised in nurseries in most places between August and September and the young plants are transplanted in October and November. The crop comes to harvest from January to April. For *N. rustica*, the various operations start a little later in the season, as it requires a comparatively cooler climate to grow.

Harvesting Methods

There are two main methods of harvesting, (i) priming, that is, picking the leaves as they mature, and (ii) stalk-cutting, that is, the whole plant is cut and the leaves are separated from the stalk. In the Guntur-Godavari belt of Andhra Pradesh, the Virginia tobacco is usually allowed to flower and set seed. The mature leaves are picked for curing.

In the case of cigar and cheroot tobacco, the plant is harvested when the leaves begin to assume a mottled yellowish green colour.

In the case of bidi tobacco grown in the Charotar and Nipani areas of the Bombay and Mysore States, respectively, the entire plant is harvested by cutting it within two to three inches from the ground. But priming is frequently done by the farmers. Harvesting commences as soon as the majority of the leaves show signs of maturity which is indicated by the leaves turning yellow and having characteristic reddish brown spots or spangles. The cut plants... are then kept in the field and exposed to the sun. After four to six days, they are removed to the thrashing yard and converted into flakes or *bhuka*, as bidi tobacco is sold in this form.

For hooka, chewing and snuff tobaccos, the harvesting is done by cutting the entire plant. Usually, harvesting commences when the leaves turn yellow and brown spots begin to appear. The cut plants are either left on the field or spread in rows or made into heaps and allowed to dry.

After harvesting, the tobacco leaf is cured in different ways according to the variety and the uses to which it is put. The purpose of curing is to dry the green leaf in such a manner as to develop the required colour, texture and aroma in the leaf. Curing is an important operation which determines, to a large extent, the quality of tobacco leaf. The principal methods of curing are: (i) flue-curing, used exclusively for Virginia/tobacco/cigarette; (ii) rack-curing, adopted mostly for

curing country tobacco, cigar and cheroot, chewing and snuff tobacco; (iii) sun-curing, adopted mostly for bidi tobacco and to a lesser extent for other types; and (iv) pit-curing for hooka and chewing tobaccos.

Although India is the third largest tobacco producer in the world, her production is very largely used for home consumption, the average annual exports from the country being less than 20 per cent. of her total produce. About 584 million lbs. of tobacco, including 37 million lbs. of F.C.V. type, 123 million lbs. of bidi tobacco, 122 million lbs. of chewing tobacco, 115 million lbs. of hooka tobacco, 44 million lbs. of cigar and cheroot tobacco and 10 million lbs. of snuff tobacco were cleared for home consumption during 1956-57.

Manufacturing Industries

About 65-70 million lbs. of tobacco are used in the country in the manufacture of cigarettes of which about 35-40 million lbs. are of flue-cured Virginia type. The balance comprises sun-cured country and Burley which are, in addition, used in smoking mixtures and cheap cigarettes. The annual production of cigarettes in India is above 2,000 crores. Production figures for the past five years are:

Year	Production of cigarettes (No. in crores)
1952	2,050
1953	1,988
1954	2,064
1955	2,283
1956	2,616

About 15 cigarette factories are working in India. Per capita consumption of cigarettes is estimated at about 72 pieces per annum. The important cigarette manufacturing centres are located in U.P., West Bengal, Bombay, Andhra Pradesh and Mysore.

The manufacture of cigars and cheroots is done on cottage industry lines. About 44 million lbs. of tobacco were cleared for manufacture of cigars and cheroots in 1956-57. The total production of cigars and cheroots in 1956-57 is estimated at about 477 million pieces, more than 90 per cent. of which is produced in the State of Madras.

Bidi industry is essentially a cottage industry. The main bidi producing States are Madhya Pradesh, Bombay, West Bengal and Madras. About 123 million lbs. of bidi tobacco were utilised in 1956-57. The average annual production of bidis in the country is estimated at about 125 million pieces.

Hooka, chewing and snuff manufacture is also done on cottage industry basis.

Exportable Varieties

The important varieties exported out of India are flue-cured Virginia, sun-cured Virginia, White Burley, sun-cured *Natu* (country) and bidi tobacco. Among these, Virginia tobacco accounts for more than 75 per cent. of the exportable types and is grown almost exclusively in the districts of Guntur, Krishna, East and West Godavari of Andhra Pradesh. Indian flue-cured Virginia is well known for its bright colour and flavour. It is also comparatively cheaper than those from other sources.

Quality Control and Agmark Grading

Since May 1945, the system of regulating the exports of tobacco on the basis of quality is in operation. Under this system, the export of flue-cured Virginia, sun-cured Virginia, sun-cured *Natu* (country), White Burley, Jutti *Motihari*, *Jati*,

Jati Bispath, and *Desi* tobacco of chewing type and top leaf tobacco of any varieties of Virginia, is prohibited, unless they are graded and marked in accordance with rules framed under the Agricultural Produce (Grading and Marking) Act 1937 certified to that effect by the Agricultural Marketing Adviser or an officer authorised by him for the purpose. The grades prescribed under the Act are popularly known as "Agmark." The actual quality definitions for different grades and for different types of tobacco have been determined in close consultation with the representatives of producers, merchants, exporters and foreign buyers. The one important consideration in defining the Agmark standards is the actual requirements of purchasers of tobacco in India and abroad and the prevailing trade practices.

The contents of each package containing any of the foregoing types are inspected by the Tobacco Marketing Development Officers on behalf of the Agricultural Marketing Adviser to the Government of India and appropriate grade designations and seals are affixed to the packages before export. Each consignment of tobacco packages is also covered by a certificate of Agmark grading which is issued after carrying out a further check inspection of tobacco. There is also a further check by the officers at the ports or shipment to detect any misgrading or cases of deterioration of quality and/or weevil infestation in transit or during storage. In view of such constant care and check exercised by the Government of India grading officers, the right quality of the different specified grades is assured to foreign buyers.

The quantity and value of tobacco graded and marked for export during the years 1952-53 to 1956-57 are given below:

Year	Quantity (Million lbs.)	Value (Million Rs.)
1952-53	97	122
1953-54	74	106
1954-55	90	96
1955-56	104	104
1956-57	109	104

Exports

India stands fifth in the world in the exports of tobacco after the U.S.A., Turkey, Greece and S. Rhodesia. About 103.75 million lbs. of tobacco, valued at Rs. 14 crores, were exported to over 48 countries in the year 1955-56. The most important outlets for Indian tobacco are the U.K., China, Japan, Aden, Ceylon, the Netherlands, Hong Kong and the U.S.S.R.

The trend in exports of both manufactured and unmanufactured tobacco during the past 10 years was as follows:

Year	Quantity (Million lbs.)	Value (Lakhs of Rs.)
1946-47	75.38	719.45
1947-48	62.72	641.44
1948-49	55.83	626.40
1949-50	66.64	1,195.31
1950-51	68.25	1,516.31
1951-52	107.30	1,692.21
1952-53	80.90	1,373.33
1953-54	72.29	1,208.84
1954-55	88.79	1,289.33
1955-56	103.75	1,402.10

The export position, destination-wise, is summarised below:

(i) U.K.

The U.K. has been the biggest buyer of Indian tobacco all along. F.C.V. tobacco forms the bulk of Indian tobacco exports to the U.K. The bright colour grades 1 to 4 are much preferred. This is used in the manufacture of cigarettes, as the characteristics of Indian F.C.V. tobacco enable it to be readily blended with other tobaccos. The other types of Indian tobacco purchased by the U.K. are White Burley

WD6C 1" HEAVY DUTY DRILL

HEAVY DUTY GRINDER (GQ 6)

FLEXIBLE SHAFT GRINDER (FF 2)

SANDER (HS 7)

SCREW DRIVER (NWS 1)

SAW (RS 7 with case)

BLOWER (NW 8)

VALVE REFACTOR (VR 5)

Portable Power

At its Best!

Progressively Manufactured in India by:

Radhika Industries Limited

Bombay • Calcutta • Madras • New Delhi • Nagpur • Kanpur

Branches & Dealers throughout India

HAMMER (HD 1)

Nature's Weavers... 2

Mr. Baya deserts his brood

The male Baya, commonly known as the Weaver Bird, is a devoted husband but an indifferent father. The moment his wife lays eggs, he flies away to build another nest!

It's a remarkable nest Mr. Baya builds for his family—a suspended, retort-shaped affair, strongly woven with strips of blades of grass, or of plantain or palm leaves. Its long, tubular entrance at the bottom is inaccessible to animals and other birds.

However skilful a weaver might be, the success of his handiwork depends upon the quality, strength and durability of the yarn he uses. That is why N.R.C. rayon yarn—equal to the world's best—is preferred by the makers of India's finer rayon fabrics, glamorous, yet low priced fabrics with the finish, texture and softness of expensive silk. N.R.C. rayon yarn is now made in 100, 120 and 150 deniers, both bright and dull.

THE NATIONAL RAYON CORPORATION LIMITED

Managing Agents:

CHINAI & CO., PRIVATE LTD.

Office:

Ewart House, Bruce Street, Bombay 1.

Factory:

Mohane, Kalyan, Bombay State.

Distributing Agents:

Messrs. RAMANLAL AMARNATH (AGENCY) LTD.

79, Masjid Bunder Road, BOMBAY - 3.

and sun-cured Virginia for pipe and shag mixture. CDK and CHD grades of sun-cured country tobacco are also imported into the U.K. Its annual offtake of Indian tobacco is roughly 35 million lbs. However, only 29.57 million lbs. of Indian Virginia tobacco worth Rs. 6.8 crores in 1955-56, as against 37.23 million lbs. worth Rs. 8.18 crores in 1954-55, were imported into the U.K.

India faces keen competition in the U.K. market mainly from the U.S.A., Rhodesia, Nyasaland and Canada. The U.S.A. is the largest supplier of leaf tobacco to the U.K., followed by Rhodesia and India.

(ii) Continental Countries

The countries on the continent which purchase Indian F.C.V. tobacco are Belgium, Sweden, the Netherlands, France, Germany, Switzerland, Italy, Portugal, Denmark and Ireland.

(iii) West Asia and Ceylon

These comprise Pakistan, Afghanistan, Aden and Dependencies, Bahrain Islands, Yemen, Saudi Arabia and Ceylon which imported the following quantities over a period of six years ended 1955-56:

Year	Quantity (Million lbs.)	Value (Million Rs.)
1950-51	17.10	29.45
1951-52	13.98	25.19
1952-53	8.01	17.99
1953-54	11.94	16.82
1954-55	12.48	17.04
1955-56	11.00	15.50

In previous years, Afghanistan and Aden and Dependencies used to import bidi and hooka tobaccos only. But, of late, these countries have begun showing interest in low grade F.C.V. tobacco also. Ceylon takes both Virginia as well as bidi tobacco. Bahrain islands, Yemen and Saudi Arabia import only Indian bidi tobacco.

Pakistan was the second largest purchaser of Indian tobacco, mostly of bidi and Virginia, till 1951-52. Since then, her purchases had dwindled considerably.

(iv) East Asian Countries

These include Hongkong, French Indo-China, Malaya, Burma, Indonesia, Japan and China.

(a) Hongkong: Hongkong is a very big tobacco assembling centre though no tobacco is grown there. The bulk of Hongkong's imports is F.C.V. tobacco for use in cigarettes. Prior to World War II, China was the main source of supply but during the past few years most of these imports came from the U.S.A. and India.

Quantity of Indian tobacco imported into Hongkong during 1950-51 to 1955-56 is given below:

Year	Quantity (Million lbs.)
1950-51	1.28
1951-52	18.22
1952-53	2.39
1953-54	2.82
1954-55	3.34
1955-56	1.20

(b) Indo-China: Indo-China is a good market for Indian low grade flue-cured Virginia tobacco. Indian exports to Indo-China are on the increase since 1950-51.

(c) Malaya: Malaya is not an important tobacco producing country and depends on foreign imports for her requirements. She requires Indian manufactured tobacco consisting of cigarettes, cigars and bidis.

Malayan purchases of Indian tobacco during 1950-51 to 1955-56 are given below:

Year	Quantity (Lbs.)
1950-51	164,322
1951-52	247,099
1952-53	192,373
1953-54	137,886
1954-55	180,217
1955-56	280,120

(d) Burma: In the post-war years, Burma's imports of Indian tobacco have considerably dwindled. The manufactured tobacco exported from India is mainly that of Bhengi from Bengal for chewing and Lanka or

Coringee type from Andhra for making cheroots.

(e) Indonesia: Imports of tobacco and tobacco products into Indonesia are mainly directed from the U.S.A., Holland and the U.K. It did not import much from India except in the recent past. Recently, owing to a variety of reasons, including a drop in Indonesian production, led her to turn her attention towards India. Indonesian imports of Indian tobacco are:

Year	Quantity (Million lbs.)
1950-51	3.0
1951-52	1.97
1952-53	3.43
1953-54	2.44
1954-55	0.310
1955-56	13.43

Indonesia has now entered into a long-term agreement with the U.S.A. to import tobacco from that country and, consequently, she has reduced her imports of flue-cured Virginia tobacco from India.

(f) Japan: Japan is importing Virginia leaf from the U.S.A. and India. The dollar scarcity, combined with cheapness and suitability of Indian tobacco, has obliged Japan to give more attention to Indian tobacco. Till 1951, she was interested more in sun-cured Natu (country) tobacco than in the flue-cured Virginia, but, in 1952, she bought Indian Virginia grades 4, LBV and LBY2, CBR and CDK grades of sun-cured Natu (country) tobacco which are normally in demand in Japan. These tobaccos are blended in the manufacture of cigarettes with Japanese grown tobacco. Japan's purchases of Indian tobacco during 1950-51 to 1955-56 are given below:

Year	Quantity (Million lbs.)
1950-51	1.17
1951-52	1.93
1952-53	14.51
1953-54	10.02
1954-55	5.89
1955-56	7.78

Japan is purchasing a good lot of tobacco from America also, under its surplus commodity programme.

(g) China: China is considered to be the second largest tobacco producing country in the world, with an annual estimated production of about 1,200 million lbs. Of these, about 260 million lbs. are of Virginia type. Occasionally, she imports mostly Indian low grade Virginia tobacco for blending in cigarette manufacture. Till 1954, China's purchases of Indian tobacco were inconsistent. Consequent on the efforts made by the Tobacco Trade Delegation sponsored by the Government of India in 1954 which negotiated a successful deal of 4.5 million lbs., she has evinced greater interest in Indian tobacco and has made further purchases from this country.

The quantity of Indian tobacco imported into China during the last six years is given below:

Year	Quantity (Million lbs.)
1950-51	0.069
1951-52	3.32
1952-53	0.370
1953-54	1.50
1954-55	15.71
1955-56	21.35

U.S.S.R.: Russia, too, is a large grower of tobacco but requires tobaccos of other origin, including Virginia, for blending purposes and to supplement her own resources. Russia's purchases of Indian tobacco were sporadic till lately, when she began showing greater interest.

Figures of tobacco exported to Russia during the period 1950-51 to 1952-53 are given below:

Year	Quantity (Million lbs.)
1950-51	8.41
1951-52	7.58
1952-53	5.04

Her purchases of Indian tobacco during the period 1953-54 to 1955-56 were negligible. She has already entered into a contract with the State Trading Corporation of India (Private) Ltd. for the purchase of a

substantial quantity of Indian Virginia tobacco.

Central Tobacco Committee

Alive to the need for the development of tobacco production in India on scientific lines and improvement of marketing and research, the Government of India constituted for the purpose the Indian Central Tobacco Committee in November 1945. The Committee consists of representatives of all interests connected with the commodity, namely, the grower, the trader, the industrialist, the co-operator, the consumer, and the agricultural officer.

The Committee has established a Central Tobacco Research Institute at Rajahmundry (Andhra Pradesh) for fundamental research on all types of tobacco and applied research on cigarette and Lanka tobaccos grown in that area and regional experimental stations at Vadasandur (Madras) for cigar and cheroot tobacco; at Dinhat (West Bengal) for hooka and wrapper tobacco; and at Pusa (Bihar) for hooka and chewing tobacco. A sub-station for flue-cured tobacco, also serving as a regional station for Natu tobacco, is functioning at Guntur. Besides the above, the Committee also finances wholly or partly research work on bidi tobacco at Anand (Bombay) and Nipani (Mysore) and on hooka tobacco at Ferozepore (Punjab).

The Government of India have continuously taken steps to develop the export trade of our tobacco to foreign countries, by sponsoring delegations and rendering active assistance to tobacco merchants in their foreign tours in quest of markets for Indian tobacco. The most important measures so far taken and/or proposed to be taken by the Government of India are summarised below:

(1) Fixation of Agmark standards of grades to effect sales and purchases on the basis of these grades.

(2) Acceptance of the suggestions of tobacco growers and manufacturers and establishment of an autonomous body (Indian Central Tobacco Committee) in 1945 and the various research stations for the improvement and development of all aspects of tobacco production in India.

(3) Appointment of Tobacco Sales Officers at London, Antwerp and Hongkong.

(4) Deputation of a five-man delegation in June 1954 for promoting export trade of Indian tobacco in East Asian countries. A two-man delegation was also sent in May 1956 to African and West Asian countries to find out the possibility of exporting Indian bidis and bidi tobacco to those countries.

(5) Inclusion of tobacco wherever possible as one of the items of export in the trade agreements entered with foreign countries.

(6) Popularisation of Indian tobacco in foreign countries by distributing samples and publicity materials through Indian Government Trade Representatives abroad.

(7) Constitution of an Export Promotion Council for tobacco to support, protect, maintain and promote export of raw tobacco by effecting suitable measures as may be deemed necessary for the overall promotion of Indian tobacco exports.

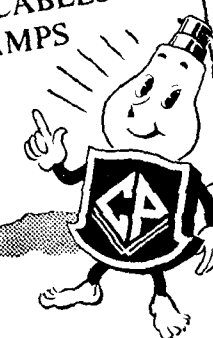
(8) Allotment of funds under the second Five-year Plan for intensification of tobacco research with special emphasis on quality.

It is hoped that all these measures, coupled with the researches of the Indian Central Tobacco Committee to effect all-round improvement in the quality of Indian tobacco, will make it still more competitive and acceptable in the international markets.—All Rights Reserved.

in Electrical Engineering

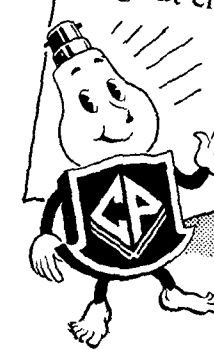
YOU CAN RELY ON
Crompton Parkinson products:

ELECTRIC MOTORS OF ALL TYPES • ALTERNATORS & GENERATORS • H. T. AND L. T. SWITCHGEAR • TRANSFORMERS • CABLES MEASURING INSTRUMENTS • LAMPS & FLUORESCENT TUBES • MOTOR CONTROL GEAR • CEILING FANS



They are marketed by a firm that has a long standing reputation for dependable service. We at Greaves Cotton & Crompton Parkinson put great emphasis on "service after sales" which means so much to a happy manufacturer-user relationship.

Our engineers are always ready to give you advice on any engineering problem.



GREAVES COTTON & CROMPTON PARKINSON
PRIVATE LIMITED

1 Forbes Street, P. O. Box 91, BOMBAY 1
4 Mission Row Extn., P. O. Box 166, CALCUTTA 1
Thapar House, 124 Queensway P. O. Box 197, NEW DELHI 1

C.P. 12

Record of Achievement

Sound underwriting and outstanding service to Policyholders are reflected in the rapid progress made by the ORIENTAL FIRE, Transacting Fire, Marine, Motor, Accident and all other classes of non-life business, ORIENTAL FIRE also offers specialised cover against Machinery Erection and Breakdown and Boiler Explosion risks.



ORIENTAL FIRE AND GENERAL
INSURANCE CO., LTD.

HEAD OFFICE

ORIENTAL BUILDINGS, BOMBAY-1

The name is

Binny's

Binny's—a great name for more than 150 years. We are proud to make that statement and we are proud of the tradition of quality and dependability that make Binny's a household word throughout India.

Binny's cloth—the products of The Buckingham & Carnatic Co. Ltd., and The Bangalore Woollen, Cotton and Silk Mills Co. Ltd., are famous throughout India, and they are helping to spread the fame of Indian textiles overseas as well.

Binny's engineering connections offer commodities vital to India's expansion: heavy electrical goods, diesel and gas engines, boilers, bearings, beltings, mill stores, ropes and

cables, high grade paints, pumps, air conditioning plant, plywood, tallow and many others.

Binny's Engineering Works fabricate steel tanks and all kinds of steel structures; cut gears, ferrous, Meehanite and non-ferrous castings; carry out oxy-acetylene, electric welding, and boiler repairs.

Binny's offer shipping, stevedoring, clearing and forwarding and insurance facilities.

Binny's

—a great name in India!

Worker Participation in Management

Prerequisites To Success Stated

By R. G. GOKHALE, B.COM., J.P.

FROM labour as a commodity to labour as a partner is a long step. But, viewed in the context of the long strides taken by the Indian Government in the direction of ameliorating the working conditions of workers, improving their wage and enhancing their status, the new concept of co-partnership ceases to be surprising.

The idea of associating labour with management springs essentially from the fear of the marxist class theory and the urge to extend democracy from the political to the industrial plane. In the dawn of industrialisation, the factory owners treated workers more or less as chattel. They made men, women and children work for long hours, providing them poor working conditions, and meting out harsh treatment. Perhaps, one cannot be too critical of those times, because it is patently erroneous to judge the actions of one age by the standards of another. Machine production, however, advanced with the passage of time and the number of landless industrial labourers increased manifold in the course of a generation, bringing in its wake new problems for a new civilisation.

Natural Trend

However much some may decry the machine age, it has now definitely come to stay; and one of its products has been the trade union movement. Man is essentially a gregarious animal, and, when they are bound by ties of common aspirations and common grievance, their organisation takes a militant form. Labour soon realised that, if they acted in unison, the employers showed signs of weakness. It is true that, in the early days of trade unionism in Great Britain, the employer was protected by repressive anti-union laws. In spite of these and perhaps because of them, the trade union movement went on gathering strength. Soon their members were sitting in Parliament. Soon they were demanding a say in the matters that concerned them at the factory level. The triumph of liberal thought, provision of universal education and widened franchise accelerated the process initiated by a band of progressive employers of consulting the workers on matters that affected their well-being.

It is instructive to trace the stages in the formulation, at first vague and dim, of this new conception of joint partnership. Perhaps, the Whitley Report, presented half-way through the First World War, gave the first clear outline of a reconstructed industrial system based on the co-operation of Labour and Capital. The Whitley Committee proposed the establishment, in every organised industry, of joint industrial councils composed of equal numbers from both sides for the "regular consideration of matters affecting the progress and well-being of the trade, from the point of view of all those engaged in it."

Although the Whitley Scheme failed to achieve any notable success mainly because it was launched at the end of the First World War when men's imagination was cherishing fantastic notions of a new world, it left an indelible mark on industry both in Britain and outside. Thus, shortly after the First World War, laws were passed in several European countries, requiring works

councils to be set up in undertakings employing a stipulated set of workers. The composition, the powers and the degree of success achieved by those statutory bodies have differed from country to country but the fact remains that Industry has come to realise that, if the basic purpose of industrial relations policies is to achieve optimum production, it cannot be secured without the active and willing co-operation of workers. No wonder then that this movement to associate labour with policy-making gathered added momentum after World War II.

The Slogan

One method, propagated by thinkers like G. D. H. Cole, sought to eliminate the distinction between the employer and the employed, with a view to urging them to work as a team. Even managers and foremen were to be elected at general meetings. Workers' control was to be so complete that any executive who did not measure up to the expectations of the workers was to be given the unceremonious sack. But, as pointed out by Sidney Webb, "no self-governing workshops, no trade union, no professional association, no co-operative society... has yet made administration successful on the lines of letting the subordinate employees elect or dismiss the executive officers or managers." Worker participation and not worker control should, therefore, be the slogan.

Would not the appointment of one or two workers on the board of

directors satisfy labour's claim to share in management? Some establishments, including the Delhi Cloth and General Mills, Delhi, have given effect to this idea. But, by and large, it is not likely to serve any useful purpose. For one thing, labour must be consulted on matters which concern it. The board of directors of a company is essentially occupied with subjects like capital, finance and sales which would scarcely interest the worker. And, even if they interest him, he is not likely to understand their complexity. Either he will be a passive observer to the deliberations of the board or a meddling nonentity. On the other hand, workers will expect a great deal from him, since he is now in a position to influence the firm's policy. When their expectations are belied, they will either charge him of becoming a tool of the capitalists or charge the capitalists of buying him over.

Management Staff

Any scheme of worker-participation must, therefore, be so devised that it will ensure effective consultation with workers on points which intimately concern them. It is here that the management staff comes into the picture. Since it is the manager and other executives who, as a routine, have to deal with workers, they are in a position to better understand and appreciate their needs. However, because these officers generally hail from a different class, there is a possibility of their projecting their own ideas into

the relationship. Nevertheless, regular consultation between them will make for a better understanding and smoother relationship.

The foregoing discussion suggests that works councils or works committees is a more desirable way of achieving worker-co-operation. Whether the council should give equal representation to both the parties, or whether employees should outnumber the officers is a question of detail which is not very material. The important point is that, if there is to be consultation, it must be on matters which immediately concern the workers. There must also be consultation at all levels, starting from the departmental level and ending with the works level. Departmental works committees can be very helpful in solving difficulties emanating at the work place. Works committees at the factory level can deal with questions such as canteen, medical attention, safety, sports, etc., in addition to securing information on larger issues of management. It is now generally accepted that, unless the works committees are charged with some degree of administration, they will not evoke sufficient interest among the work-people. All the welfare activities should necessarily be managed by the works committees, with advice from the management where necessary. On the other hand, on other questions which affect the workers, it is the management which should seek advice from the workers. The primary responsibility for initiating and running the works committees, it must be noted, rests largely on the management.

India

In India, aside from the stray committees functioning in a few undertakings on the eve of the Second World War, no serious attempt was made to popularise the concept of management-labour participation till the Industrial Disputes Act was passed in 1947. Even this Act made the establishment of works committees permissive rather than compulsory. For various reasons, for which both trade unions and employers must share the blame, these committees have failed to make any mark on industrial relations.

And yet the Second Five-year Plan has come out with a more ambitious programme of collaboration with workers. Says the Plan:

"For the successful implementation of the Plan, increased association of labour with management is necessary. Such a measure would help in

- (a) promoting increased productivity for the general benefit of the enterprise, the employees and the community,
- (b) giving employees a better understanding of their role in the working of industry and of the process of production, and
- (c) satisfying the workers' urge for self-expression, thus leading to industrial peace, better relations and increased co-operation.

This could be achieved by providing for councils of management consisting of representatives of management technicians and workers. It should be the responsibility of the management to supply such a council of management a fair and correct statement of all relevant information which would enable the council to function effectively. A council of management should be entitled to discuss various matters pertaining to the establishment and to recommend steps for its better working. Matters which fall within the purview of collective bargaining should, however, be excluded from the scope of discussion in the council. To begin with, the proposal

Who knows what dreams, what plans are made by India's future leaders? Who knows where one day they may need to go?

When that time comes, the whole wide world will be theirs to choose from and TWA will be ready to speed them.

Fly the Finest... FLY TWA
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.

Use Loma, and regain your natural loveliness.

LOMA, the Universally acclaimed natural hair darkener is now available in specially designed bottle with pilferproof cap.

Loma

Sole Agents: M. M. Khambhatwala, Ahmedabad-1.
Agents: C. Narotam & Co., Bombay-2.

Gram: "RUBY," Changanacherry

Phone: No. 38

RUBY RUBBER WORKS LIMITED

(Incorporated in Kerala State with Liability of Members Limited)

Managing Agents:

Ruby Industries Private Ltd., Rubynagar P. O.

Registered Office and Works:

Rubynagar P. O., Changanacherry, Kerala State.

Authorised Capital - - - Rs. 20,00,000
Subscribed and Paid-up Capital - - Rs. 9,00,000
Total Working Funds exceed - - Rs. 16,00,000

Our Products are:

TYRE RETREADING MATERIALS, HOSE
PIPES, SHEETINGS, MATTINGS and various
EXTRUDED AND MOULDED GOODS.

Production of Cycle Tyres and Tubes expected
to start shortly.

Please forward your enquiries direct to us or to any of our

DEPOTS AT

BOMBAY, MADRAS, BANGALORE,
SECUNDERABAD, CALICUT, TRICHY,
TRIVANDRUM, BEZWADA, COIMBATORE,
NAGERCOIL AND TRICHUR

GORDON WOODROFFE & CO. (MADRAS) PRIVATE LTD., MADRAS.

VISAKHAPATNAM, VIZIANAGARAM, GUNTUR, KAKINADA,
COCHIN, COIMBATORE.

STEAMER AGENTS

CLEARING & FORWARDING
INSURANCE

IMPORTERS & EXPORTERS

ELECTRICAL, CHEMICALS, ENGINEERING
HIDES & SKINS, HEMP & JUTE.

GORDON WOODROFFE LEATHER

MANUFACTURING CO. PRIVATE LTD., MADRAS.
MAKERS OF ALL KINDS OF FINE LEATHERS

TULLIS WOODROFFE & CO.

PRIVATE LTD., MADRAS.
MANUFACTURERS OF TEXTILE & ALLIED
INDUSTRIAL LEATHERS.

should be tried out in large establishments in organised industries. The basis of advance should be regulated and any extension of the scheme should be in the light of the experience gained."

Sahay Report

It is thus clear that the Government of India are determined to implement the concept of industrial democracy. The recommendations quoted above from the Second Five-year Plan, however, are in general terms and if the concept is to be put into practice, it will be necessary to work out a detailed scheme. To facilitate this, the Government of India appointed a Study Group consisting of representatives of employers, workers and Government under the chairmanship of Mr. Vishnu Sahay, Secretary of the Ministry of Labour, Government of India, to carry out an on-the-spot study of the manner in which the problem is tackled in other countries. The Study Group visited several Western countries such as France, Belgium, U.K., Sweden, Germany, Yugoslavia and Switzerland. The report of the Study Group making concrete suggestions for the implementation of the workers' participation was published in the middle of this year.

The report makes very instructive reading as it covers the ground in a very comprehensive manner. It emphasises the need for launching an educational campaign to make the idea sink in. It insists that joint consultation must be in-built, that there must be reorientation of attitudes and that there must be strong self-confident trade unions closely connected with the machinery of participation. The report prefers that wages, bonus and individual grievances should be kept outside the purview of such joint bodies. In the Study Group's opinion, permissible legislation to provide the framework should be passed, though it would be a mistake to apply compulsion universally. Coming to the question of structure and composition, the Study Group is inclined to accept a single council for an undertaking as a whole, provided it is not made up of units at different places. Outsiders may be necessary in the beginning, but their number should be restricted.

While opining that it is necessary to draw a sharp line of demarcation between functions which are purely collective bargaining functions and functions of the joint bodies, the report broadly indicates that the council may be conveniently consulted over matters like alterations in standing orders, retrenchment, proposals for rationalisation, closure, reduction in or cessation of operations, introduction of new methods, and procedures for engagement and punishment. The council should also have a right to receive information and make suggestions about (1) the general economic situation of the concern, the study of the market, production and sales programme; (2) organisation and general running of the undertaking; (3) circumstance affecting the economic position of the undertaking; (4) methods of manufacture and work; and (5) the annual balance-sheet and profit and loss statement and connected documents and explanations.

Give More Responsibility

To overcome the danger of apathy, they suggest that councils of management may be given some administrative responsibility, particularly with regard to administration of

welfare schemes, the supervision of safety measures, the operation of vocational training and apprenticeship schemes, the preparation of schedules of working hours and breaks, the preparation of holiday schedules and payment of rewards for valuable suggestions.

The subject of worker participation in management was placed on the agenda of the 15th Session of the Indian Labour Conference which met in New Delhi in July 1957. Both employers and employees agreed in principle with the basic idea of worker participation in management, but it was urged on behalf of the employers that they should be given a period of two years to operate the scheme voluntarily before Government proposed legislation in the matter. The Conference accepted the main recommendations outlined in the report of the Study Group covering subjects like functions of the council, administrative responsibility for management of welfare measures, necessity for organising a sustained educational campaign, etc., and decided to set up a small committee consisting of four persons each from the employers' group, the workers' group and Government for considering the details regarding the scheme of workers' participation in

management in selected undertakings on a voluntary basis in the first instance. This sub-committee decided that the criteria for the selection of units for experimentation should be (1) the existence of a well established and strong trade union; (2) the strength of the undertaking should be at least 500 workers; (3) both the employer and the trade union should be members of central organisations; (4) the undertaking should have a fair record of industrial relations; and (5) there should be a readiness in the parties to try the experiment in a spirit of willing co-operation. It was also decided that a body of experts with knowledge of labour problems at the unit level should be set up to provide guidance to the workers and employers in working out the scheme wherever necessary.

Experiments

With regard to the size, composition and related matters, the sub-committee decided that there should be only a single council for the undertaking as a whole; the employees' representatives should be nominated by the trade union concerned; not more than 25 per cent. of the employees' representatives should be outsiders; the size of the joint council

should be restricted to 12 persons; and that the joint council should meet during working hours.

Accordingly, a list of about 50 undertakings in the private and public sector is being prepared and, in so far as the cotton textile industry is concerned, names of mills at which the experiment may be carried out have already been communicated to the Ministry of Labour, Government of India.

We are thus on the threshold of a new era of industrial democracy. To ensure future co-operation between workers and management, it is essential that the experiment to be carried out in the 50 industrial undertakings must meet with success. No amount of care taken in drawing up a flawless scheme can help, unless both employers and trade unions vow to carry out the experiment in the proper spirit. For this, the Government of India must immediately undertake an educational campaign to tell all concerned of the need, possibilities and the scope of co-partnership in the industry. Unless this is done, the experiments are likely to founder on the rocks of fantastic expectations on the part of workers and corrosive apathy on the part of employers.—All Rights Reserved.



India makes them...

...these coated rods of metal, so indispensable in the fabrication of ships and locomotives, penstocks and blast furnaces, trucks and railway coaches, pipelines and structurals, that form the very foundation of our Second Five Year Plan. Ranking with Power and Fuel in importance, they are a vital tool for industry. In metal fabrication...

... there is an
ADVANI-OERLIKON
WELDING ELECTRODE
for every
PRODUCTION & MAINTENANCE
job.

ADVANI-OERLIKON
make a range of over
40 types of welding
electrodes for mild
steel, high tensile
low alloy steel,
stainless steel, cast
iron & non-ferrous
metal. There are
electrodes for
hardfacing & even
an electrode for
cutting.

ADVANI-OERLIKON
electrodes

on par with the best in the world!

J. B. ADVANI-OERLIKON ELECTRODES PRIVATE LTD.
SIR PHEROZSHAH MEHTA ROAD, BOMBAY-I. PHONE {FACTORY 67209
SALES AND TECHNICAL SERVICE {OFFICE 264237
Agents everywhere — Please write for Address of your nearest Dealer

BRANCHES ESTABLISHED IN INDIA

OVER 75 YEARS



THE SOUTH BRITISH INSURANCE COMPANY, LTD.
(LIABILITY OF SHAREHOLDERS LIMITED)

SUBSCRIBED CAPITAL
£ 2,063,280

TRANSACTS
ALL CLASSES OF GENERAL INSURANCE BUSINESS

BRANCHES AT
CALCUTTA
South British Building, 10, Netaji Subhas Road
A. J. V. LECOCQ, Manager

BOMBAY
Canada Building, D. Naoroji Road
D. W. SHAW, Acting Manager

MADRAS
13/15, North Beach Road
A. R. SRINIVASAN, Manager

Mrs. Roy gets a new sewing machine

Quite an event really, because Mrs. Roy has been longing for one of those new electric models ever since she heard about them! They're such an improvement on the old fashioned, cumbersome machines which Grandma used... And these new models are so very much less expensive too... Mrs. Roy is delighted!



AND WHAT DOES MR. ROY THINK ABOUT IT?

"Well" says Mr. Roy, who is an Overseer in a Jute Mill, "mechanical items like sewing machines, refrigerators or gas cookers do save work and drudgery, giving my wife more leisure and a fuller life. Today so many of these items are coming within the reach of people like myself, — office workers, technicians, small tradesmen — indeed every stratum of worker. "I, for one, certainly want the system which has given me these improvements to continue, for I know by experience that with it our standard of living will continue to rise, and that what we have now, our children will certainly have in fuller measure."



[Established: 1941]

Head Office: **KARACHI (Pakistan)**

Authorised Capital	Pak Rs. 4,00,00,000
Issued & Subscribed Capital .. .	Pak Rs. 2,00,00,000
Paid-up Capital	Pak Rs. 2,00,00,000
Reserve Funds	Pak Rs. 2,00,00,000
Deposits as on 31-12-1956 .. .	Pak Rs. 48,57,00,000

With a network of 75 branches in all the important trade centres of East and West Pakistan, Habib Bank Limited is in a position to assist those desiring to establish contracts for exports or imports. The Bank's services are always available for any banking requirements in Pakistan.

The Bank is fully competent to handle all foreign exchange business including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

FOREIGN BRANCH
BOMBAY (INDIA)

Habib Bank (Overseas) Limited

Head Office: **KARACHI (PAKISTAN)**

Branches:

1. ADEN · 2. COLOMBO · 3. MOMBASA · 4. RANGOON

Correspondents and Agents in all important Cities of the World

How very right Mr. Roy is!

One of the most significant factors in the resurgent life of India today is the fact that the average man and his wife have come to expect, almost demand, a continued improvement in the quality of goods and services offered to them. No longer is the mediocre or second rate willingly tolerated. There can be no question that a higher standard of living is created, and must be perpetually maintained, by the very nature of the system of Free Competitive Enterprise. This system can only exist, prosper and succeed in so far as it is able to serve the people. That is because such a system, for its very existence demands an ever-rising standard of excellence, coupled with a continual striving to reduce prices so as to increase markets and to meet competition. Remove competition and the need to scrutinise either quality or price diminishes, if it does not actually disappear.

Free Enterprise owes its strength and efficiency to the fact of public ownership by investment, and the right of public scrutiny. It is the system which has brought India great advances in the past, and it is a system which can keep raising the standard of living surely and certainly through the years which lie before us.



BIRD & CO. (PRIVATE) LTD. and F. W. HEILGERS & CO. (PRIVATE) LTD.
Chartered Bank Buildings, Calcutta-I

FREE ENTERPRISE SERVES THE SMALL MAN

THE word "strike" has reference to a dispute between an employer and his workers in the course of which there is a concerted suspension of employment. As a form of labour activity, it is rarely carried on without the concomitants of picketing and boycotting. The Indian Industrial Disputes Act 1947 defines "strike" as "the cessation of work by a body of persons employed in any industry acting in combination, or a concerted refusal or a refusal under a common understanding, of any number of persons who are or have been so employed to continue to work or to accept employment." The following ingredients must be present in a strike:

- plurality of workmen
- cessation of work or refusal to do work
- combination or concerted action.

The right to strike is a fundamental right of workmen and, because it is an expensive weapon, strike is generally labour's last resort in connection with industrial controversies. Strikes were originally a penal offence in many countries. Subsequently, it was realised that the principle of freedom of association would not have any meaning if the penal provisions relating to strike were not removed. In ensuring freedom of association to workmen, the I.L.O. has played a prominent part. The Declaration of Philadelphia states that "Freedom of expression and of association are essential to sustained progress." The problems of freedom of association, collective agreements, conciliation and arbitration and methods of collaboration between public authorities, workers' and employers' organisations have been the subject of several studies by the I.L.O. Several Conventions and Recommendations on these subjects have also been adopted.

I.L.O. Conventions

As far back as 1921, the International Labour Conference adopted a Convention concerning the rights of association and combination of agricultural workers. At its thirty-first session in San Francisco in 1948, the Conference adopted a Convention concerning freedom of association and the protection of the right to organise. At the thirty-second session in Geneva in 1948, the Conference adopted a Convention on the application of the principles of the right to organise and bargain collectively. The thirty-fourth session of the Conference in 1951 adopted a Recommendation calling for the creation of machinery to negotiate, conclude, revise and renew collective agreements.

The preparatory Asian Region Conference of the I.L.O. held in New Delhi in 1947 adopted a resolution which declared that the recognition of the principle of freedom of association and the effective guarantee of the right to organise and to bargain collectively are indispensable for the improvement of labour standards and should be accepted by all Asian countries. The I.L.O. has also set up a Fact Finding and Conciliation Commission on Freedom of Association to examine allegations of infringements of trade union rights.

The foregoing will give a clear idea of the extent to which the employees' right of association, collective bargaining and enforcement of their demands for improvement of their living standards is protected by the I.L.O. The right to strike emanates directly from the right of the employees to combine and assert themselves for improvement of conditions of their work and for protection of their rights.

THE RIGHT TO STRIKE

Must It be Unfettered?

By D. P. MUKHERJEE

CHIEF PERSONNEL OFFICER, METAL BOX COMPANY OF INDIA LTD.

Unfettered rights to strike, however, have not been conceded by the Governments of all countries. In the U.K., it can be stated that maximum freedom has been given to the employees not only to combine but also to realise their aspirations by resorting to strike. The right to strike is laid down as a positive legal right under the French Constitution and also under the Italian Constitution. In the Mexican Labour Court and in the Labour Courts of several Latin American countries, however, strikes are illegal under certain conditions—if those conditions are fulfilled then the strikers have no fear regarding penal action. In most of the Asian countries, the right to strike is conceded with certain reservations. In Burma, for example, strikes without notice are prohibited under the Trade Disputes Act 1929 as amended in 1947, 1948 and 1950. In Ceylon, the Industrial Disputes Act 1950 prohibits strikes in essential industries, unless written notice of strike is given at least 21 days before the commencement of the strike. In Hongkong, the Illegal Strikes and Lock Outs Ordinance of 1949 renders illegal strikes having objectives other than the furtherance of a trade dispute and being designed to coerce the Government. In Indo-China, cessation of work in public utility services without notice for a prescribed period is prohibited. Also strikes for purposes other than the settlement of a trade dispute in an industry or for coercing Government or for causing long inconvenience to the public, are prohibited. In Japan, strikes and slow-downs in public corporations are prohibited.

Position in the U.S.

The case laws relating to the right to strike in the U.S.A. are most interesting. The strikes in that country may be classified as follows:

- Primary strike
- Secondary strike
- Sympathetic strike
- Stay-in, sit-down, tool-down, pen-down strikes
- General strike

American judicial decision is now in general agreement that labour possesses the right to participate in a primary strike where the workers' claims have reference to wages or hours or their conditions of immediate employment. Of the States which sanction primary strikes, 14 appear to do so upon the theory that workers in combining are but doing that which each worker has an absolute right to do or that the Courts will not enjoin a strike because to do so will be to enforce involuntary servitude. Several other States proceed expressly upon the theory of justification. A strike for both legal and illegal purposes is illegal in its entirety. The burden of proving the lawfulness of the given purpose is upon the strikers. Strikes are illegal in U.S.A.: (a) where the strike is in breach of terms of contract of employment entered into by individual workman engaged in the strike; (b) where it is in disregard of provisions contained in employment contracts; (c) where it is in breach of collective bargaining agreements; and (d) where it results in a breach of contract entered into between the employer and a third party.

The views of judicial authorities on the legality of secondary or

sympathetic strikes are not unanimous. Sit-down strike has been held to be illegal for it amounts to taking over possession on the part of the employees and remaining in possession. It has an element of trespass by the strikers upon the property of the employer. On general strikes, however, the American view is that there can be no such thing as discussion about their state of the law. One might as well discuss the legality of revolution. The general strike, it is held, is an act of treason when involved in failure, while as a successful insurrection it creates its own legality. The views of Lord Bryce are also similar. He said, "A general strike, whether directed against the whole community or meant to compel a government to take a particular course, is an attempt to override the legal methods of people's rule just as in an armed insurrection. Such action is, therefore, a declaration that democracy has failed and must be replaced by that very violence it was designed to avert."

As strikes are often accompanied by picketing, the views of the American courts on this are interesting. Peaceful primary picketing in the furtherance of lawful strikes is generally held legal. Picketing, however, has been held to be illegal, if connected with unlawful strikes or if carried on for an unlawful purpose. Picketing of the residence of an employee, though generally held legal, has sometimes been held unlawful, but picketing of the residence of the employer has uniformly been held illegal.

From the foregoing account, it will be noted that, in the U.S.A., the purpose of the strike determines legality.

Position in India

In India, the object of the strike does not enter into the determination of legality. Only prohibited strikes are illegal strikes. Under Act 19(1) (C) of the Indian Constitution, all citizens shall have the right to form associations or unions. Further, sections 22, 23 and 24, read with section 10(3) of the Industrial Disputes Act, merely lay down that, under certain circumstances, a strike may be illegal. Briefly summarised the position, is that—

- strikes are illegal in public utility services if resorted to without notice for the prescribed period and during the pendency of any conciliation proceedings before a conciliation officer and seven days after the conclusion of such proceedings;
- strikes are prohibited in any industrial establishment during the pendency of conciliation proceedings before a Board and during the pendency of adjudication and two months after the conclusion of such proceedings; and during any period in which a settlement or award is in operation in respect of any of the matters covered by the settlement or award;
- Strikes are also illegal if under section 10(3) reference has been made to adjudication after commencement of the strike and the appropriate government has prohibited the continuance of the strike by a specific order.

It will be noted from the above the employees in non-public utility services have almost an unfettered right to strike. In the United Provinces, 30 days' notice is insisted upon for all strikes to be legal. In the Indian Trade Unions Act of 1926, there is restriction on expenditure for political purposes but there is unfettered right to the Unions to compensate members for loss arising out of trade disputes. There is no restraint on compensation in illegal strikes. In the amendments to the Trade Union Act in 1947 (these never came into force) irregular strikes were considered to be unfair practice by recognised trade unions but there was no mention of illegal strikes. The employment exchanges are prohibited from complying with requisitions for labour supply in the event of legal strikes in industrial concerns.

Consequences

The consequences of launching a strike may be considered under three headings:

- Penal Action:** Penalties have been prescribed in sections 26, 27 and 28 of the Industrial Disputes Act for participation in an illegal strike, instigation of illegal strikes and financial aid to illegal strikes. For participation, the penalty is imprisonment for a term which may extend to one month or fine which may extend to Rs. 50 or both. For instigation and financial aid, the punishment is imprisonment for a term which may extend to six months or fine which may extend to Rs. 1,000 or both. These have rarely been enforced, with the result that they can be considered almost to be dead letters. In the Factories Act, prior to the amendment in 1954, there was a provision, whereby an illegal strike operated as a break in the continuity of service. This penal provision has now been removed. Under the Coal Mines Bonus Scheme, the workmen are deprived of bonus for a term if they join an illegal strike.

- Strike Pay:** Tribunals in India have held that, if strikes are illegal, wages cannot be paid (Labour Appellate Tribunal, Mahalaxmi Cotton Mills 1952, Lord Krishna Sugar Mills, 1952, Bharat Airways, 1953, United Commercial Bank 1954.) If strikes are not illegal, the question of justification will determine payment. Mr. M. C. Banerjee in the dispute, *Messrs. Lipton Ltd., versus Their Workers*, stated that "where the strike had been occasioned by the employment of an unfair labour practice by the management or where the employees had been willing to submit to arbitration to which the management had not agreed, it will be open to an Industrial Court to award pay for the strike period, provided the strike had been legal at its inception and continuance, or, in other words, both lawful and peaceful.

- Reinstatement:** The full bench of a Labour Appellate Tribunal laid down the following:

- A workman cannot be dismissed for joining a strike which is not illegal but which is simply unjustified.
- The employer, however, will have the right to dismiss a workman joining the unjustified strike (a) when the strike itself is not bona fide and (b) when it was launched on other extraneous consideration and not solely with a view to improving the conditions of labour.

The Labour Appellate Tribunal further held that the question of justification of a strike should be left to the unfettered decision of the Tribunals. However, when the places of striking employees are filled by the employer pending a strike, the relief of reinstatement cannot be

granted to such employees. The management must be entitled in law to fill up the place of striking employees during an unjustified strike (Labour Appellate Tribunal, Bangalore Silk Throwing Factory 1957).

Stay-in Strikes

It has been held that stay-in strikes are illegal and therefore dismissal for stay-in strikers is justified (Shalimar Works 1954, West Bengal Oriental Engineering Company, 1955, Gobinda Sheet Metal 1955, Wellington Jute Mill, 1955). It has also been held that *satyagraha* amounts to an illegal strike. Sympathetic and general strikes are perfectly legal as long as they do not contravene sections 22 and 23 of the Industrial Disputes Act. General strikes have almost become a monthly event in Calcutta. Instead of resisting it and urging workers not to participate in it, the authorities virtually encourage it by suspending public transport in the city. Many firms acquiesce in the suspension business by declaring it a holiday or adjusting absence on the day of a general strike against casual leave. The railway service is paralysed by picketers sitting on the rail tracks. One does not even hear of any prosecution of the obstructionists. The sovereignty of the citizen in India is placed above its obligation to the community.

The events connected with the recent threatened postal strike, however, were a complete departure from the repeated reiteration of the unfettered right of the workers to strike. The Essential Services Maintenance Act was passed by the Lok Sabha in August 1957 to prohibit strikes in essential services such as the railways, telegraphs and telephones. It sought penalties for participating or instigating or financing such strikes. It will also be noted that the punishments were more

severe than those provided in the Industrial Disputes Act. For participation, the penalty was imprisonment which may be extended to six months or fine extending up to Rs. 200. For instigation and for financing the penalty was imprisonment extending up to one year and fine extending up to Rs. 1,000.

Recently, it has been reported that the Bihar Government has amended the Government service Conduct Rules prohibiting strikes and processions by Government servants.

Double Standards?

These enactments raise a very important issue. Should there be different standards for industrial relations in Government and non-Government undertakings? The provisions of the Industrial Disputes Act preclude the Armed Forces and the Police and Prison services. There are similar provisions in the legislation regarding industrial relations in several other countries, but the powers sought by Parliament to prohibit strikes when a strike arose due to the refusal on the part of the Government to set up an independent commission to enquire into the grievances of the employees raised a fundamental question. If the law of the land prohibited general strikes as in the U.S.A., such an action might have been understandable. As stated above, however, the unfettered right to strike has been conceded. Incidentally, it may be noted that, in the Industrial Disputes Bill, there was a provision for prohibiting strikes unconnected with trade disputes. At the instance of the M.Ps. this was deleted.

Speaking at the first meeting of the National Council for Training in Vocational trades, the Prime Minister declared, "It is one thing to have the right to strike but it is another thing to exercise it always." At the same

meeting, he conceded the right of the industrial and other workers to strike; he also conceded that, owing primarily to price increases, workers were hit hard and they probably had a genuine grievance and yet the Government armed itself with extraordinary powers to prohibit strikes when it affected them as employers.

The tendency to make a distinction between State-owned undertakings and private undertakings in the matter of regulation of employer/employee relationship has recently been marked. The Tribunals, for example, have repeatedly held that bonuses are to be paid to the employees not only to bridge the gap between the wages paid and the living wage but also as a profit-sharing measure where living wages are paid. Yet Government has categorically declared that bonus will not be admissible in the public sector.

Recent events raise important question—Can India afford the luxury of unfettered right of workers to strike? Should the provision for penal action for illegal strikes continue to be a dead letter? Can the State afford general strikes which are almost a monthly feature in Calcutta today and may become a weekly or fortnightly feature tomorrow? Can the State afford to set up double standards governing industrial relations? Can individual liberty (or licence) be allowed to override the well-being of the community?

Sooner or later, the State will be faced with these questions and the sooner a policy is defined on these, the better it will be for India.—All Rights Reserved.

TOWARDS A RATIONAL PUBLIC PAY POLICY

(Concluded from page 80)

and a fall of 25 points (index 225) do not justify any dearness allowance. Beyond these points, adjustments become necessary. The auto-

matic increase in the allowance for a rise of 20 points suggested by the Varadachariar Commission is fair, provided it is balanced by an automatic cut for price falls below 225 points. The amount of Rs. 5 for every 20 points rise, however, appears questionable. For relating the allowance (or cut) as a lump sum to a price rise (or fall) reduces the flexibility of the device, besides treating the better and low paid categories as one.

Let us now summarise the arguments so far and what their application means. A satisfactory solution of the public pay problem should build up a long-term framework based on five socio-economic principles. The major influence of the wage structure on salaries must be conceded, and a study of this structure should precede all pay analysis. The frame should relate the maximum and minimum basic salaries first to each other and second to national income; the frame should also be correlated with a basic normal price level and a national minimum level of living.

An application of these principles suggests a minimum of Rs. 70 and a ceiling of Rs. 2,000. But, as a transitional measure, the floor salary may be Rs. 50 and the ceiling for all new entrants Rs. 2,000. Between these limits, four major salary groups would emerge. The basic frame should also take note of some extra remuneration related to areas, occupations and rival demands.

The short-term problem is one of adjustment to abnormal changes in prices and, while accepting the Varadachariar Commission approach, a system of built-in flexibility should be introduced in the form of a sliding scale.

I am indebted to Dr. Balakrishna, Professor of Economics and Dr. K. V. Sriram, Reader, University of Madras, for discussing this paper.

COAL

from the famous

DISHERGARH AND PONIATI SEAMS

BENGAL COAL COMPANY, LIMITED

Telephone: 22-4316

8, CLIVE ROW, CALCUTTA - I

Telegrams: 'COLLIERIES'

TRENDS IN BRITISH TEXTILE INDUSTRY

Production Better—Exports Shrink—Imports Rise

By Our Special Correspondent

MANCHESTER, 8th December

ALTHOUGH beset by a number of external complications, none of which has eased the progress of the industry, Britain's cotton mills have not had an unsatisfactory year. It is almost traditional for Lancashire textile traders to grumble, however prosperous they find themselves, and there have been many complaints about the problems facing spinners and manufacturers, yet profits have been earned and the machinery has been kept relatively busy, so that, in certain places, there has even been a shortage of labour.

At the beginning of 1957, the shadow of Suez lay heavy upon international relationships and it was by no means clear how the situation would develop. As time progressed, however, conditions became gradually easier, though facilities for resuming commercial negotiations with Near and Middle Eastern countries were not easily available and are unlikely to assume large proportions even in the near future.

No period which has contained events such as the raising of Britain's Bank rate to 7 per cent. and the general recognition of the inevitability of some form of European trading collaboration can be described as colourless. When the year began the order books held by Lancashire firms dealing in goods of cotton and man-made fibres were well filled at reasonably remunerative prices. Autumnal demand, swollen by the keen buying arising from the Suez crisis, had given a much needed fillip to the industry and there were hopes of a broadening in activity lasting through the spring. These hopes were not fulfilled, as demand tended to dry up in the first quarter of the year.

Switch to Activity

Curtailment of output due to the holiday season was welcomed in some directions where the contracts held had become uncomfortably light, but then came the turning point. The prospect of higher wages for the spinning and weaving operatives was a well-established fact, but, in recent years, there has been a tendency for the negotiations in these matters to drag on.

Usually, deadlock has been reached at some point, leading to the reference of the claim to arbitration. On this occasion, however, the unions were anxious that direct bargaining should take place and an agreement on a five per cent. advance in earnings was quickly reached. The speed of the settlement was a little unexpected but its effect was even more pronounced.

After a period during which they had been operating very cautiously, buyers suddenly came to life. They recognised only too well that, when selling rates were raised, they would include more than just compensation for the wage advance. For months past, all sorts of overhead charges had been going up and it would be odd if producers failed to bear this fact in mind when adjusting their prices.

The resultant demand was substantial, as were the orders secured. Most firms obtained contracts capable of keeping their machinery fully occupied for several months ahead and, before long, 1958 delivery was being quoted in many instances. Prosperity had returned with a rush.

All this could not have been accomplished without more than a little stability in raw cotton prices. Steadiness has been a feature of the commodity for some time past, and although fluctuations have not been entirely absent, they have not been sufficient to interfere unduly with trading in finished goods.

Over the year, the tendency has been towards slightly lower values, partly as a result of long-term bearish sentiment among operators who believe that current prices must inevitably fall. The American Government's disposal programme, coupled with a two-price system, has been successful in the first part and highly unpopular in the second. Futures markets in Liverpool, New York and other centres have stagnated and no immediate relief from this stifling influence can yet be seen.

Production in Lancashire mills has been well maintained, especially considering the difficulty of obtaining additional labour. Towards the end of the year, there were fears that spinning output was beginning to outstrip the capacity of the weaving section to consume the amount of yarn available.

Shrinking export trade provided a really unpleasant feature for Lancashire during the half-year. For the first time for more than 200 years, imports of cotton cloth in June actually exceeded corresponding shipments abroad. Narrow as the gap had been for so long, and as it remains, the occurrence was a profound shock to the industry. It brought home, in a way that statistics rarely can, the almost unbelievable transformation which has taken place in Britain's overseas trading in cotton textiles since the war.

The whole question of imports remained an exceedingly complex problem which showed no sign of being solved during the year. Visits to Lancashire's Eastern competitors by a trade mission, although successful in part, ran up against uncompromising opposition in Hong Kong and there was no sign of any settlement. Appeals to the Government continued to fall on deaf ears.

The following tables show the latest position of employment and production as compared with recent years:—

Employment (Average at work)			
	Spinning and doubling	Weaving	
1937	176,000	187,000	
1941	177,800	168,200	
1945	96,000	96,100	
1947	119,500	108,600	
1949	137,660	129,800	
1951	145,430	140,320	
1952	144,000	118,300	
1953	125,720	124,100	
1954	130,270	127,000	
1955	118,380	117,370	
1956	111,960	108,340	
1957	116,930	109,580	
1st quarter ..	116,280	109,330	
2nd "	98,990	89,070	
3rd "			

Production (Weekly averages)			
	Yarn lbs.	Cloth linear yds.	
1937	26,500,000	79,270,000	
1941	25,150,000	41,300,000	
1945	17,910,000	36,530,000	
1947	19,570,000	38,700,000	
1949	24,350,000	49,830,000	
1951	27,110,000	50,320,000	
1952	19,400,000	44,070,000	
1953	23,100,000	49,000,000	
1954	24,010,000	53,350,000	
1955	22,350,000	47,080,000	
1956	21,250,000	44,480,000	
1957	23,250,000	47,240,000	
1st quarter ..	22,470,000	45,900,000	
2nd "	19,750,000	37,900,000	
3rd "			

* Excluding doubled yarn.

During the past 12 months, the cotton industries of the world have been reaping the doubtful benefits of the systems adopted by the United States Government to dispose of their surplus holdings of the raw material. From earmarking this accumulation for export at reduced rates, the stage has now been reached when the cotton has actually been shipped and is in use in the spinning mills of many countries.

On a purely statistical basis, the situation has eased, as, for the first time for some years, consumption in the 1956-57 season was actually in excess of output. The movement towards equilibrium, however, is still slow as modernisation of harvesting, no less than of industry, means that more cotton can be grown from a smaller area. Some answer to this conundrum must be found, particularly by the United States, if the present state of unbalance is not to continue permanently.

The effect of the disposal scheme on world prices of the raw material was initially to lower the level of values and at the same time dislocate the mechanism of the futures markets. In New York, only narrow fluctuations have taken place until the past month. There was a time earlier in the year when the spot price remained virtually unaltered for weeks on end. At the beginning of May, the quotation for middling American cotton was 35.35 cents and little change occurred until 35.65 cents was posted in mid-July. Lower values followed in September when 34.50 cents was quoted but, in the following month, a substantial revival took place, the latest figure being 36.30 cents.

Narrow Liverpool Trading

No great variation has occurred in the quotations for American cotton in the Liverpool market. Beginning at 25.30d. in May, the figure for 15/16 inch middling American reached 25.55d. in June but reacted to 24.95d. in September. After being raised to 25.45d. in the following month, the quotation at the end of November was 25.25d. Similar movements took place in the one-inch middling American contract, the high and low points ranging between 27.15d. and 26.55d., the quotation in November being 26.85d.

Trading in long-staple cotton has been practically at a standstill during the year in view of developments arising from the Suez incidents and the problem of the surplus supplies persisting in the Sudan. Prices have remained unchanged for long periods at a time. In Liverpool, the cost of the Sudan Sakel C6 contract was 47.75d. in May, but a reduction to 44.00d. took place in the following month. A further fall to 43.00d. occurred at the end of August, the latest quotation being 37.00d. In Sudan Lambert cotton, the number 6 contract, was at 45.75d. in May, with a reduction to 41.00d. in June. A further decline to 38.75d. took place in September, the quotation in November falling to 33.50d.

Stocks of raw cotton held in the free world at the beginning of the new season in August have been estimated at 20,500,000 bales and total supplies from all sources at 49,400,000 bales, a reduction of about 1,300,000 bales as compared with 12 months previously. Consumption last season again increased to a new record level, being 1,000,000 bales higher than the peak achieved in the previous 12 months. In all, 29,400,000 bales of cotton were used, despite a reduction in the quantity consumed in the United States.

The system of disposing of uncomfortable surpluses of raw cotton held by the American Government has now resulted in the shifting of supplies to the major consuming areas. Many of the world's spinning centres hold much bigger stocks than they did a year ago, but the rate of actual consumption has in fact increased due to higher spindle-age activity and improved conditions in certain foreign spinning industries. Whereas importing countries had previously kept their purchases of cotton at low levels, the incentive to procure supplies at rather cheaper rates brought an extensive movement of cotton throughout the world.

The new season has opened with acreage in the United States at its lowest since 1878. This curtailment of the area planted by legislation has only partially achieved the full desired effect of restraining output, although the latest crop estimate puts the probable production at 11,788,000 bales, as compared with the 13,000,000 bales grown in the previous season. The average grade however, is likely to be lower than almost ever before.

Getting into Balance

Production of cotton and consumption in the United States during the current season may be about evenly balanced, whereas stocks were reduced by fully 3,000,000 bales in the previous 12 months. Exports rose to 7,600,000 bales—higher than at any time for more than 20 years back. Only limited progress in finding a solution of the surplus problem seems likely this season after the strides made a year ago.

Outside the United States, most other producing countries were able to dispose of the bulk of their raw cotton supplies. Only in one instance could stocks be considered excessive—the Sudan has found great difficulty in selling the record crop grown by the African farmers. By holding out for prices which spinners regarded as unrealistic, the Sudan authorities have complicated the country's internal economy.

Stocks of cotton in importing countries increased in the season by well over 1,000,000 bales indicating a definite change in the policy of holding supplies. Consumption in Western Europe increased by 600,000 bales, establishing a new post-war record of 7,600,000 bales. In Japan and India, further gains were made and the amount of cotton consumed was nearly 1,000,000 bales higher than in the previous season. World trade in raw cotton increased by about 2,750,000 bales.

Trading in the futures markets both in Liverpool and abroad has been severely restricted by the system of disposing of American cotton supplies. The two-price method has been responsible for curbing the activity of operators and trading has rarely been for more than modest quantities. Actual sales have broadened on occasions when spinners have needed more cotton but business has been far from extensive.

Following the withdrawal of the Egyptian contract in the Liverpool market attention has been centred on the Sudan contract. For very long periods business has been at a standstill and price changes have merely reflected the reluctance of

A Policy Issued By

THE BOMBAY FIRE & GENERAL INSURANCE COMPANY, LIMITED

(Incorporated in India)

Your Symbol of Security in the Event

of

FIRE, ACCIDENT OR A MARINE PERIL

Head Office:

HENLEY HOUSE

GRAHAM ROAD, BALLARD ESTATE

BOMBAY 1

A. C. E. C. INDIA PRIVATE LTD.

(Estd. 1931)

ELECTRICAL ENGINEERS

BOMBAY :

96, Apollo Street, P.B. 893.

MADRAS :

19-21, Mukernallamuthu Street, P.B. 1636.

BANGALORE :

Silver Jubilee Park Road, P.B. 603,

ERNAKULAM :

Broadway

DELHI :

21, Duryaganj, P.B. 1486.

MOTORS.
GENERATORS.
SWITCHGEARS.
TRANSFORMERS.
CAPACITORS.
PUMPSETS.
METERS.
EXHAUST FANS.
RUBBER INSULATED WIRES
AND CABLES.
PAPER INSULATED POWER
CABLES, ARMoured OR
UNARMoured.

TELEPHONE CABLES,
ARMoured OR UN-
ARMoured.
WINDING WIRES AND STRIP.
IRONCLAD SWITCH AND
FUSE GEAR.
RECTIFIERS AND IMPULSE
GENERATORS.
INSULATING MATERIALS,
TAPES, CLOTH AND
SLEEVES.
ARMS AND AMMUNITION.

State Bank of Hyderabad

(Incorporated in India under the Hyderabad State Bank Act, XIX of 1350F. Renamed and capital transferred to the Reserve Bank of India, with limited liability, under the State Bank of Hyderabad Act, 1956.)

AUTHORISED CAPITAL - Rs. 1,00,00,000

ISSUED CAPITAL - Rs. 50,00,000

Head Office: HYDERABAD-DECCAN (INDIA)

Telephone No. 5206

MAIN OFFICE:

BOMBAY STATE

New India Assurance Building,
Mahatma Gandhi Road, Fort,
BOMBAY.

Telephone No. 255686.

MADRAS STATE

41, Lingi Chetty Street,
George Town,
MADRAS.

Telephone No. 2283.

SECUNDERABAD (Andhra Pradesh).

Rashtapathi Road.

Telephone No. 6980.

and 46 other offices spread over Andhra Pradesh, Bombay and Mysore States.

Offers complete facilities in FOREIGN EXCHANGE BUSINESS through its Correspondents and Agents throughout the world.

Sterling, U.S.A. Dollars and Rupees Travellers Cheques are also issued.

FURTHER PARTICULARS ON APPLICATION.

local customers to pay the rates quoted.

Later in the year, however, the Sudan Government adopted a more realistic attitude towards the problem of disposing of its surplus supplies. Reserve prices at the local auctions were reduced substantially and the export tax on raw cotton was halved. As a result, sharp cuts were made in the costs of yarn embodying Sudan cotton and there was a movement towards freer trade in this section after a long period of stagnation.

Labour Matters

Early in January, the negotiations between the weaving employers and unions reached deadlock on a demand for a reduction of the existing bonus on rayon weaving from 40 to 12½ per cent. The millowners contended that this premium was not realistic, as the weaving of synthetic fibres no longer presented any special difficulties. The matter was submitted to the Cotton Conciliation Committee for consideration. Lord Terrington, the Chairman, urged both sides to make further efforts to reach a settlement by joint negotiation.

Perhaps the most significant development in the field of labour relations took place when representatives of the Master Spinners' Federation and the Cardroom Workers' Amalgamation finalised an agreement establishing a new basis for hours and conditions in this section of the trade. Under the terms of the pact, all spinning employers have been urged to adopt an agreed list of fair working conditions as a minimum and an alternative wage structure is being recognised, based on work-study methods. The system can only be introduced when jointly accepted by management and operatives concerned, and requires a confirming vote by the workers involved at the end of a three-month trial.

Double-shift Working

The agreement further sets out the conditions on which double-shift working will be recognised for the first time in the spinning section of the industry. The basic arrangement is for a 38½-hour, five-day week, the early shift not starting before 6 a.m. and the last shift not ending after 11 p.m. Payment for shift work is to be at a 45-hour rate, giving a shift premium of 16.1 per cent.

In the early part of the year the cotton trade unions discussed another wage claim for spinning and weaving operators. In due course and application was made to the employers for an increase of 7½ per cent. on current earnings. Changing the pattern of the post-war trend of these negotiations, the use of arbitration was dispensed with on this occasion and round-table talks enabled a settlement to be reached.

Accordingly in July an increase of 5 per cent. on existing wages was conceded by the employers, to operate early in August. Other ancillary workers then received comparable increases, bringing them into line with the main body of the operatives.

These higher earnings were not included in the latest figures issued by the Ministry of Labour which related to the final pay-week in April. According to this source, the average wages of all cotton workers were £7 16s. 4d. a week, an increase of nearly 3s. 0d. on the October, 1956, level. Men were earning £10 9s. 2d., and women an average of £6 12s. 2d. Weaving remained a better occupation than spinning, with average wages of £7 18s. 5d. against £7 14s. 1d. In the case of

rayon weaving, the overall average was £8 9s. 1d.

Exports and Imports

For most of the year, shipments of cotton piecegoods from Britain to overseas markets remained at almost identical levels to those during 1956. In the final quarter, however, some slackening in the rate of exports was noted and there were signs that the annual figures would show a further small decline. In contrast, arrivals of cotton goods in the United Kingdom ports showed a remarkable increase, particularly those from India.

The following table shows recent trends in both export and import returns:

	Exports		Imports	
	Cotton	Rayon, etc.	Cotton	Rayon, etc.
1938	1,386,225	31,176	52,000	24,000
1941	1,783,109	69,054	340	720
1945	441,095	84,187	10	7,820
1947	532,857	96,836	100	10,980
1949	903,578	160,708	348,390	51,600
1951	864,375	217,206	278,300	99,200
1952	710,813	152,065	179,630	29,380
1953	700,806	176,326	28,640	44,400
1954	837,378	175,256	267,360	67,360
1955	554,504	133,747	299,600	65,320
1956	474,150	120,537	306,280	74,180
1st quarter	120,185	29,440	103,064	16,693
2nd "	117,028	28,574	114,725	15,113
3rd "	169,532	26,863	93,606	19,005

In the first 10 months of the year, earnings secured from exports of cotton yarn and manufactured goods amounted to £74,691,867, as against £73,415,469 in the corresponding period of 1956. Shipments of cotton cloth to the end of October amounted to 380,468,000 square yards against 391,366,000 square yards in the same period of 1956, the respective values being £50,170,863, as against £50,552,005. The average price per square yard of cloth exported was 31.65d., against an average of 30.84d. throughout 1956.

No violent changes occurred in the quantities despatched to individual markets, although there were small variations, including a drop of 7,000,000 yards in shipments to Australia. Some improvement was recorded in business with West Africa and South Africa but the trend of trade with the Indian sub-Continent was disappointing. Over the 10 months, exports to India were 5,341,000 square yards, against 8,177,000 square yards in the same period last year, while Pakistan took only 578,000 square yards against 4,284,000 square yards.

Cotton yarn exports showed a slight revival, shipments during the first 10 months of the year being 32,036,550 lbs. valued at £14,449,155 against 29,751,488 lbs. worth £12,442,188 in 1956. The average price obtained for exported yarn this year was 108.24d., against 101.11d. throughout 1956.

Exports of cotton yarn to India during the period were almost identical at 3,139,415 lbs., against 3,134,335 lbs. Shipments to Pakistan, however, were practically halved at 597,861 lbs. More yarn was sent to Australia, New Zealand and Western Germany, but Canada, the Irish Republic and Finland absorbed smaller quantities.

Imports of cotton yarn and manufactured goods into the United Kingdom to the end of October cost £27,880,921, against £22,020,608 in the same period of 1956. Arrivals of foreign grey cloth totalled 316,924,000 square yards, against 233,442,000 square yards last year. The feature of this trade was the sharp rise in arrivals from India from 114,097,000 square yards to 159,956,000 square yards. In the same period Hong Kong sent 57,917,000 square yards against 48,200,000 square yards and Japan

46,918,000 square yards against 28,644,000 square yards.

First and foremost among the current uncertainties must be the effect on local firms of the introduction of the European Free Trade Area project. Interest and apprehension about the idea have been growing apace, and views on the subject can no longer be shelved. The implications are obvious, and, to put it mildly, the industry is alarmed by the outlook.

As in all matters of this kind, there will be the odd company which can expect to gain from the project—particularly those with Continental associations—but, by and large, the "open-door" policy seems likely to cost Lancashire more than will be earned from the ability to cross the Channel freely.

To the minority, the European Market plan is certainly a challenge and there will still be many in the not inconsiderable industry left in Lancashire who will cause their rivals to take notice. A declining trade sometimes has the advantage by being able to forge ahead on the basis that there is little to lose and a great deal to gain. Narrowing in scope Lancashire may be, but her capacity for inventiveness can rarely be equalled, especially in the range of the new synthetic fibres and their multitudinous end-uses.

Eastern Imports

The free trade system cannot be wholly divorced from Lancashire's other great fear—the ever-rising flood of textile imports from the East. Once the threat was mainly in Britain's traditional markets abroad; they began to shrink a generation ago, so that they are now only a pale shadow of their former selves. Dealers in Africa and Asia, who once dealt exclusively in Lancashire-made cloth, now scarcely touch a yard.

For years, members of the industry, jointly, collectively and singly, have been carrying on a running fight with the Government, urging that some limitation should be placed on these arrivals. It even looked for a moment as if some agreement might be possible when the Lancashire trade mission was in India this year. Despite some optimistic reports in recent weeks, it seems very unlikely that the millowners in Hong Kong will accept any restriction on their exports.

From a profit-earning aspect, the outlook for those engaged in the cotton and allied industries is by no means as gloomy as some prophets persist in forecasting. The movement towards closer integration tends to favour the prospects of the leading combines and those units which have reorganised their structure on a more vertical basis. There are exceptions in both cases, as recent history has proved, but the companies with impressive profit records in the past should maintain their leadership when their next results are published.

Now that the trade is so dependent on the domestic market for the disposal of its products, seasonal influences become increasingly important. In this way, it is unfortunate that an autumn buying movement has not flourished in the past month or two, as is usually expected. The extensive purchases made during the summer provided a welcome turnover which would have brought even more prosperity had there been a subsequent follow-up of interest. At the moment, the vicious circle of hand-to-mouth buying, which has so often persisted in Lancashire in the past five years, is in operation again but supplies in the pipeline are thinning out and renewed buying early in the new year can be anticipated.—All Rights Reserved.

HINDUSTHAN MERCANTILE BANK LTD.

Head Office:
10, CLIVE ROW, CALCUTTA

CAPITAL

Authorised	- - - -	Rs. 2 Crores
Issued and Subscribed	- - - -	Rs. 1 Crore
Paid-up	- - - -	Rs. 50 Lakhs

BOARD OF DIRECTORS:

Sri Mungturam Jaipuria	Sri Ram Kumar Poddar
Sri Ashok Kumar Jain	Sri Manmull Bhuwalka
Sri Ranglal Bagaria	Sri Kamal Singh Rampuria
Sri Bhagirath Kanoria	

Interest on Savings Bank Account raised to
2½% from 1-7-1957

All types of Banking business transacted

Branches and Agencies throughout India

Deposits received on various terms.
Special concession on deposits from Widows and Orphans.
Loans granted on approved securities.
Terms on Application.

P. H. KOTHARI, B.Com., LL.B.,
General Manager.

THE SOUTH INDIA INSURANCE CO., LTD.

(INCORPORATED IN INDIA)
(Established 1934)

Transacts
Fire, Marine, Accident and Miscellaneous Insurance Business

Authorised Capital - - - Rs. 1,00,00,000
Subscribed Capital - - - Rs. 50,00,000
Paid-up Capital - - - Rs. 10,00,000

HEAD OFFICE:

JEHANGIR BUILDING
MAHATMA GANDHI ROAD, FORT BOMBAY

SMALL-SCALE INDUSTRIES SUPPLY OF MACHINERY ON HIRE-PURCHASE

The National Small Industries Corporation under the Ministry of Commerce and Industry operates a scheme to supply general and special purpose machines and machine-tools for the production of consumer goods and spare-parts to small industrial units on favourable terms of hire-purchase.

The Corporation has ordered for and holds in stock large number of following general purpose machines for meeting the increasing demand from small entrepreneurs in the country:

Hand Shearing Machines, Valve Refacer.
Surfacing and Thicknessing Machines.
½" and ¾" Bench Drilling Machines.
Imported Electric Motors for AC 440/3/50 and 220/1/50 from .61 h.p. to 49 h.p. with Starters.

Shaping Machines, Wood Working Lathes.
Motor Driven Road Saw.
Welding Sets, Power Presses.

Small Industrial units having an outlay not exceeding Rs. 5 lakhs and employing less than 50 persons if operating with power and less than 100 persons if operating without power can avail of this facility.

Special concessions are offered to Industrial Co-operatives.

For detailed information and application forms write direct to the National Small Industries Corporation (Bombay) Private Ltd., Janmabhoomi Chambers, 5th Floor, Fort Street, Bombay; the National Small Industries Corporation (Calcutta) Private Ltd., 23, Camac Street, Calcutta; the National Small Industries Corporation (Madras) Private Ltd., 15, Mowbrays Road, Madras-18 and the National Small Industries Corporation (Delhi) Private Ltd., 95, Sundar Nagar, New Delhi, or the State Director of Industries, or the Regional Offices of the Small Industries Service Institute at Bombay, Calcutta, Madras and Delhi or to their branch offices and extension centres at Allahabad, Ludhiana, Trivandrum, Hubli, Hyderabad (Dn.), Rajkot, Indore, Patna, Agra Cantt., Gauhati, Trichur and Cuttack.

The National Small Industries Corporation (Private) Ltd.

Rani Jhansi Road, New Delhi

A GOVERNMENT OF INDIA CONCERN

MYSORE LAMPS

Best in the Market



AWARDED GOLD MEDALS AND CUPS AT
SEVERAL EXHIBITIONS
UNDER GOVERNMENT OF INDIA RATE
CONTRACT.

All Types of Lamps Manufactured

**THE MYSORE LAMP WORKS
LIMITED**

MALLESWARAM, BANGALORE 3

Telegram: "MYSORELAMP"

Telephone: 2026

FOLLOWING the analogy of naming an Age after a commodity because of its decisive influence on human history—such as bronze and iron—ours may rightly be described as the age of fossil fuels. As long as man had to rely on his own muscles and those of animals to produce the basic necessities of life, his standard of living scarcely rose above the subsistence level. On the other hand, once he learnt to utilise the sources of chemical energy supplied in various forms by nature, and change chemical energy into machine energy, progress took wings. The distinctive characteristic of our age—a steady rise in the standard of living of people practically all over the world—is due almost entirely to an increasing consumption of fossil fuels—coal, and oil, as sources of energy.

Nor is this to be wondered at. To use chemical energy is to multiply a country's labour force many times—a labour force which consumes nothing but itself. For instance, the energy available from America's current output of petroleum is computed to be equivalent to the work of about 2,500 crores able-bodied human workers labouring eight hours a day, five days a week. In other words, it gives that country an additional labour force which is about 11 times the world's population.

In the U.S.

According to authoritative statistics, the amount of energy required to support America's extremely high standard of living today is equivalent to that which would be obtained if 50 pounds of coal were burnt every day for every person in that nation. Actually, this huge supply of energy comes from coal, petroleum, natural gas and water-power, but, in the absence of other fuels, it would be necessary to consume nearly nine tons of coal each year per person in order to maintain America's present mode of life. To bring the other countries of the world to the present industrial level of the United States, producing goods at a per capita equivalent of the present productive rate in the U.S.A., it would require energy at a rate equivalent to the burning of 30,000 million tons of coal per year. In other words, more than a ten-fold increase in our present rate of energy production from fossil fuel would be required in order to support the nations of the world at the present American level.

Placed against the background of world consumption of energy, it is calculated that the United States, with 7 per cent. of the world's population, accounts for 51 per cent. of the free world's current fuel consumption. This is more than eight times as much per person as the average for the rest of the world. As a result, the United States produces two to four times as much goods per labour hour as even the most highly industrialised nations of Europe.

By contrast, the per capita energy consumption rate in an industrially backward country like India is woefully low. The consumption of commercial energy in this country is in the vicinity of 0.1 ton of coal equivalent per head per annum which is roughly one-hundredth part of the consumption of the United States, one-sixtieth of the per capita consumption in the United Kingdom, and one-twelfth of the world average rate.

Deploping the industrial backwardness of our country, Prime Minister Nehru has often pointed out that animal dung still continues to be the major source of our energy supply. Actually, 80 per cent. of India's energy requirements are at present obtained from animal dung, wood, agricultural waste and from

OIL—AN INDUSTRY WHICH POWERS PROGRESS

By A Correspondent

living energy, both animal and human. The more efficient sources of energy such as coal, oil and electricity, which are the lifeblood of our industrial activity, account for less than 20 per cent. of the energy requirements of the country. While this low rate of energy consumption underscores heavily our economic backwardness, it, at the same time, emphasises the tremendous scope for expansion in the demand for energy.

It is well to note that the growing demand for energy is not peculiar to India, but is part of a world trend; the contributing factors are the increased use of energy per head superimposed on an increasing world population which is itself rising at a compound rate.

From 150 crores in 1900, the world population has grown to more than 260 crores today and it is probable that at least another 100 crores will have been added by 1980. But the rate at which energy demand is increasing and is likely to continue is at least three times the rate of population increase. This means that the total world energy demand will have increased to at least double, equivalent to about 6,000 million tons in terms of coal, by 1980.

Even in the United States, which is already highly industrialised, the per capita energy consumption is increasing. For instance, in the past 15 years, the amount of energy used has approximately doubled itself, and almost the whole increase has been supplied by oil and natural gas. It seems likely that, by 1960, it will probably be 25 per cent. above the 1950 level, and by 1975 the increase might well amount to 60 per cent. Taking into account the indicated population increase, this would mean that the total energy expenditure in the United States might increase by one-third by 1960 and be nearly doubled by 1975. By that year, the U.S. might well be consuming energy at a rate equivalent to burning 2,300 million tons of coal per year—nearly the present rate of consumption for the whole world.

Other Countries

The rate of increase of energy consumption for the rest of the world will probably be far greater than this, particularly if major efforts are made to industrialise the underdeveloped areas. We can see from the experience of some countries in the East, notably Japan, that it is possible for energy consumption to rise with enormous rapidity. Between 1930 and 1939, energy consumption in Japan increased by 70 per cent.; it is expected that, by 1975, it will be double the 1950 level. It is quite possible that, once industrialisation is well under way in India and China, South America and Africa, fuel consumption in all these areas will double every 10 years.

In looking at the energy consumption picture, it is well to note that consumption of coal, though steadily increasing, has not kept up with the rapid expansion of oil. From the beginning of the machine age, coal has been our most important source of energy. By 1950, approximately 80,000 million tons had been removed from the earth's mines, of which 50 per cent. had been removed and consumed since 1950, and 75 per cent. since 1900. In 1948, coal was mined throughout the world at the rate of 1,600 million tons a year. Yet, the relative contribution

of each energy source to the total by 1950 showed that coal had dropped from a major position of supplying nearly 80 per cent. of the total energy to less than 30 per cent., while oil had climbed from approximately 12 to well over 40. Almost half the energy in the world used today comes from petroleum and natural gas. Oil is taking such a rapidly increasing share of the burden that it alone will treble its demand by 1980 and at least 200 million tons of oil annually will be required to be produced.

Best Energy Source

The great importance of oil in the present world economy arises not only from its large contribution to the total energy supply but also from its role as the source of liquid energy and from its versatility as a raw material. One of the advantages of liquid fuel is that it can flow easily in pipes and can be just as easily moved and fed in machines. It presents no problem of ash disposal and contains a very high amount of energy in relation to its weight. For example, a pound of gasoline contains a fourth more potential energy than a pound of coal and two and one-half times as much as wood. It is these qualities which make liquid fuel from petroleum the best energy source for transportation now available.

It is to the pre-eminent suitability of oil as a source of energy, coupled with the growing world demand for energy, that the continuous dynamic growth of the oil industry since its inception nearly hundred years ago, can be ascribed. Since the end of World War I, the demand for petroleum products increased at an average rate of 6 per cent. a year in the United States, and the period following World War II saw the same annual average gain maintained. The demand growth persisted, despite a world war, a major depression and several economic recessions. Incidentally, long-range forecasts on oil demand have persistently fallen short of the mark, because they were based on estimates of future population growth which were too conservative. Moreover, there was usually the mistaken assumption that the overall economy was nearing maturity and, finally, the failure to attach sufficient weight to the future technological progress which was to develop new uses for petroleum.

In the rest of the free world, the demand picture is equally reassuring. Demand for petroleum in the free areas outside the United States has been rising at an average annual rate of 7.5 per cent. since 1920, and this was accelerated in the post-war period, averaging 11.1 per cent. per annum. In the last eight years in India, the average offtake of petroleum products has been increasing every year by nearly 10 per cent. During the past period, the total industrial energy consumption has risen fairly steadily at an average of slightly over 5 per cent. per annum and petroleum products are accounting for a steadily increasing proportion of the total energy requirements of the country. As against coal contributing nearly 86 per cent. and oil 10 per cent. in 1948, petroleum today supplies 17 per cent. and coal 80. At a conservative estimate, the demand for oil in India is expected to approximate 47,000,000 barrels per year by 1960, representing a 50 per cent. increase over 1955. It is safe to say that, if we are to

continue economic and social progress, we must have an abundant supply of energy. And, since there are economic limitations to the expansion of solid fuels, petroleum will be called upon to satisfy much of the increase in energy requirements.

The inescapable conclusions that can be drawn from what has been said before are, first, that the total energy consumption the world over will continue to rise at an accelerated pace. Next, the rate of increase is more than likely to be relatively higher in the case of underdeveloped countries, and, finally, the petroleum industry will have to carry an increasing share of the burden of meeting the energy requirements of the world.

The development of petroleum industry in any country, therefore, is much more than a matter of national pride. It is the precondition to the development of a sound basis for economic progress. But the development of the petroleum industry is far from easy. Each one of its five major phases, namely, exploration, production, refining, marketing and transportation, is a highly complex industry in itself. Each calls for a pool of highly trained specialists and technicians, tremendous investment in money and material, and, above all, a stable political and economic climate in which to operate.

In India

Some of the formidable problems which pose before the oil industry will be clear when we consider the situation in India. Although India's association with the petroleum industry has been long, it was, until recently, in the capacity of a consumer. Apart from a very small quantity of crude oil produced and refined in Assam which, incidentally, was enough to meet only a fraction of the nation's requirements, the oil industry in India was confined to just one phase—marketing. A major step was taken towards the development of the oil industry in India in 1950, when the search for oil was carried beyond the borders of Assam, as Standard-Vacuum commenced a geological survey by field parties in West Bengal in 1950. That was the beginning of a costly, risky venture. The odds against the oil hunter in an unproven area—any area where oil has not been found before—like West Bengal, are ten to one. And even the only successful well is not likely to produce enough oil to pay out the total investment. Based on statistics, there is only one chance in 44 that the new field will fall within the million-barrel category which, as oilfields go, is quite small. The chances of finding a 10-million-barrel field are only one in 243. The success ratio plunges sharply to a mere one chance in 967 that a really major field—50 million barrels or more—will be discovered. Records show that one major oil company drilled more than a hundred dry holes before striking a substantial oilfield. However, the odds in West Bengal, as was pointed out by the General Manager of Stanvac's Producing Operations, Mr. T. T. Conger, in announcing the spudding in of the first test well in May this year, are more close to 20 to 1, in view of the absence of geological data which are available in many other areas and by the fact that the nearest producing well was 300 miles away. While it is true that scientific devices and new techniques have been developed to help the oilman in his search, nonetheless, the old adage of oilmen that only the drill finds the oil still holds good. The scientific instruments and latest techniques can do little more than narrow down the range of search. For no device or method has yet been discovered which can predict with any



With Compliments from

KAMANI ENGINEERING CORPORATION LTD.

KAMANI METALS & ALLOYS LTD.

MANAGING AGENTS:

KAMANI BROTHERS PRIVATE LTD.

32 NICOL ROAD, BALLARD ESTATE
BOMBAY-1

THE BANK OF BARODA LIMITED

(ESTABLISHED: 1908)

Head Office: BARODA

SAVINGS BANK ACCOUNTS INTEREST 2½ %

1. Interest allowed at 2½ % p.a. upto Rs. 1,00,000.
2. Withdrawals allowed once a week without limit and without notice.
3. Operation by cheques also permitted.

Banking business of every description including Foreign Exchange business transacted.

Executor and Trustee Business undertaken by Bank's Bombay Office.

BRANCHES IN IMPORTANT TOWNS IN INDIA
AGENTS AT IMPORTANT FOREIGN CENTRES

OVERSEAS BRANCHES:

LONDON (U.K.),
NAIROBI, MOMBASA, KAMPALA AND
DAR-ES-SALAAM (B.E. AFRICA)

N. M. CHOKSHI,
General Manager.

PLANTING AGENCIES

1. RUBBER
The Cochín Malabar Estates Ltd.
The Thirumbadi Rubber Co. Ltd.
2. TEA & COFFEE
The Kilkotagiri Tea & Coffee Estates Co. Ltd.
The Ouchterlony Valley Estates (1938) Ltd.
The Peria Karamalai Tea Produce Co. Ltd.
Barwood Estates Private Ltd.
Chembra Peak Estates Ltd.
Cowcoody Estates Ltd.
Kumergode Estates Ltd.
Kodanaad & Curzon Estates
The Savamalai Estates Ltd.
The Kalasa Tea & Produce Co. Ltd.

TEXTILES

3. THE CAMBODIA MILLS, LTD.
5. CASHEW PRODUCTS
Mangalore (3), Kozhikode (2), Tellicherry, Quilon
7. COIRMATTING
Cochin, Kozhikode, Alleppey, Kalavur
9. PRINTING PRESS
Kozhikode
10. TILES AND BRICKS
Mangalore
11. SHIPPING

FACTORIES

4. BALING PRESS
Cochin, Kozhikode
6. COFFEE CURING
Mangalore (2), Kozhikode, Coimbatore
8. FERTILIZERS
Kozhikode, Mangalore, Pollachi
12. SEA & AIR PASSAGE BOOKING
13. PETROLEUM PRODUCTS
14. RECEIVING & FORWARDING
15. PAINTS
16. ESTATE SUPPLIES
17. INSURANCE
18. GORDON'S COFFEE MACHINERY

PEIRCE, LESLIE & CO., LTD.,
(INCORPORATED IN ENGLAND.)
COCHIN, KOZHIKODE, TELLICHERRY,
COIMBATORE, MANGALORE, ALLEPPEY & QUILON

degree of certainty the presence of oil in an area before drilling.

Some of the methods used by Stanvac in an effort to decide the precise spot on which to drill the first test well included aerial magnetometer survey, seismic and gravimetric work. It started, as we have noted earlier, with a reconnaissance geological survey by field parties, which attempted to cull as much information as they could from evidences on the surface such as exposed rocks. This work was carried out with greater details, in each succeeding dry season, right upto 1955.

In order to obtain some confirmation of the findings of the field parties, an airborne magnetometer survey was begun in 1951. With the help of the magnetometer, oil scientists study variations in the earth's magnetic field caused by different subsurface formations.

The Standard-Vacuum airborne magnetometer survey is a good example of how modern technology can help speed up the work of the oil seeker. If the same preliminary survey had been made by magnetometer parties travelling on ground, it would have taken five crews at least five years and cost probably five times as much as it did by the new airborne method. All that this survey—it cost nearly Rs. 19,06,000 and took 10 months to complete—could possibly tell was whether or not the sedimentary rocks were of sufficient thickness to justify further investigations for oil possibilities.

Extensive surveys by the gravimeter for over two years followed the aerial magnetometer survey. Gravimetric surveys enabled the Stanvac geologists and geophysicists to measure the difference in the density of subsurface formations. The clues that the gravimeter, a mass of delicate parts and jewelled bearings, disclosed to the trained eye of Stanvac scientists was the presence of possible oil-bearing structures.

Seismic Work

Following the gravimetric survey, seismic work was taken up in November 1954. In a matter of months, nearly 90 per cent. of the 10,000 sq. mile area, which had been marked out after an extensive study, was covered by preliminary seismic survey. At one stage, the seismic crews were covering roughly 100 miles per month. This rate of progress, which was good by any standards, was the more remarkable in view of the adverse climatic conditions prevailing in West Bengal for this kind of work.

And yet, in spite of the long searching investigations carried out by a body of highly skilled, trained and experienced scientists using every device known to science, the result of the drilling of the first two test wells merely confirmed the statistical pattern that only one well in 10 was a producer. Although the results were not unexpected by the oil technicians, the fact remains that the first two test wells in the history of West Bengal joined the large number of dry wells drilled all over the world on which much time, money and energy had to be spent. To date, the Stanvac organisation has spent a total of Rs. 2,62,55,000 without the least assurance that the money will ever be recovered. But, as Mr. T. T. Conger had pointed out in his statement announcing the commencement of drilling of the first test well in West Bengal, the failure of these test wells did not by any means indicate the abandonment of the project. Actually, work now goes on in the third site with the hands of the technicians substantial-

ly strengthened by the data collected during the drilling of the first two.

Though the uncertainty which attends the exploration phase of the oil business may be absent, refining too has a host of problems and is equally complicated and expensive. The extent to which detailed study must precede even the selection of site for a refinery was best illustrated by the study made by a survey party prior to the construction of India's first modern oil refinery—the Stanvac Bombay Refinery. Although the dedication ceremony of this refinery took place in June 1953 and the formal opening little over a year later, extensive research relating to every detail commenced in 1948 when the survey party arrived in the country to select sites for refineries in India.

The Problems

The question of location and the related problems are by no means the only ones that have to be studied in minute detail. The designing of a refinery usually starts with a thorough study of the crude oil that the refinery will process, including the character of the products that can be made from it. Then comparison must be made between the products with the specifications that the market demands. The next major step is to decide on the refining methods that will give the most saleable products at the lowest costs. Weeks and months are spent in the laboratory, the design department and the drafting room before construction work can begin. The key word of this period of design is "specifications," for the designer must consider the specifications of the crude oil to be refined and of the products to be made and must then draft specifications for the plant and its equipment.

Meticulous care in designing is taken to ensure that every still and tower and tube and condenser is so designed that the proper amount of material will move at the required velocities, that the proper temperatures are maintained and the right amount of heat supplied here or subtracted there, that hot materials interchange their heat with colder ones so that fuel is saved, that the most favourable pressures are maintained and that the equipment is strong enough to stand them, that all operations are as nearly automatic as may be and that the danger of fire or explosion is minimised. Every pump and valve and fitting has to be selected for its special purpose. A steam plant, an electric plant, a fire-protection system, tankage for storing products, railway sidings and loading racks, water-supply—all these must be carefully figured out from fundamental data.

By the time this phase is over, hundreds of blue-prints are ready showing in minute detail every structure and every piece of equipment in the refinery. The refinery is there on paper, so to speak, ready to be converted into fabricated iron and steel, copper, bricks and mortar, and cement.

Among the major economic problems refiners face is the need for almost continuous expansion. Since the demand for finished petroleum products keeps mounting, refiners find it necessary soon after the construction of the plants, to expand either the refining capacity or set up additional units to manufacture a new product or both. Thus, the Stanvac Bombay Refinery has had to invest Rs. 1,30,00,000 on its expansion programme since the refinery went on stream.

A difficulty of great magnitude is the matching of the output of a refinery to the market demand. This is because of the fact that the pro-

portion of the yield of the different finished products from a given barrel of crude is fixed within certain limits. Despite the advance of technology, a refinery often finds that it is short in certain category of products while long in others. This problem has beset refiners from the early days of the oil industry. In those days kerosene was the principal product and gasoline had no market. Yet kerosene could not be produced without yielding some gasoline in the process. Safe dumping of the unwanted gasoline was quite a headache before the advent of the internal combustion engine. Later, when the number of automobiles increased with leaps and bounds in Western countries, the difficulty was to produce enough gasoline, without flooding the market with kerosene in excess of the demand. For, in 1918, a barrel of crude oil would yield roughly 25 per cent. gasoline and 13 per cent. kerosene, 53 per cent. diesels and residual fuels with 7 per cent. accounted for other products and losses. But for the advance in technology which enabled the refiners to extract as much as 43 per cent. gasoline out of a barrel of crude, the world's demand for gasoline could not have been met. Such advances in technology have helped to minimise, but not eliminate, the problem of comparative imbalance between the demand and supply of different products. In India, for instance, where the market for kerosene is large and that for gasoline is comparatively small, enough kerosene for the country cannot be produced within the country without producing gasoline in excess of the country's requirements. Thus, the Stanvac Bombay Refinery finds it necessary to export gasoline from India. It is a matter of much more than passing interest that, with these exports, a new item has entered in the export trade of the country. But, if export seems to be the obvious solution, from the refiner's point of view at least, it is not a simple one. More often than not, many refineries situated in different parts of the world might find it necessary to concentrate on one and the same export market for the same or the same range of products, with the result that each has to overcome very serious competition.

Gigantic Task

Great as may be the twin jobs of producing crude oil and of transforming it into finished products, the task of distributing and selling the product is even more staggering. How gigantic the task is will be realised when it is remembered that a large marketing organisation such as the Standard-Vacuum sells not one but half a dozen major products, not to speak of a host of products with a limited market. Some are distributed in bulk, some in small packages; some are delivered into the tanks of the individual consumers' cars and others sold in bottles. The customers for some products such as industrial lubricants are few in numbers, many of whom buy large quantities, and, at the other end of the scale, there is kerosene for which there is a very large number of customers, most of whom buy only in small quantities.

The distribution and marketing of petroleum products include their physical transportation, storage, handling, and delivery; the study of market requirements; the development of equipment and appliances for transportation, dispensing, and utilisation; sales efforts; planning and budgeting; and credits and collections. Many petroleum products are manufactured far from centres of consumption. Therefore, in order to avoid delivery pile-ups and delays, the wholesaler must maintain substantial inventories of

products for ultimate sale to consumers and resellers.

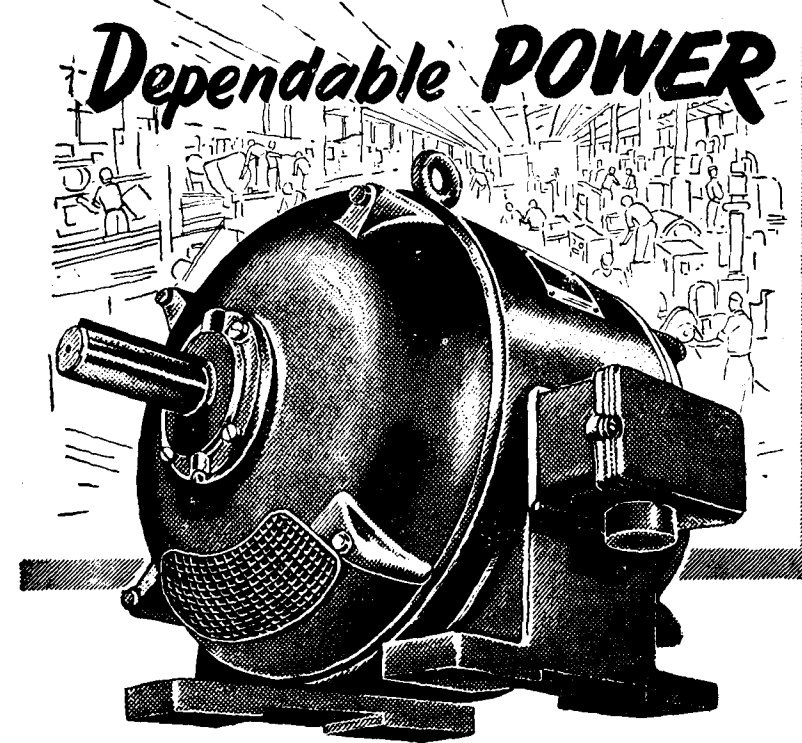
As a background to the marketing situation, it is important to appreciate that, although the outlook for oil demand is bright, supplies continue to outstrip demand. This situation is likely to remain as long as the various companies engaged in exploration, production and refining are left to follow their traditional policies of expansion. Because oil supplies are ahead of demand, all marketers are keen sellers, engaged in severe competition in the market on prices, quality and service. The coverage has necessarily to be extensive, so that customers not only in big cities and towns, but even a tiny hamlet, can be kept adequately supplied. Any marketer, large or small, must have a distribution system consisting of ocean terminals and up-country depots, and supported by a large army of independent distributors and resellers. But no matter how well planned the distribution system is, and how good the products are, oil cannot be sold by anyone sitting in an armchair. Field staff of oil companies, therefore, travel millions of miles every year using every conceivable form of transportation, ancient and modern.

Distribution

Distribution methods cannot, for obvious reasons, be uniform, and as can be well appreciated, the system in India differs from those set up in the more highly industrialised countries of the West. The distribution system here is based on the fact that the major quantity must be carried by railways and the possibilities of large-scale movement by road transport are limited. Very often oil products have to be transhipped from broad- to narrow-gauge railway or vice versa, and at times it takes a consignment of one tank wagon a fortnight to reach from a distribution point to its destination. Moreover, provision has to be made for the wide fluctuations in demand in certain seasons.

All this adds up to the need for the establishment of extensive stock points at ports, towns, railroads and railway junctions and transhipment pumps. Usually, these depots contain tankage for a complete range of products and an adequate buffer stock to take care of the seasonal rise of demand. It is obvious that only long-range planning and the establishment of the physical network to cover a vast area can ensure that the market is kept supplied with the products so vitally needed by the community. Judged by any standard, the task of keeping consumers spread over more than half a million villages of India is a formidable one.

Some idea of the extent to which new facilities must be established to keep up with the rising demand, can be gained from the fact that, in 1956, Standard-Vacuum had to invest Rs. 1,06,54,000 on its expansion and modernisation programme of the marketing organisation alone. In fact, in the last five years ended 1956, the Stanvac interests invested a total of Rs. 23 crores, which is approximately three times the organisation's net profit in the corresponding period. Such investments can only be recovered over a long period, and, by making them, the Stanvac organisation has demonstrated its faith in India's future. No doubt this has been inspired by the fact that India has remained one of the most stable democracies in the whole of Asia and it can be expected that, given the economic incentives, there will be continued expansion in this country of an industry which powers progress.—All Rights Reserved.



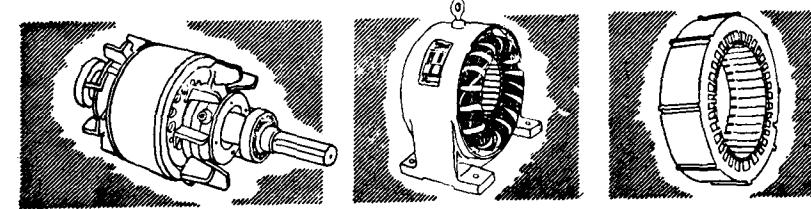
BEHIND THE WHEELS OF INDUSTRY

Orient Industrial Motors are precision built from the highest quality materials to give high performance and long service. Liberally designed, these motors have a high overload capacity and are capable of withstanding severe punishment.

Best insulating materials are used both in the slots and on the windings to give long life.

Dynamically balanced pressure die cast rotors are truly indestructible. Uniform forced draft ventilation system keeps belt dust away from the rotor.

These and several other features make **ORIENT** motors truly **DEPENDABLE**.



ORIENT GENERAL INDUSTRIES LTD. CALCUTTA-11

DISTRIBUTORS:

Messrs. **OPTIMUM CORPORATION**, 18, Hamam Street, Fort, BOMBAY
Messrs. **ELECTRICAL ENTERPRISES**, 7-G, Clive Row, CALCUTTA-1



With the establishment
of new Industries,
ICI gives a pledge of faith
in the future.

ICI has given solid proof of its faith in the future of India. Numerous projects have been investigated and capital has been invested in schemes where local conditions promised sound development. These are mentioned alongside.

In addition to production, I.C.I. (India) furnishes free technical advice and service on the use of the products it sells. Specialists are available to assist customers in every way. This free service ranges from training their staff to answering technical problems and even to trying to assist in marketing.

IMPERIAL CHEMICAL INDUSTRIES (INDIA) PRIVATE LIMITED

ICG 619E

PRATIBHA 5



If I WERE PAPA !..

Can you guess what I would do? I would get a good many boxes of Ravalgaon Toffee every day. I'd give you as many as you wished. What a fun it would be! No boring meals! Instead I'd live on Toffee only.



Enriched with vitamins.

Ravalgaon
SWEETS & TOFFEES

Liked by all, young & old.

SELLING AGENTS

Mrs. MOTILAL GIRDHARILAL AGHARKAR
MALEGAON, DIST. NASIK.

From Rs. 16 crores of ICI research spring new products, new techniques, improved methods and materials

Scientific research and investigation never cease in the ICI Laboratories in Britain. Specialists are constantly at work—studying, probing and experimenting. In 1956, for example, ICI spent more than £ 12 million, approximately Rs. 16 crores, in employing leading specialists in every field of research.

Basically, that is 'good business'—to keep ahead of competition and abreast of the latest developments.

The outcome of this research is, of course, universally applicable. Here, these new products, processes, discoveries and techniques are speedily made available through the medium of ICI (India). In India's fields, in her factories, her hospitals, her homes, the standards of living, of health, of technical production—all are being raised by the application of ever-changing, ever-improving methods and materials.

THE ALKALI & CHEMICAL CORPORATION OF INDIA LIMITED, RISHRA, WEST BENGAL: Produces Caustic Soda, Chlorine, Hydrochloric Acid, Zinc Chloride; 'Gammexane' brand B. H. C. Insecticides; 'Duco', 'Dulux', 'Necol' and Stoving Enamels; 'Deoxidine', 'Granodine' and 'Alocrom' pretreatment products.

A Rs. 3 crore project is under construction for the manufacture of 'Alkathene' brand of Polythene.

ATIC INDUSTRIES PRIVATE LTD., BULSAR: Manufactures Vat Dyes for the Indian Textile Industry. This Company works in association with the Lalbhai group.

INDIAN EXPLOSIVES LTD., GOMIA, BIHAR: A joint venture of ICI and the Government of India. The factory is now under construction at Gomia, close to the Bihar coal fields; it will make industrial blasting explosives.

I.C.I. (INDIA) PRIVATE LTD.: Makes at Tiljala, 'Alkathene' Film and 'Alkathene' Pipe for cold water and irrigation systems; at Sewri, Bombay, dyestuffs in suitable mixtures and packings to the exact requirements of the Indian market, and a comprehensive range of auxiliary chemicals suitable for the dyeing, printing and finishing of every known textile fibre.



INDIAN AUTOMOBILE INDUSTRY

Growth Has Been Slow, But Prospects Promising

(By A Correspondent)

THE Government of India launched its plan to promote the Indian automobile industry in 1953 following the report of the Tariff Commission submitted early in that year. According to this plan, the development of the industry was entrusted to five firms which had a manufacturing programme and a total bar was placed on the import of built-up vehicles not covered by these firms. In other words, the automobile industry became a protected industry.

The beginnings of protection, however, go back to 1949, when the import of motor vehicles was allowed only in completely knocked down condition. Nine years have elapsed since then. But, unfortunately, the industry, as a whole, cannot be said to have made much progress during this period. No single type of vehicle is yet fully Indian-made and in many cases the manufacturing programme has lagged far behind the schedule. It may even be that no other protected industry has taken such a long time to establish itself firmly.

It may be mentioned here that the core of indigenous manufacture lies in the production of chassis members, crankshaft and front axle forgings, cylinder head and cylinder block. So long as these materials are not made locally from local raw materials, a vehicle cannot be truly said to be Indian-made. These are the most important parts of an automobile and, if they are made locally, the industry will not be affected in an emergency which may result in the stoppage of imports.

Causes for Slow Growth

Varied reasons are advanced for the slow rate of development of the automobile industry. Viewed objectively, this slow rate will be seen to reflect mainly the complexity of the industry and the fact that the promoters did not have at the time of starting the industry complete knowledge of the problems involved in putting it on its legs. The lack of local raw materials and of adequately developed ancillary industries, the need for extraordinarily heavy capital investment even though the output is pegged to a low level by the restricted demand and the unavailability of trained personnel—these, among other factors, have affected the progress of the industry.

This need not, however, generate any pessimism about the future, which in fact is full of promise. Those in charge of the industry now know what is required of them and they are taking necessary steps to surmount the difficulties which have hampered progress so far. Above all, there is now a strong urge to see that the industry becomes self-reliant in the shortest possible time. The public may, therefore, look forward to seeing completely Indian-made vehicles in the next few years.

This prospect must not be marred by the present foreign exchange difficulties. It is clear that the country needs more vehicles and these will have to be obtained will-nilly, despite the foreign exchange diffi-

culties. And, if the drain of the country's attenuated foreign exchange sources is to be stopped, then it is essential that the indigenous industry should be developed energetically. In this context, the Government has done its duty by assuring the industry of the foreign exchange needed by it to import the remaining plant and machinery. Once the industry stands on its own feet, the foreign exchange it will save per year will exceed all the foreign exchange spent by it on importing plant and equipment.

Raw Materials

The most important question relating to the growth of an indigenous automobile industry, as in the case of all new industries, is whether the industry will use local raw materials and whether the prices of its products will compare favourably with those of imported vehicles. In fact, these two issues are interrelated. Here, too, there are good reasons for optimism. As the foundries and forge shops of the factories, now in the process of construction, and the new steel plants are completed and the labour training schemes fructify, the prices should start coming down. The lynchpin in the price issue is the volume of production and the availability of local raw materials. The analysis of the price composition of a vehicle made in India today shows

that as much as 65 per cent. of the price is made up by the cost of raw materials such as forgings, castings and sheet metal parts. So long as these are imported, their prices are bound to be high. Once the forge shops and foundries of the automobile factories start turning out forgings and castings, their cost will be lower and consequently the price of the vehicle will decline. Fortunately, the country is self-sufficient in the basic raw materials required for the forgings, castings, etc., except in the case of alloy steel which is required in small quantities and may have to be imported for some time to come. Altogether, therefore, it seems reasonable to expect that the indigenous manufacture of motor vehicles will be accompanied by a gradual lowering of the present price level. Incidentally, the present high prices should enable a manufacturing unit to be economic in spite of the present restricted demand.

The quality of vehicles has always to be high, but the industry's responsibility in this respect becomes all the greater in view of the comparatively higher prices of its vehicles. The operator is right in demanding a *quid pro quo* for the high price he is asked to pay. He wants to be compensated by economies in the running and maintenance costs and by long service without any trouble. If the industry

does not show due regard to the quality of its products, it will have failed in one of its primary duties.

Price

The most striking development of the last few years is the mounting popularity of the diesel vehicle. Not enough attention was given in 1953 to the possibilities of diesel transport. Today, however, the diesel vehicle has come to stay. So much so that its inherent economies have made even long hauls of over 500 miles not only possible but popular. The significance of this development will be realised fully when it is remembered that, thanks to a number of causes including high taxation, road transport is costlier than rail transport. There are, of course, compensatory factors such as the absence of pilferage, saving of time in loading and unloading and the delivery of goods right on the doorstep. It is these factors plus the economy of diesel which induce many to prefer road transport to rail transport.

It should be added that, even if other conditions remain unchanged, road transport freights can be reduced substantially by popularising the truck-trailer combination. It is encouraging to note the recent observations of persons in authority on this question of truck-trailer combination and it is permissible to hope, in the light of these, that concrete steps will be taken in the near future to encourage this form of transport which will enable a bigger volume of traffic to be transported at a lower cost.

Commercial Vehicles

In the ultimate analysis the development and prosperity of the automobile industry, particularly its commercial vehicles sector, are closely dependent on the expansion of road transport. The basic need here is that of roads. Not only must roads be made where none exists today but the existing roads also must be improved. They must have an all-weather surface and they must be widened with strong culverts and bridges. Until recently, the numerous road taxes were diverted to general revenues instead of being spent on roads. Since recently, however, the Central and State Governments have been showing some awareness of the country's need for good and more roads. This need must be met more vigorously.

Apart from the lack of roads, other factors, including the railways' desire to monopolise all traffic, have hampered the growth of road transport. The amendments made to the Motor Vehicles Act do not go far enough but they are welcome to the extent they mark the beginning of a liberalising era. Much more remains to be done and it is refreshing that no less a person than the Transport Minister himself spoke the other day of the need to provide full opportunity to operators to cover inter-State routes and carry long-distance traffic and pleaded with the State Governments to reduce motor vehicle taxes and avoid double taxation. The Transport Controllers of the States who met recently at Mussoorie also urged the elimination of existing inhibitory factors so that road transport grows and expands speedily. If these pleas and recommendations are translated into action promptly, the future of both road transport and the automobile industry in this country will be very bright.—All Rights Reserved.

COPPER MINING INDUSTRY IN INDIA

Problems and Prospects

By G. A. CARVER, B.Sc. (Mining), A.M.I.M.E.

OF all the non-ferrous metals, copper can claim to be the most essential and widely known. Its usefulness has had a varied career over the centuries from the early known periods, even before the Bronze Age, to the present day's ever-increasing demand for electrical and other industries.

Although India's requirements of copper have increased rapidly in recent years, it is only within the last quarter of a century that a substantial part of the growing needs for this metal have been indigenously produced. India's total requirements today amount to approximately 40,000 tons per year, whereas the production within the country is still only sufficient to cover approximately one-fifth of this demand. Much has been said, whilst considering the requirements for the Second Five-year Plan, about expanding the production of this metal in India, and the Central Government has already disclosed its policy on the future mining of copper ore.

Due to the present limited knowledge of copper deposits in India, it is not yet possible to foresee what prospects the future holds for the country to become self-sufficient in this important metal. Deposits of copper in India occur in widely separated districts, but in only one case, namely, the Singhbhum copper belt in Bihar, has exploration of any magnitude taken place.

Origin of Copper

It is generally accepted that the original of almost all known copper deposits throughout the world is magmatic. These deposits are, therefore, usually closely connected with igneous rocks, having, according to geologists, been deposited in situ by uprising solutions penetrating the outer layer of the earth's crust.

Although copper deposits are also found associated with sedimentary rocks, the deposits at present being worked in India are associated with igneous rocks, and these deposits, the geologists tell us, were formed by the penetration of the copper-bearing solutions through small fissures in the earth's crust, where the igneous rocks have been sheared or cracked by movement of the earth's surface, due to the gradual process of cooling and shrinking. In these countless tiny fissures and shear zones, the solutions deposited their metal contents, the controlling agency in the process being relief of pressure rather than falling temperature.

Singhbhum Belt

In the Singhbhum copper belt, this theory accounts for the apparent scarcity of well-defined "shoots" of ore, and for the finely disseminated character of the metal content which, for a copper deposit, is unusually scattered, forming a low grade deposit in which much development is necessary to produce comparatively low tonnages of ore. The very "patchy" nature of the concentrations of metal in the lodes renders rapid exploration, with a view to determining the size and location of the lodes, by such means as diamond drilling, extremely unreliable and, although diamond drilling results are geologically of considerable interest, underground

exploration by driving on lode is essential before ore reserves can be computed.

This necessity to acquire ore reserves by underground development, coupled with the unavoidable necessity to carry out much of this development in the barren ground between "shoots," renders prospecting and development of the Singhbhum copper lodes a slow and tedious business when compared with the massive low-grade copper deposits in other countries, alluvial deposits or bedded deposits such as coal or iron, where comparatively rapid determination of the approximate mineral tonnages available can be made by various methods, such as drilling from surface, pitting, trenching, etc.

Costly Process

It has been amply proved in the past that the prospecting and development of the Singhbhum copper belt, apart from being very slow, is also a very costly process, which may well discourage any but the most determined organised motivated by an awareness of this country's acute shortage of copper and the urgency of thoroughly exploring their leasehold with a view to ensuring that no areas of economic value remain unexploited.

Commencing from the geologists' report that surface indications are favourable for the mining of copper, the opening of a new mine may be

divided into three separate and distinct stages. Beginning with the initial prospecting, following on to development and from there to production.

The first stage—prospecting—surface indications of the existence of the lodes are confirmed in depth by drilling bore-holes and sinking of small shafts or adits, but, due to the geological structure of the Singhbhum copper deposits, this only establishes the presence of the mineralised lodes below surface and gives no reliable information on which reserves or the economics of the problem can be assessed. The secondary or development stage consists of the sinking of further prospecting shafts or adits with the driving of tunnels underground at different levels to follow, as far as possible, the lodes at shallow depths to prove the extent and quality of the deposit at this level. This is by far the most important stage, as, on the results, the economics of the problem can, to a great extent, be assessed and small reserves built up to commence the final stage of production. One company in India has, by going down to vertical depths of over half a mile into the earth's crust, succeeded over the ups and downs of the price of this metal during the past quarter of a century and it might be presumed that this could be repeated in known areas such as Khetri, Sikkim, etc., where surface indications appear attractive, it is, therefore, necessary, when

discussing the future production of copper in India, to make a very cautious approach to the problem. It must be noted that spectacular results are most unlikely, until the economics have been proved by the building up of adequate reserves as mining operations proceed.

Provided suitable reserves of ore are available, the means for the extraction and refining of the metal, although highly technical, is a matter of simple planning. In general terms, this could be stated as adding basic extraction units, concentration plant, smelter, etc., to cater for the increasing production of the ore. Unlike mining, the refining side can be planned on a large and extensive scale at the outset, if necessary by relying on supplies of the raw material from abroad, provided indications exist that this will be replaced by local production in due course.

The economics of copper mining depend on the grade, that is, the content of copper in the ore, and the world market price for this metal. The ores so far exploited in India, according to world standards, could be classed as of low grade and are particularly poor in precious metals, which form an advantageous by-product in some other countries.

Price Trends

The world price of copper over the last few years has undergone large fluctuations, it being approximately £135 per ton 10 years ago, rising to a peak of £435 per ton in 1956, and falling in the last few months down to around £200 per ton. Similar to most marketable products, world prices of copper follow the pattern of supply and demand, but, as about two-thirds of the free world's production is in the hands of a few large companies, there is a means (if it is utilised), namely, regulation of output, at least to control prices at economic levels.

India is not alone in what is a natural desire to become self-sufficient in this metal, and she is unique in being a country that is not only rich in raw materials but has the proved ability—and, what is so important, a Government with foresight and determination—to become eventually one of the leading industrial countries of the world.

With this background, it would appear obvious that, if world prices of copper are not regulated at economic levels by the large producers, some means whereby the continuance of expansion of production in India may be encouraged will have to be devised, as, at present, the copper mining industry, whilst incurring heavy development expenditure, is subjected to an increasingly heavy tax burden. It can safely be assumed that, as the industrialisation of this country increases, so will its demand for this metal.

Two Kinds of Copper

Other than in general terms, the name "copper" by itself is inadequate to describe the metal, but normally there are two kinds, commonly known as "fire-refined" and "electrolytic." Although the classification lies in the purity of the metal, the process or manufacture in the final stages is entirely different. The electrical industries demand copper of the highest conductivity, so, in the industrialisation of a country like India, the pure metal, i.e., electrolytic copper, will be required in increasing quantities.

The copper at present being produced in India is fire-refined, with a purity of approximately 99.35 per cent. cu., but, as the main impurity is nickel, it is unsuitable for the

(Continued on page 140)

THE TRAVANCORE BANK LIMITED

Head Office: TRIVANDRUM

Under the patronage of and largely supported by the Government of Kerala.

Authorised Capital ... Rs. 2,00,00,000
Subscribed and Paid-up Capital ... Rs. 1,00,00,000
Reserves ... Rs. 26,20,000

Current Accounts are opened and interest at $\frac{1}{2}$ per cent per annum allowed on balances upto Rs. 1,00,000.

Fixed Deposits are received on terms which may be ascertained on application.

Savings Bank Accounts are opened and interest allowed at $2\frac{1}{2}$ per cent per annum.

Thrill Deposit Accounts, which enable those with limited incomes to save systematically, are also opened. Please apply to nearest branch for particulars.

Loans and Cash Credits granted on Government and other approved securities.

All types of internal and international banking business transacted.

CHIEF FOREIGN CORRESPONDENTS: Bank of America, London, New York and Tokyo, Chase Manhattan Bank, London and New York.

BRANCHES: Alleppey, Alwaye, Bangalore, Bombay, Changanacherry, Cochin, Coimbatore, Kayamkulam, Kottayam, Kozhikode, Madras, Mathur, Nagercoil, Palghat, Quilon, Tiruchirappalli, Tirunelveli, Trichur, Trivandrum.

D. R. VEDAMUTHU, General Manager.

United India

A HOUSE OF

STRENGTH
SECURITY
SERVICE

TRANSACTS

FIRE—MARINE—MOTOR

and other classes of miscellaneous

ACCIDENT INSURANCE BUSINESS

THE

UNITED INDIA FIRE AND GENERAL INSURANCE COMPANY, LTD.

"BOMBAY LIFE BUILDING"

No. 9, BROADWAY, MADRAS 1

Telegrams: "UNIGEN"

Telephone: 4241

BRANCHES AT:

(INDIAN)

BOMBAY, BANGALORE, CALCUTTA, COIMBATORE, NEW DELHI, PATNA, UJJAIN, VIJAYAWADA.

(FOREIGN)

COLOMBO, HONGKONG, PENANG, SINGAPORE, DJAKARTA.

Calicloth

quality fabrics of the calico mills ahmedabad

In the beginning, in 1880, the Calico Mills consisted of a small textile printing plant. Today, it produces 114 miles of cloth per day.

Organdie Sarees with Flock-Printed Palay, Voiles, Prints, Lawns, Shirtings and Poplins labelled 'Sanforized', Dhoties, Handkerchiefs, Towels, Mosquito Netting, Blankets, Sewing Thread.

THE MITSUI BANK LIMITED

(Incorporated in Japan)

OFFERS ITS WORLD-WIDE BANKING SERVICES to you



Head Office: TOKYO

97 BRANCHES THROUGHOUT JAPAN

Foreign Branches:

LONDON, BANGKOK AND NEW YORK
BOMBAY BRANCH

at

6, Wallace Street

Dr. Dadabhoy Naoroji Road, Fort
Telephone: 26-1298

A SCHEDULED BANK

and

Authorised Dealer in Foreign Exchange

Indian Jute Industry Has Turned The Corner

It is on the Right Road to Success

By A SPECIAL CORRESPONDENT

THE Indian jute manufacturing industry has, since the end of the last world war, been passing through a period of transition, a period characterised by inevitable processes of adjustment to new conditions. Before the war, the economic climate in which the industry operated was one of comparative calm, disturbed only by overproduction tendencies which, just before the war broke out, were beginning to be brought under control by united voluntary action and co-operation on the part of the many units of which the industry is composed. Enjoying conditions of near-monopoly, the Indian jute mills had not at this stage felt the cold blast of competition: had not, as was later to be the case, found themselves confronted with grave problems in the supply of their raw material requirements: and had not, as yet, found it necessary to consider the need for rehabilitation and rationalisation of the industry which, from the point of view of the types of machinery in use and the manufacturing techniques employed, had not undergone any significant development since its establishment in the second half of the previous century.

The war years saw no radical change in this state of affairs. True the industry had to make adjustments as it geared itself to the war effort, but these involved emergency measures such as the concentration of production in a smaller number of units, a general pooling of raw materials and stores for economy's sake, and a new pattern of production to suit the war needs of the allies. It was not until the war was over and peace restored that the industry began to see a change in the old order and the emergence of fundamentally new conditions. First of all came Indian independence, and with it the partition of the Indian sub-continent. This at once had repercussions on the jute industry, in that the manufacturing mills, situated in and around Calcutta, found themselves cut off (at least from the point of view of political geography) from three-quarters of their raw jute supplies, produced in the jute-growing areas of what had now become East Pakistan.

Indo-Pakistan Deadlock

This political development was followed, in 1949, by an economic one which was to have far-reaching effects on the Indian jute manufacturing industry, namely, the trade deadlock between India and Pakistan arising out of the latter's decision not to devalue her currency in line with the other Commonwealth countries. The inability to agree on a practical exchange nexus between the two currencies meant that there was no basis on which trade in raw jute (among other commodities) could be conducted, and the Indian mills were, therefore, faced with the prospect of a severe shortage of raw jute. At this time, well over 50 per cent. of the mills' requirements of jute came from East Pakistan. Fortunately for the trade, agreements were negotiated between the two countries in 1950 and 1951 for the supply of fixed quantities of jute at prices based on the official exchange ratio, and these arrangements sufficed to tide the Indian mills over until private trade became possible again. However, the economic ills caused by the devaluation issue were by no means confined to the raw jute sector. Centralised control of both raw jute and jute goods prices had to be resorted to by the Government of

India, in order to counteract internal inflation: the price boom to which the Korean war gave impetus fought directly against this control: and the net result was a succession of heavy increases in the rates of export duty on jute goods, designed to "mop up" what Government considered to be its rightful share of the high prices fetched by India's jute products in foreign countries. This fateful chain of events was to leave its mark on the industry. During this era, the major consumer markets for Indian jute manufactures lost confidence in the ability of the industry to ensure continuity of supplies and stability of prices, and a great deal of harm—many would say irreparable harm—was done to the industry's goodwill overseas.

Keen Competition

This period of irregularity in supplies and fluctuation in prices of Indian jute goods gave direct encouragement to two parallel developments in the industry's overseas markets, both competitive from India's point of view, namely, the growth of indigenous jute manufacture and an increased use of substitute packaging materials. No doubt both of these trends would have come in any case, whatever might have happened in this chapter of the Indian jute industry's history, as the war had created a new spirit of national sovereignty, accompanied by a desire to be free from dependence—whether political, economic or of any other kind—on other countries. It cannot be denied, however, that the Indian jute industry, which for so many years had monopolised the world markets for heavy duty packaging materials and specialised products traditionally made of jute, lost more ground to these competitive forces than would have been the case had it not been beset with so many post-war problems. The tragedy was that few, if any, of these problems were of the industry's own making. The decade following the war witnessed a remarkable expansion of foreign jute manufacturing capacity. In some cases, as, for example, the U.K. and the Continental jute manufacturing countries, it was not so much a question of expansion as of re-equipment with the most modern types of machinery: in others, it involved the establishment of small, but again mainly modern jute manufacturing units designed to cater for domestic needs: in one case, that of Pakistan, a jute industry of formidable proportions has been built up and is now offering the most serious competition to the Indian industry. Already, the Pakistan jute industry has entered the export field in no uncertain fashion and has, once and for all, made the Indian mills' monopoly of the export trade a thing of the past.

Before the war, there had already been in certain markets a break from the traditional usage of jute goods in favour of other packaging media or of new methods of handling and marketing merchandise which did not involve the use of jute or similar materials as containers. This trend was not, however, of particular significance in the circumstances then prevailing, as jute still held undisputed sway in the field of commodity packing—agricultural produce, fertilisers, cement, chemicals, etc.—by virtue of its superior qualities of strength, durability and versatility but above all because of its relative cheapness and ready availa-

bility. The privations of the war years and the channelling of jute production into war uses transformed this state of affairs and created openings for an extended use of substitute packaging materials to make good the shortage of jute containers. This in itself was not a matter of immediate concern to the Indian jute industry, as there was every reason to believe that, with the restoration of normal conditions, jute would reassert itself and win back most if not all of the ground it had temporarily lost. However, as has already been seen, events took an unfortunate turn for the industry, and the unhappy developments in the years 1949 to 1952, in particular, when high prices and difficulties of supply made jute goods definitely unattractive to overseas consumers, were to strike a telling blow to the industry's supremacy and prestige. Market research has shown that the trend towards jute substitutes was considerably intensified during this period, and, as these same conditions gave added encouragement also to the establishment and expansion of indigenous jute manufacturing industries in many countries overseas, it will be appreciated that the Indian jute industry was confronted with a grave challenge to its survival.

The preceding paragraphs, which are largely historical in content, will serve to put matters into their right perspective and set the stage for an assessment of the progress made by the industry in the slow, uphill climb towards its former position of eminence. It has been noted that the changed conditions in the immediate post-war years called for radical self-adjustment on the part of the industry. Major problems of raw jute supply had emerged which demanded a reorientation of policy: virtual monopoly in the sale of jute goods had been replaced by intense competition: and, linked with the aspect of competition, there arose the question of large-scale modernisation and rationalisation of the industry, to enable it to reduce manufacturing costs (and therefore the cost of its products) and thus block the inroads into its traditional markets.

Raw Jute

The question of raw jute supplies may be considered first. It has been widely recognised that the solution of this problem is fundamental to the prosperity of the Indian jute manufacturing industry and that, given assured supplies of jute at economic cost, the industry would be well on the road to recovery of its previous position in the world markets for jute goods. The first and obvious aim is self-sufficiency in jute, and remarkable progress has, in fact, been made in stepping up jute production in the Indian Union. From an original state of dependence on Pakistan for some three-quarters of their requirements of jute, the Indian mills in the last jute season (July 1956 to June 1957) had reached the stage where, of their total consumption of jute during that period, amounting to nearly 6½ million bales, less than 10 per cent. was imported from Pakistan, the balance being provided from indigenously grown supplies. This achievement has been made possible largely by an extension of the acreage under jute in the jute-growing areas of West Bengal, Assam, Bihar and Orissa, and, within recent years, by a significant rise in the outturn of mesta,

a fibre with properties similar to those of jute and, admixed with jute, capable of being processed and spun into a suitable yarn on jute mill machinery.

Although, commensurate with the increase in the size of the crop, there has not been any notable improvement in the yield per acre or in the quality of the Indian fibre (which is generally inferior to the best grades of Pakistan jute), these important aspects have not been neglected. The Indian Central Jute Committee, which is under the wing of the Ministry of Agriculture, has, with the full support of the Indian Jute Mills Association, been devoting increasing attention to the measures required to improve the Indian jute crop.

The Target

Following high-level consultations between the Central Government and trade representatives during the past year, present endeavours are being directed towards an intensification of cultivation by the dissemination of improved strains of seed (developed on seed multiplication farms sponsored by local Governments), by educating the ryots in the scientific use of fertilisers and assisting in the distribution of fertilisers, by encouraging the use of improved cultural practices such as line-sowing by seed drills and subsequent inter-culture by wheel-hoes, and, finally, by advising on the adoption of plant protection measures including the spraying of suitable insecticides. The target of jute production envisaged under the second Five-year Plan is 55.4 lakh bales which, together with the further increase expected in the production of mesta, should free the Indian mills almost entirely from dependence on Pakistan for part of their raw material requirements. Barring natural calamities, which cannot be anticipated and which constitute an ever-present threat to any season's jute crop, this target will almost certainly be achieved and a major obstacle to the progress of the industry thus removed.

The Price Factor

At the same time, no account of the raw jute situation is complete without a reference to the price factor. In recent years, the cost of raw jute has been out of proportion to the cost of the finished product, and this absence of a working margin between jute and jute goods prices has seriously undermined the economy of the industry, resulting as it has in financial losses for many mills. Compelled by world market conditions to maintain the prices of their products at a competitive level, the Indian jute millowners have had no choice in seeking a way out of this dilemma but to put all their energies into supporting the drive towards self-sufficiency in raw jute and, at the same time, streamlining their manufacturing processes by installing the newest and the most efficient types of machinery and generally rehabilitating their mills. How far this latter enterprise has progressed will be described later.

Since the shadow of competition became a reality, the jute industry in India has been deeply conscious of the prime necessity of making its products attractive to consumers



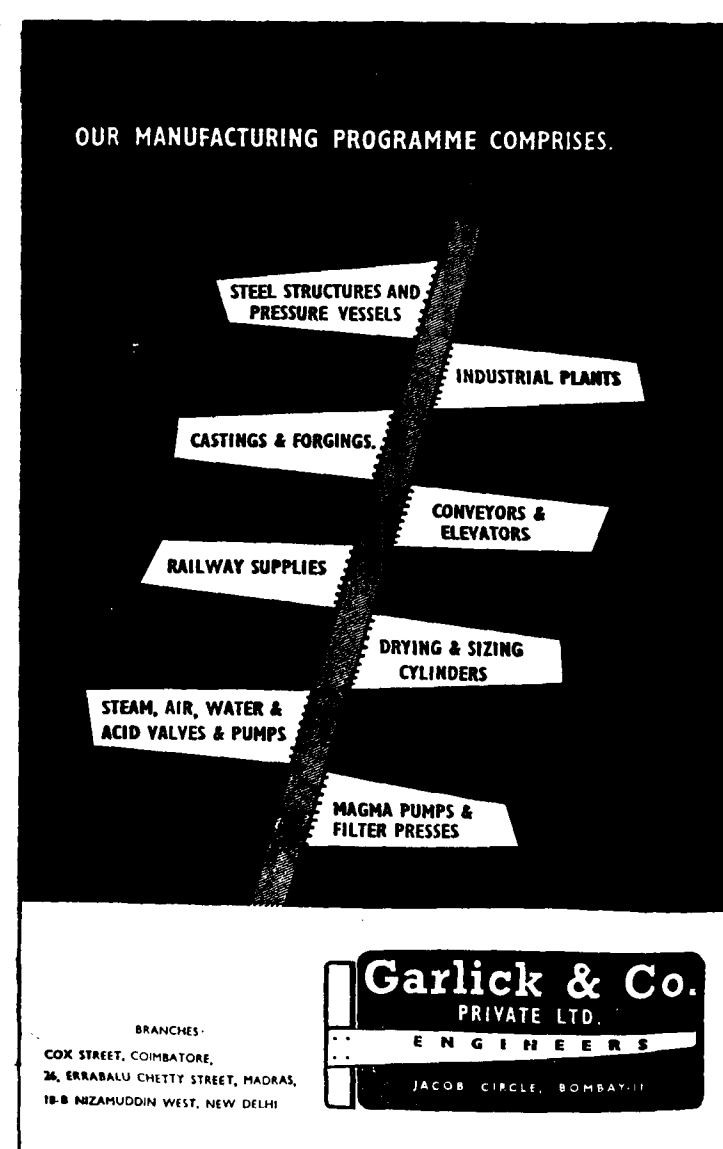
DYES
CHEMICALS
FERTILISERS
PHARMACEUTICALS
SOLVENTS &
CARBON BLACKS

Gram: 'NIRANJAN'
Phone: 38011-12

N. JIVANLAL & CO.,
PRIVATE LIMITED.

50 PRINCESS STREET, BOMBAY 2.

R.C. Adv.



from the point of view of cheapness, stability of price, and continuity of supply, and few industries of comparable size have been called upon to make so many sacrifices to achieve this object. Recent years have witnessed a return to lower and more stable price levels—but at the cost of immediate prosperity, as already mentioned—and the higher level of exports in recent years suggests that some of the ground previously lost to competitor industries has been regained. In addition, substantial expenditure has been incurred in promotional and public relations work abroad, with a view, firstly, to "selling" the fact that Indian jute products are in plentiful supply at competitive prices (as they certainly now are) and, secondly, to subsidising research into new uses for jute goods. An interesting feature of the latter work is the investigation at present being conducted in the mid-western States of America into the possible use of jute cloth as a base for irrigation canal linings. Projects such as these offer great potentialities in market development and if, by dint of painstaking research, the industry is thus able to direct its productive capacity into new outlets, this will serve to counterbalance the loss that the industry has sustained in some of its traditional markets. It is worthy of record that the Government of India has recently accorded official recognition to the value of the industry's publicity work by the grant of financial assistance to the Indian Jute Mills Association for market development.

Modernisation

Rapid strides in jute technology were made both during and after the last war. New types of jute textile machinery, involving different processing techniques, were developed, and the greatly improved efficiency obtainable from the new machinery and equipment made its installation

imperative for any jute manufacturing industry that depended on exports for its survival. The U.K. and Continental jute industries were the first to take advantage of these improved types of machinery, and, with great energy, they set about the rehabilitation of their manufacturing concerns on a large scale. India thus found herself with considerable leeway to make up in the modernisation of her jute industry, but the pace of modernisation quickened as the war receded, and the Calcutta mills were soon making rapid progress in the replacement of their plant and machinery. It is estimated that, by now, well over half of the Indian jute industry's modernisation programme has been completed, as compared with virtually 100 per cent. in the case of the U.K. and other major European jute industries, but India's achievement becomes more impressive when it is remembered that her jute manufacturing capacity is about six times that of the U.K. and roughly twice that of the entire European jute industry put together. The Pakistan jute mill industry, which did not come into being till after the war, was able to start from scratch as a modern industry, and all her mills are equipped with the most up-to-date machinery. This is another important factor in assessing the competitive strength of the Pakistan mills.

Pessimism Unwarranted

A significant feature during the past year has been the closure of some of the Indian jute mills as productive units. To see this development in its proper light, it is necessary to view these mill closures against the background of (1) the Working Time Agreement of the Indian Jute Mills Association, which provides a ready means of adjusting the mills' production in accordance with the world demand for jute

goods and which might be regarded as the cornerstone of the industry's solidarity, and (2) the need for rationalisation of the industry in the interests of efficiency. The present Working Time Agreement is the fourth of a series of such agreements entered into voluntarily by the members of the Indian Jute Mills Association from the year 1939. Essentially, it is an instrument for the regulation of the industry's production, and it operates by means of a control over the installed capacity and the working hours of the mills. It is sufficiently flexible to permit of controlled increases or decreases in output, as may be dictated by the general market situation, and, moreover, it is so clauseed as to make it possible for the productive potential of one unit to be absorbed into another. Thus, the mill closures mentioned above have not resulted in any decrease in the industry's total output, as the production quota of the closed mills has been transferred to other units. Generally speaking, the closure of the mills concerned has been occasioned by economic factors, and in the concentration of production which is now taking place, as in the progress made with the re-equipment of the mills, one can see at work the processes of rationalisation which is so essential for the future prosperity of the industry.

The Indian jute industry has, therefore, passed the cross-roads and struck out on the road which, it feels sure, will take it back to that dominating position it once held in the world trade in jute goods. There are unmistakable signs that the right road has been chosen, and, although the goal is still not in sight, the industry is confident that, if it

continues to press forward, the journey will be safely accomplished.—All Rights Reserved.

COPPER MINING INDUSTRY IN INDIA

(Concluded from page 137)

majority of the electrical industries because of its low electrical conductivity. Very small quantities of fire-refined copper are now imported into India, as the indigenous production mostly meets the demand, which is mainly used for the manufacture of brass and copper sheets, by railways, the utensil industry, etc. For some years the demand in India for fire-refined copper has remained at a comparatively steady level, but, with the growing popularity of stainless steel, aluminium and plastics, it can be presumed that the brass sheet industry is threatened and the future for fire-refined copper is limited.

However, the demand for electrolytic copper, with a purity of 99.99 per cent. cu. is increasing and statistics over the past few years indicate that, as industrialisation continues, despite the competition of aluminium-clad wires with steel reinforcement as a conductor of electricity, electrolytic copper will still be needed in larger quantities.

Planning to meet this increasing demand to a small extent has already commenced, but, with the extremely difficult mining problems involved, the results will not be spectacular, though it is to be hoped that the ultimate aim for India to be self-sufficient in this important metal will eventually be achieved.—All Rights Reserved.

COTTON IN INDIAN ECONOMY

Importance of Increasing Per-Acre Yield

By MANILAL H. PATEL

COTTON occupies a very important position in the economy of India. Production of cotton has a great bearing on employment. Cotton is an indigenous growth in India, although various new seeds from Upland cotton of American variety are being sown in India to improve the staple and character of cotton. In pre-partition years India used to grow an average crop of between five and six million bales, but a large part of the crop was of short-staple cotton. In those days, consumption of Indian cotton was round about three million bales and exports used to play a very important part in India's cotton economy. But when the Second World War broke out, export trade came to a standstill. It became absolutely necessary to grow cotton that would be mostly consumed by the Indian textile industry and to discourage such cotton as was mainly meant for export. Then came partition which took away the most prosperous cotton-growing areas of India, the Punjab and Sind, where huge funds had been spent in digging canals. The remaining portion that forms the cotton area of India had to be remodelled to suit the changing economy of the country. Thanks to the excellent work done by the Indian Central Cotton Committee, various new strains of long-staple cotton were evolved. The present crop of India represents a combination of all desirable qualities with minimum quantity of short-staple cotton.

During the period of the Second World War and afterwards, the textile industry made rapid progress. The production of Indian cloth increased considerably; the trend is still upwards. Consumption of cotton of indigenous growth which was 2,863,450 bales in 1947-48 increased to 4,665,581 bales in 1956-57. Textile industry has also increased its production of fine and superfine cloth to meet the increase in the demand for fancy goods, and the consumption of foreign cotton has also increased considerably.

The trend of increased production has coincided with the trend of increase in population and the consumption of cloth. The cotton crop in the first Five-year Plan exceeded its original target. But cotton, since the commencement of the second Five-year Plan, has met with unfavourable conditions. The crop in the last two years has been adversely affected by unfavourable weather. In the year 1954-55, cotton crop had attained a satisfactory figure. But, in 1955-56, the crop which, at the outset, promised to be 5½ to 5½ million bales, was reduced considerably by unfavourable weather during the growing period and ultimately turned out to be 4.97 million bales. This year too, the crop which, at the commencement, promised to be over five million bales, does not at present look like exceeding the figure of 4.8 million bales; there are still some uncertainties ahead. Present conditions are favourable for a crop of 4.8 million bales and with slight improvement, it can be increased by 100,000 bales. But any unfavourable trend in future might well reduce it by 100,000 bales or more. If Indian crop turns out to be five million bales, it would help the Indian textile industry to a large extent and would also make the position of the Government of India quite easy, considering that it is anxious to meet the cotton requirements of the

textile industry. In spite of recent unfavourable rains in parts of Gujarat and Saurashtra, the prospects today are for a crop of between 4.85 million bales on the lower side and 4.95 million bales on the higher side.

This year, the consumption of Indian cotton is a doubtful quantity in cotton statistics. The textile position could be improved by Government action through reduction in excise duty and also by encouraging exports of Indian textiles to foreign markets where keen competition is being felt by Indian goods both from Japanese as well as Chinese textiles. And if no such help from the Government is forthcoming in the very near future, consumption is very likely to fall by a minimum of 5 to 10 per cent. over the consumption in 1956-57.

Imports

The foreign exchange difficulties of the Government of India has been a great stumbling block for the mills in buying foreign cotton—both as regards Egyptian and Sudan, in long-staple, and East African, in medium-staple. The import of East African cotton has been curtailed to a very large extent and the mills have been buying only the American cotton under Aid Programmes for their requirements of 40s. As regards long-staple, Egyptian and Sudan varieties, the Government has been able to make arrangements with the Government of Egypt for buying some quantity of Egyptian cotton on rupee basis. But similar efforts have not yet proved successful as far as Sudan cotton is concerned. These difficulties in foreign exchange are not likely to ease in the near future. The import of foreign cotton is, therefore, not likely to be in appreciably larger quantities than what it was in the past season. As such, the pressure on Indian cotton, as far as Indian mill consumption is concerned, will always continue to the disadvantage of foreign cotton. As far as American cotton is concerned, India has got a satisfactory arrangement with the Government of the U.S.A. for purchase of American cotton under U.S. Public Law 480 and 665. There are further possibilities of augmenting the purchases of American cotton in the next year under the Aid Programmes.

American Cotton

The recent unfavourable developments in American crop as a result of untimely rains and frost in Central American States have reduced the crop by nearly a million bales to 11,788,000 bales, as against an estimate of 12,713,000 bales in September 1957. The latest prospects are for a crop of not over 11.75 million bales. This is responsible for the hardening of the American prices to the extent of nearly 2½c. per lb., as compared with the lowest levels seen in the beginning of this season. The tendency is for still higher prices for American cotton, thanks to the depleted stocks of Government, as well as smaller crop this season. Compared to the prices of East African cotton ruling today, these prices are over Rs. 100 per candy dearer. Indian mills may be compelled to reduce further their purchases of American cotton, as the prices may not be very remunerative to the spinners, compared to the prices of similar East African cottons. It will be a welcome relief to the spinners, if some arrangement is made for the purchase of

East African cotton, as the prices for this variety are comparatively cheap and attractive. Further, the position of American cotton has been made much less attractive by sudden reduction both in the reserve prices of Sudan cotton as well as in export duty of nearly 3.75d. per lb. Sudan cotton which competes with East African and Californian cotton is even cheaper than East African cotton; this reduces the prospect for imports of American cotton. However, American cotton is being purchased under P.L. 480, whereas there is the difficulty of securing sterling in respect of buying Sudan cotton.

Thanks to the untiring efforts of the Indian Central Cotton Committee, some quantity of long-staple cotton ranging between 1" and 1.1/16", has recently been grown in this country and the quantity has reached 175,000 bales this year. Further efforts at cultivation of cotton of 1½" and higher are being made on experimental basis in the Southern areas where a new Andrew seed is being developed on various Government farms. If these experiments succeed, India, according to the expectation of the Central Cotton Committee, will be able to grow a quantity of 150,000 bales before the end of the second Five-year Plan. The success of these efforts will also help save the country a very large amount of foreign exchange which will otherwise have to be spent on imports.

Duty of Government

Here, it will not be out of place if emphasis is laid on what the Government should do in this direction. The area under cultivation of cotton in India is around 20 million acres, as compared with less than 15 million acres, the area under cultivation in the U.S., this year. It will thus be seen that the acreage in the U.S. is only 75 per cent. of Indian acreage. The crop expected to be produced this year in India will be around 4.9 million bales of 400 lbs. each, which, converted into bales of 500 lbs. each, would be about 3.9 million bales, as against the anticipated crop of 11.7 million bales in the U.S. this year. It is the duty of the Government to pay serious thought to this problem of per-acre yield. A thorough study should be made by the Agriculture Department as to the methods of growing a larger crop on the same acreage. The average yield per acre in India is around 116 lbs. of lint cotton, as against 413 lbs. per acre in the U.S. Yields in Sudan, Peru and Egypt are even larger than in the U.S. If intensive farming under the guidance of the Agriculture Department is carried on in India, better fertiliser used and more care taken in watching the crop during its germination and growth, a substantial rise in the yield per acre can be realised. Even if the yield were increased by 50 per cent. through such efforts in the next five years, the farmers would receive a much larger income than what they would get by raising the cotton prices by Rs. 50 or Rs. 100 per candy. The problem of increasing the yield is the primary object of the Agriculture Department of the Government of India. But this implies intelligence and effort on the part of the farmers too.

Groups of farmers are sometimes taken round to visit the various projects of the Government of India, completed during the first Five-year

Plan, such as the Bakra-Nangal Dam and the Damodar Valley Corporation. But it would be more in the fitness of things if groups of farmers were taken down to various Government experimental farms situated in different States. There is more to be achieved if this problem receives the co-operation of the Broadcasting Department of the Government of India, which could arrange talks on Indian farming and production methods from time to time.

Short-staple Cotton

Before the Second World War, the bulk of the Indian cotton crop consisted of short-staple cotton. It was only through intensive and hard work of the Indian Central Cotton Committee that the present medium and long-staple varieties have come to be grown all over the country. However, there are still 400,000 to 500,000 bales of Bengals and Oomra-Deshi cotton grown in certain parts of the country which generally earn large amounts of foreign exchange. Assuming the consumption of Indian cotton by domestic mills at a level of around 4.8 million bales at present and the production target at a crop of about 6.5 million bales at the end of the second Five-year Plan, the production of Bengals and short-staple varieties should also be increased by a reasonable amount so that the country may maintain its traditional share in the international trade in cotton. A reasonable target would be a million bales of short-staple cotton for the time being for purposes of earning foreign exchange through exports.

From the point of view of securing adequate prices for cotton, the question of improving the quality of cotton is of vital importance. No less important is the adoption of a proper ginning and pressing process. The conditions in most of the factories, except in 30 to 40 per cent. of the total number of factories in India, are really appalling. The environment, often consisting of broken pavements with dust blowing into ginning houses and pressing houses and very poor structural protection and negligent handling of kapas and cotton at the ginning and pressing factories is chiefly responsible for the failure to maintain the cleanliness of cotton. This largely results in cotton fetching reduced prices.

In spite of great improvement in the machinery of ginning and pressing factories in the world, most of our factories are still equipped with very poor machinery. Some of our factories are a disgrace. One wonders sometimes why no Government action is taken in order to compel the owner to maintain a certain standard of machinery with a view to improving the quality of cotton. The old machinery is not only inefficient in turning out the required output per day, but is sometimes responsible for spoiling the staple and character of the cotton that is ginned. It is high time that proper legislation was enacted to maintain the purity of lint and the character of cotton.

As regards pressing factories, it is desirable that the Government accepts a standard bale and enforces it on all factories; all bales turned out in India should be of the same regular weight. In certain parts of the country, there are factories where the bales pressed are as low as 320 lbs., as against standard weight of 400 lbs. Many pressing factories in India require to be scrapped. Proper legislation in this direction should also be enacted in order to obtain a regular standard bale all over the country.

The problem of transport which has been engaging the attention of

THE RAYALASEEMA MILLS LIMITED

CAPITAL

AUTHORISED - - - - Rs. 30,00,000

ISSUED - - - - Rs. 25,00,000

SUBSCRIBED & PAID-UP - - Rs. 22,33,800

Registered Office and Factory:

RAYANAGAR

ADONI-THUNGABHADRA ROAD
ADONI-P.O.

Telephone:
ADONI 60

Telegram:
"RAYAMILLS"

MANAGING AGENTS:

THE RAYALASEEMA DEVELOPMENT CO.

RAYANAGAR, ADONI-P.O.

Senior Partners:

M. SOMAPPA and H. NARAYANA REDDY

H. SITARAMA REDDY, B.A., B.L.

Chairman, Board of Directors.

Leader in General Insurance

-NEW INDIA!

From marine and fire to accident and burglary, NEW INDIA ASSURANCE is the leader in all types of general insurance! Trusted and respected for its prompt settlement of claims, its experienced guidance and assistance, its guarantee of security and service... NEW INDIA is the best as well as the biggest!

THE NEW INDIA ASSURANCE COMPANY LIMITED

Mahatma Gandhi Road, Bombay

the Government of India is a very difficult one, particularly because the output of many commodities and requirements of the consuming public have increased considerably in the last 10 years. The rolling stock of railways have not been keeping pace with the increased movement of raw materials and finished goods from one part of the country to another, from the interior to the ports, etc. A system of transport, comprising all means of transport, including railways, waterways, sea and road transport should be evolved, so that there is complete co-ordination of all modes of transport within the country. Immediate efforts should be made to improve the roads so that movement of cotton by lorries can supplement movement by railways. If adequate facilities are granted and unnecessary tolls, police restrictions and other difficulties experienced by merchants in moving cotton by lorries are removed, road transport can help move cotton to a large extent.

The statistics relating to Indian cotton are not accurate. Government reports of acreage and crop are still based on the data of Moghul style. The first estimate of acreage is released to the public some time after the crop has already begun to move from more than half the area under cotton and even that estimate is not a complete one. The first estimate of production is sometimes available after nearly two-thirds of the crop has been marketed, and the final estimate, even though it is available after a large percentage of crop has been marketed, is still out by nearly half to three-quarter million bale as compared with the actual crop marketed. These statistics need thorough revision in respect of method of forecasting. The Government should pay more attention to the compilation of estimates and forecasts, particularly of commodities such as cotton.

In some States, the figures of actual pressing which under the Act, every press-owner is required to submit every week to the Indian Central Cotton Committee, are not at all available for a number of months and those that are available are also not regular. Is it not possible to remedy this by some legislation which makes it obligatory on the part of the pressing factory owners to see that statistics are supplied regularly and correctly to the authorities and to make the owner liable to penalty for non-compliance with the law?

We understand that the Indian Central Cotton Committee is the sole authority for the distribution of coal and iron hooks for pressing bales to the pressing factories in the country. Statistical accuracy in cotton could be achieved through stopping the supply of these vital materials to the factory owners in the event of their failure to comply with the rules for the supply of correct and regular information of the press returns. A study of the pressing returns, published from time to time, will show that some States have not supplied these figures at all, whereas some States lag behind by two to three months in the matter of filing the returns. The result is that, even at the end of the season, the estimate shows a deficiency of more than half million to three-quarter million bales as compared with the actual figures of bales marketed. A great deal of work has still to be done by the authorities before cotton statistics gain in accuracy and also become available in time.—All Rights Reserved.

NEW COTTON FOR MADRAS

Cotton farmers in Madras State are earning an extra gross profit of nearly Rs. 50 per acre by growing the new long-staple cotton Madras Uganda.

Number 2, or MCU-2 for short. MCU-2 has been found to be suitable for growing in the 60,000-acre summer-cropped area in the Madurai, Ramana-nathapuram and Tirunelveli districts of the State. The new cotton is best suited for growing in the summer season from March to mid-August in these districts. It has a staple length of 1-1/32" to 1-1/16" and is suitable for spinning 36s to 38s counts. It is considered to be one of the best quality cottons grown in this country on a commercial scale. MCU-2 yields about three-fourths of a bale of lint per acre, and gins 34 per cent. Besides, it matures within the short space of five to 5½ months, and so is ideal for growing in the summer-cropped area where paddy is sown in rotation with cotton.

LONG-STAPLE COTTON

A plan to extend cultivation of American long-staple varieties of cotton in Gujarat will be drawn up by an expert committee. The 170-CO2 and the 134-CO2M, two varieties developed in the Surat Cotton Research Farm and sown over about one lakh acres in Gujarat about three years ago, are expected to be encouraged under the Plan. These varieties are stated to be "very-much akin" to the long staple cotton now being imported into the country. Most of the cotton area in Gujarat is even now under improved short staple varieties like 2087 and Vijay. But the American varieties could yield better in quantity and prices for the farmer. Three years ago, the long staple variety fetched as much as Rs. 1,600 per candy. Since last year, there has been a decline in the area under the new cotton. In Surat District alone, where this cotton was sown over 20,000 acres, the acreage has come down to 200 this year. The long staple variety needs assured irrigation and it is hoped that with the Tapti Irrigation System having begun to function, farmers will take to the new variety.

WHAT IS REINSURANCE?

(Concluded from page 104)

ance corporations appeared in Turkey, and Chile. Since the war, all over the world professional re-

insurance facilities have come into existence. The structure has varied, State-owned institutions, indigenous joint-stock companies, branches of European concerns and in some cases national subsidiaries of the latter. In all fairness, it must be admitted that the State-owned companies have not proved impressively successful, despite their financial strength. Reinsurance in its international dealings (and to achieve one of its prime functions of spread it must be international) means trading with joint-stock companies and in most countries, the latter are sceptical of governmental trading concerns.

Position in India

It is to make a start at providing in India facilities for all categories of reinsurance that the India Reinsurance Corporation Ltd. has been set up. It is probably a unique concern, in that as a joint-stock company, established with Government blessing (if that is not a euphemism), it is owned co-operatively by all the non-life insurers operating in India. Its members have bound themselves to cede a fixed percentage of their business in all departments to the Corporation. The immediate effect of India Reinsurance establishment will be a saving overall of foreign exchange. This, in the context of India's current difficulties, is a most worthwhile achievement but it is in itself a limited objective. The dynamic behind India Reinsurance must surely be the far more worthwhile achievement of establishing in India for the benefit not only of India but of all countries in Asia the facilities and know-how, on the premises as it were, of a professional reinsurance carrier.—All Rights Reserved.

Insurance gives the protection which makes all the difference between Confidence and Insecurity



ALL CLASSES OF INSURANCE EFFECTED

FIRE, RIOT, EARTHQUAKE, LOSS OF PROFITS, MARINE, FIDELITY, MOTOR CARS, MOTOR LORRIES, PUBLIC LIABILITY, PERSONAL ACCIDENT, BURGLARY, GLASS, COURT-BONDS, BAGGAGE, AVIATION, ENGINEERING, ERECTION RISKS, ALL RISKS, WORKMEN'S COMPENSATION, ETC.



THE CONCORD OF INDIA INSURANCE COMPANY LIMITED

(Incorporated in India)

Head Office:

**8, Clive Row
Calcutta**

Tele { Phone: 22-4315
Grams: "YULINSURE"

Bombay Branch:

**Hongkong Bank Buildings
Veer Nariman Road
Bombay**

Tele { Phone: 255561 (3 lines)
Grams: "CONCORDIA"

"CROWN" IS CROWN

Use only India's Best



ALUMINIUM UTENSILS

- They are made from PURE Virgin Aluminium and, therefore, harmless to human health.
- They are made from sufficiently thick metal and, therefore, they are strong and last longer.
- There is an experience of over 45 years behind the craftsmanship of "CROWN BRAND" and, therefore, they are attractive, of modern shapes and easy to clean.
- They are easily available everywhere at economic prices.

Stockists of:

- **ALUMINIUM IN ALL FORMS SUCH AS**
Ingot — Circle — Sheet — Wire — Strip — Rivet — Angles — Channels — Tubing.
- Anodised and Multi-coloured articles in every eye-catching colour are a fashion for presentation and decoration.
- Aluminium Suitcases for school boys or air travel in all sizes are always available.

Manufactured by:

JEEWANLAL (1929) LIMITED
31, NETAJI SUBHAS ROAD
CALCUTTA-1

BOMBAY - MADRAS - RAJAHMUNDRY - DELHI - ADEN

Famous Malwa FABRICS
GREY, BLEACHED
LONGCLOTH
GREY, BLEACHED & DYED
DRILLS
CARPETS & BLANKETS
GREY SHIRTING
SHEETING
FLANNELS

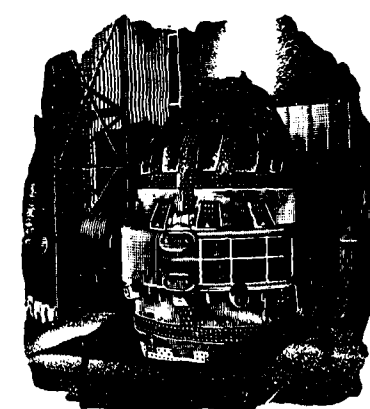
THE INDORE MALWA UNITED MILLS, LTD.

MILL ADDRESS: MILL PREMISES,
INDORE, MADHYA BHARAT.
PHONE: GEN. OFFICE — 6063
SALES - MANAGER-7007
TELEGRAM: MALWAMILL

REGD. OFF: SEKSARIA CHAMBERS,
139, MEADOWS STREET,
FORT, BOMBAY-1.
PHONE: 252214-5 AND 6
TELEGRAM: INDOREMILL



EVERY DAY IN EVERY WAY—



Bessemer Converter
at Workington plant

United Steel have supplied in the past and are supplying now, a wide variety of Steels for the development of Indian Industry and Communications.

STEEL

**SERVES EVERY ONE
OF INDIA'S
FOUR HUNDRED
MILLION PEOPLE**



THE UNITED STEEL COMPANIES (INDIA) PRIVATE LIMITED

P. B. No. 673, HIMALAYA HOUSE, HORNBY ROAD, BOMBAY I
P. B. No. 119, P. 13 MISSION ROW EXTENSION, CALCUTTA

Developments in World Wool Situation

Prices Decline—Growth in Output Arrested—Consumption Lower

By BRIAN E. RODMELL

LONDON, 30th November
THE year 1957 has been a period of transition for the wool trade. Apparel wool prices, after rising for 14 months, turned sharply downwards in May, losing most of their previous advance during the next six months, while carpet wool prices, which had been much steadier, also declined after September. Wool production attained a record level in 1956-57, the ninth successive season in which an increase has been registered. The latest estimate of 1957-58 production, however, shows virtually no advance over the 1956-57 figures, earlier estimates, which had indicated a continuing increase, having now been substantially revised. The trend of wool consumption appears little changed at first sight, figures for the first nine months of the year showing an increase over those for the corresponding period of 1956, thus maintaining the upward movement of the two previous years. Detailed figures for the third quarter, however, show a marked reduction in the rate of increase, and it appears that the expansion may now have been halted.

Apparel wool prices at the beginning of 1957 were already fairly high. They had risen through most of the previous year under the influence of increased Japanese wool import allocations, the Suez dispute, and the upward trend of world wool consumption, and had reached a level not known since the 1953-54 season. A further large increase in Japanese allocations of foreign currency for wool purchases was announced in January and, with consumption rising in the other main wool-using countries, competition for the available wool supplies became still keener, and by mid-May, had raised prices to a peak some 10 per cent. above their level at the beginning of the year. However, the closing weeks of the 1956-57 season showed a distinctly easier tendency in the market; competition slackened, as some buyers who had already covered their between-seasons' requirements withdrew from the market, while Japanese manufacturers, who had set the pace earlier in the year, became much more cautious in the light of declining domestic demand for their goods. Prices at the London July sales were nearly 10 per cent. below the mid-May peak, and little higher than at the beginning of the year.

Foreign Exchange Difficulties

The new selling season opened at the end of August under the influence of restrictive measures which had been adopted in two important wool-buying countries, France and Japan, which were encountering foreign exchange difficulties. France raised to 50 per cent. the deposits which had to accompany importers' applications for foreign currency and also introduced import licensing in June, following these steps in August with tighter credit restrictions. In Japan, a policy of credit restriction had been applied earlier in the year, and, by June this year, had already led to a fall in demand for wool goods which made woollen spinners decide to curtail production. This was followed in August by the announcement of a 30 per cent. reduction in the currency allocation for wool imports in the licensing period ended in September. It was, therefore, hardly surprising that the 1957-58 sales opened with lower

prices; these were some 5 per cent. below the previous seasons' closing rates in the first week and declined by a similar amount during the next fortnight. By mid-September, the fall seemed to have been checked, and prices rallied with the support of heavy purchases for the United Kingdom users, whose stocks were low.

Later in the month, however, came the announcement of a sharp rise in the United Kingdom Bank rate, which produced an almost immediate weakening of British competition at the wool auctions. This was rapidly followed by news of a 30 per cent. cut in Japanese import allocations for the October-March period and of the complete devaluation of the French franc, partially devalued in August, which meant that wool imports became more expensive for French mills. These developments were quickly reflected in the wool market, where the short-lived stability of mid-September vanished, and prices declined steadily until November. By the first week of that month, they had fallen about 10 per cent. below mid-September values and at least 15 per cent. below the 1956-57 close. In the latter part of November, the market steadied at this level, prices then being some 25 per cent. below the mid-May peak.

Carpet Wool

Though the prices of carpet wools were much steadier than those of apparel types, these also turned downward before the end of 1957. The timing of the downturn differed between markets, prices at Liverpool remaining firm until September while Boston quotations declined at the end of June. This reflected the differing experience of the carpet industries of Britain and the United States—the former continued its recovery from the 1956 depression, while the latter was unable to maintain the high level of activity attained in that year. Liverpool prices in January were about the same as at the end of 1956, and they remained very firm until July, with white and grey wools showing gains of up to 5 per cent. over these months, though yellows were somewhat irregular. The September sale brought some easing in the prices of white wools, but greys continued to advance slightly. In October, however, under the influence of lower apparel wool prices and the higher British Bank rate, there was a general decline of 7-10 per cent. Boston prices opened around, or fractionally above, 1956 closing levels, and remained almost stationary until June, hardening only slightly in February and easing slightly in May. Towards the end of June, there was a decline of 3-4 per cent.; some types rallied briefly in August and September, but the June values were confirmed in October, and in November some prices tended to decline further. Bombay quotations appear to have been influenced mainly by the trend of prices in Liverpool and Boston, despite larger Russian purchases of Indian wool, and that market also registered lower values in October.

Pattern of Prices

The pattern of relative prices for the different kinds of wool showed some changes during 1957. It will be evident from the preceding paragraphs that the price spread between apparel and carpet wools continued to widen during the first

five months but narrowed in the latter part of the year. Within the apparel wool group, there were also some changes in the merino-crossbred price relationship, though these were not so pronounced as in 1956. Indeed, there was very little change in the customary indicator—the difference between the prices of crossbred 46's and merino 64's expressed as a percentage of the latter. This stood at 39 per cent. at the beginning of the year and did not vary more than one per cent. either way until May; as wool prices weakened, crossbred values came down rather more slowly, so the indicator declined to 35 per cent. in the new season. This customary index, however, merely compares the prices of merinos and coarse crossbreds, and does not reveal the interesting movement of fine crossbred values during the year. Comparison of prices of 56's with those of 64's reveals a difference of 26 per cent. at the beginning of the year and only 22 per cent. in May, fine crossbred prices having risen more steeply than those of merinos. As wool prices fell, the fine crossbreds remained relatively firm, and the difference diminished further to 16 per cent. in the new season. The exceptional strength of the fine crossbreds appears to have been due to manufacturers' attempts to use them as substitutes for the more expensive merinos at a time when wool as a whole was unusually dear, and these attempts continued for some time after prices had started falling.

Production

World wool production in the 1956-57 season established a new record at 5,028 million lbs. greasy basis, which was nearly 5 per cent. larger than the revised 1955-56 figure of 4,806 million lbs. Most of the main wool growing countries contributed to this increase, the largest advance being recorded by Australia, where production rose by 155 million lbs. to 1,565 million lbs. This reflected a further increase in sheep numbers which had been made possible by favourable climatic conditions and considerable expenditure on pasture improvement. Similar factors were operative in New Zealand, and, to a lesser degree, in South Africa also, production in these countries rising by 29 million lbs. and 6 million lbs. to 491 and 320 million lbs. respectively. In the Soviet Union, the Government's economic plans require a large expansion in domestic wool supplies, and a continuing rise in sheep numbers resulted in a further increase in wool production by 19 million lbs. to 575 million lbs. Argentina, where wool production had previously been declining for several years, recorded a gain of 29 million lbs. last season with 392 million lbs., the reversal of the downward trend being partly attributable to the changes in economic policy since the end of the Peron regime. The exceptions to this general pattern of rising production were the United States, where the figure was five million lbs. lower at 300 million lbs. and Uruguay, eight million lbs. down at 180 million lbs. Indian production is believed to have remained around 72 million lbs., though some sources give a slightly higher figure.

Nearly all of last season's increased wool production was taken up by consumers. Apart from the postponement of two early Australian auctions, Dominion wool

sales and shipments proceeded smoothly throughout 1956-57. The temporary closure of the Suez Canal led to only a relatively small increase in transit times from these countries, and did not seriously disturb the flow of wool to the manufacturing centres. In Argentina, however, wool market activity fell off after the break in world wool prices in May, for there was hardly any adjustment in Argentine export prices until the *aforo** scale was revised at the end of the season. Uruguayan sales slackened even earlier as *aforos* were raised to a level where export sales were unremunerative, and it was not until after the start of the new season that *aforo* arrangements were modified and a more favourable exchange rate introduced. Turnover in the Boston and Liverpool carpet wool markets was rather restricted, the relative stability of values there being partly a reflection of sellers' preferences for holding stocks rather than trading at lower prices. The movement of wool from India was again controlled by export quotas designed to safeguard supplies for Indian mills. Quotas were fixed at 45 per cent. of shipments in the base period for established exporters, with allowances for newcomers, in both the October 1956-March 1957 and April-September 1957 periods. For the October 1957-March 1958 period, however, export licences are being granted freely against firm contracts, subject to an overall ceiling.

Supplies Greater

On a clean basis, world wool production in 1959-57 amounted to 2,870 million lbs. The quantity of wool which became available during the season was somewhat greater than this, 2,884 million lbs., for there was also a reduction in supply stocks. The net change in supply stocks was relatively small, about 14 million lbs. clean, a large reduction in United States Government stocks being partly offset by increased carryovers in Argentina and Uruguay. The United States Government stocks are held by the Commodity Credit Corporation, as a result of a former price support scheme and they have been marketed in small quantities over the last two years under an orderly release programme. Over 40 million lbs. were sold during the 1956-57 season, and less than a seventh of the original stockpile remained at the beginning of 1957-58. The rate of disposal slowed down in the new season, because of the fall in world wool values and the inferior character of the unsold wool, but the authorities cut their selling prices sharply to clear the remaining stock by the end of the year. The British Government strategic stockpile was also run down during 1956-57 to the extent of 13 million lbs. Partly offsetting these reductions is the increased carryover in Argentina and Uruguay, estimated as 34 million lbs. greater than at the end of the previous season. The end-season carryovers in the Dominions showed little change.

It appears that almost all of the additional wool supplies taken up by users last year actually passed into consumption, for the available evidence does not suggest that there was any appreciable addition to commercial stocks of wool during

**Aforos* are, in effect, minimum export prices imposed by the foreign exchange control system.

NETHERLANDS TRADING SOCIETY

(NEDERLANDSCHE HANDEL-MAATSCHAPPIJ, N.V.)



Established in 1824 by Royal Charter.
Incorporated in the Netherlands.
The liability of shareholders is limited.

Paid-up Capital Nf. 63,030,000 (£5,924,000)
Reserve Funds Nf. 51,515,000 (£4,842,000)

Head Office:

AMSTERDAM, 32, VIJZELSTRAAT.

96 OFFICES IN THE NETHERLANDS.

OVERSEAS BRANCHES IN:

INDONESIA - - - - - Djakarta (Principal Agency), Bandjermasin, Bandung, Banjuwangi, Den Pasar, Djakarta/Gambir, Djambi, Djember, Makassar, Medan, Palembang, Pamangkat, Pontianak, Rengat, Semarang, Singaraja, Singkawang, Sukabumi, Surabaya, Tegal, Tjirebon.
NEW GUINEA - - - - - Hollandia, Merauke, Sorong.
JAPAN - - - - - Kobe, Osaka, Tokyo.
HONGKONG - - - - - Hongkong.
SINGAPORE - - - - - Singapore.
MALAYA - - - - - Penang.
BURMA - - - - - Rangoon.
INDIA - - - - - Bombay, Calcutta.
PAKISTAN - - - - - Chittagong, Karachi.
EAST AFRICA - - - - - Dar-es-Salaam, Jinja, Kampala, Mombasa, Nairobi.
SAUDI ARABIA - - - - - Alkhobar, Dammam, Djeddah.
LEBANON - - - - - Beyrouth.

NEW YORK AGENCY: 62, William Street, N.Y. 5.

OWN REPRESENTATIVES IN:

GREAT BRITAIN - - - - - 27, Old Jewry, London, E.C. 2.
WEST GERMANY - - - - - 52-54, Königallee, Düsseldorf.

AFFILIATED BANKS:

GREAT BRITAIN - - - - - B. W. Blydenstein & Co.,
54, 55 & 56, Threadneedle Street, London, E.C. 2.
DUTCH GUIANA - - - - - De Surinaamsche Bank, N. V., Paramaribo.
CURACAO - - - - - N. V. Edwards, Henriquez & Co.'s Bank,
Willemstad.
ARUBA - - - - - Aruba Commercial Bank, Oranjestad.
TANGIER - - - - - Société Hollandaise de Banque et de Gestion.

ALLIED BANK:

URUGUAY - - - - - Banco de Montevideo, Montevideo.

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED THROUGHOUT THE WORLD.

BOMBAY: 14, Veer Nariman Road. CALCUTTA: 18A, Brabourne Road.

THE EMPLOYERS'

LIABILITY ASSURANCE CORPORATION

LIMITED

(INCORPORATED IN ENGLAND WITH LIMITED LIABILITY 1880)



CALCUTTA
P/35, India Exchange
Place

BOMBAY
12/14, Veer Nariman Road
Fort

LUCKNOW
4, Lalbagh Road

MADRAS
National Bank of India Buildings
First Line Beach



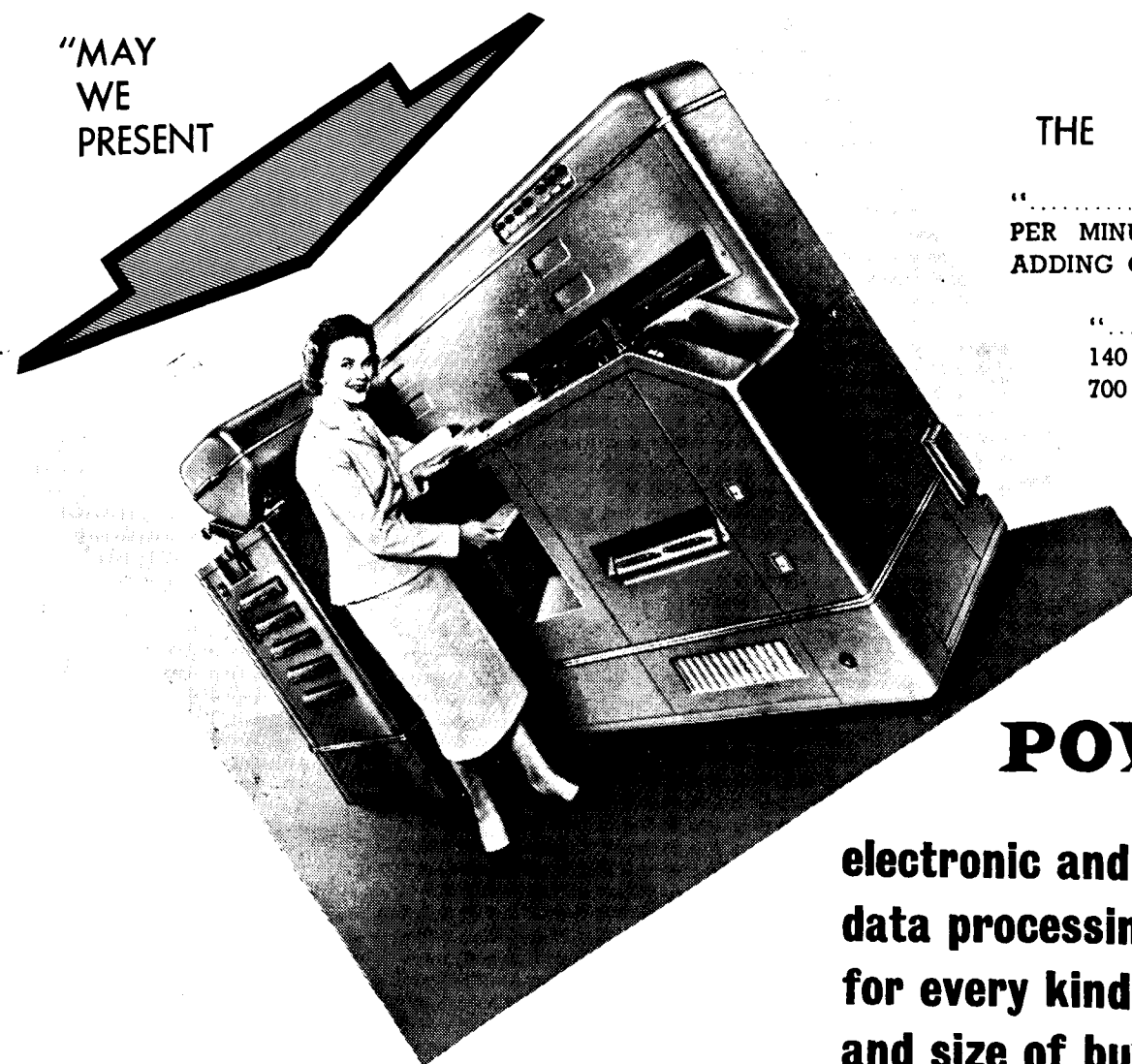
FIRE - ACCIDENT - MARINE



Head Office:

HAMILTON HOUSE, VICTORIA EMBANKMENT
LONDON, E.C. 4

"MAY
WE
PRESENT



THE SAMASTRONIC™

".....FEEDS DOUBLE-80 COLUMN CARDS AT 300 PER MINUTE AND WILL ACCEPT 50,000 DIGITS FOR ADDING OR SUBTRACTING AT THE SAME TIME....."

".....THE RECORDING UNIT CAN PRINT UP TO 140 CHARACTERS IN ONE LINE AT THE RATE OF 700 CHARACTERS PER SECOND....."

".....CONTINUOUSLY CHECKS ITS OWN CALCULATIONS....."

".....PHRASE PRINTING POSSIBLE FROM ONE PERFORATION IN A CARD....."

consult

POWERS-SAMAS

electronic and mechanical
data processing equipment
for every kind
and size of business

POWERS SAMAS ACCOUNTING MACHINES (SALES) LIMITED

A COMPANY OF THE VICKERS GROUP

2 & 3 Clive Row, CALCUTTA; Indra Palace, Connaught Circus, NEW DELHI; Khetan Bhavan, Jamshedji Tata Road, BOMBAY;
150B, Mount Road, MADRAS — SERVICE REPRESENTATIVES THROUGHOUT INDIA.

1957. Though there is an increase of 11 million lbs. in the stock total for the five principal consuming countries which have published figures of commercial stocks at the end of the third quarter, this is due to an abnormal rise in French holdings which is not likely to recur in the end-year statistics. French stocks were actually half as large again as at the corresponding date in 1956, and had risen during the third quarter, contrary to the usual seasonal movement. It is clear that stocks had been accumulated in anticipation of the complete devaluation of the French franc, and, since that occurred in October, it seems probable that stocks have subsequently tended to decline. Of the other countries reporting stocks at the end of the third quarter, Japan showed a small increase, but Britain and Belgium showed reductions compared with a year before. United States commercial stocks, reported earlier in the year, also registered a fall and it seems probable that total commercial stocks at the end of the year will prove to have been very little, if any, higher than at the end of 1956.

Consumption

Wool consumption in the principal manufacturing countries during the first nine months of 1957 was 5 per cent. higher than in the corresponding months of 1956. Since these countries account for about two-thirds of the world total, it seems probable that world wool consumption in 1957 will prove to have been above the 1956 figure, which then represented a record. Italy, which has a rapidly expanding export trade in wool fabrics, achieved the largest relative increase—31 per cent. above its consumption in the corresponding period of 1956. The Japanese industry, which benefited from increased wool import allocations at the beginning of the year, also recorded a large proportionate advance in wool consumption—21 per cent. Gains of 10.9 and 8 per cent., respectively, were reported by France, Belgium and Germany, and some increase was shown by all the other main wool using countries apart from the United States. This one exception, however, presents a very marked contrast, for United States wool consumption was 11 per cent. lower, having fallen sharply not only in the apparel sector but also in the carpet sector, which had appeared to be maintaining its activity better earlier in the year.

The figures for 1957 as a whole are, however, likely to prove rather less favourable than those for the first nine months for there has been a distinct slackening in the rate of growth of wool consumption since the middle of the year. The first two quarters each showed wool consumption 6 per cent. higher than in the corresponding quarters of 1956, but the third quarter figures represent a gain of only 3 per cent., and it is clear that, in some countries, activity was diminishing towards the end of the quarter. If fourth quarter consumption proves to be no higher than in the similar period of 1956, and if little change is found in the use of wool by those countries for which figures are not yet available, then world wool consumption in 1957 may have amounted to approximately 2,980 million lbs. clean, whereas earlier in the year it was confidently expected to exceed 3,000 million lbs.

Woolen Textiles

Figures of wool textile production in the main manufacturing countries during the first nine months of 1957 show a movement roughly in line with that of the wool consumption statistics. Increased output is recorded by every country, except the United States, the largest advances being in Italy, Japan and France. In contrast with 1956, when

the production of tops rose more than that of yarns or tissues, there were similar advances in the aggregate output of each of the main categories of wool textiles—tops and tissues each rising by 6 per cent. and yarns by 5 per cent. This, however, is not necessarily true of the production of each individual country. The United Kingdom, for instance, recorded hardly any advance in the output of tissues, while, in the United States, the fall in top-making activity was much sharper than that in the later stages of production. It is particularly noticeable that the rate of increase in output declined during the third quarter in each category, being only 3 per cent. for tops and yarns and about 4 per cent. for tissues. Three countries actually show a reduction in yarn output in comparison with the corresponding quarter of 1956, and four show a reduction in tissues.

Output

The principal developments in the wool situation during 1957 have already been listed as the reversal of the rise in prices, the halting of the growth of wool production, and the slowing of the advance of wool consumption. These changes, however, will not merely bear on the 1957 wool situation. In particular, the 1957-58 wool production figure largely determines the amount of wool available for consumption in 1958. It was at first expected that the upward trend of wool production would continue in 1957-58, an increase of 2 per cent. over last season's figure being forecast, but this prospective increase has disappeared with the latest revision of wool production estimates. A prolonged drought has afflicted large areas of Australia, the largest wool producer, and, as further months

have passed without adequate rain, the Australian wool outlook has worsened. Production there is now expected to show a fall of 2½ per cent., instead of a similar increase which had at first been forecast. Offsetting this reduction are the small gains expected in the wool production of Argentina, New Zealand, Uruguay and the Soviet Union (though the United States figure may again be lower) so that the world total should show little change. It should be noted, however, that, since the increased Russian production is likely to be retained within the Communist bloc, the volume passing into international commerce may be somewhat smaller than last year.

If, however, the easier demand conditions which have prevailed in the latter part of 1957 are continued into 1958, the wool market is unlikely to be disturbed by a slight shortfall of supplies. Some special factors have been operating to check demand. The restriction of French and Japanese purchases may be expected to continue, while these countries are experiencing foreign exchange difficulties, so revival of competition from these quarters must await restoration of their balance of payments equilibria. The high interest rate now discouraging stock holding in the United Kingdom was introduced as a deflationary measure, and is likely to be altered until inflationary pressure is relaxed: this relaxation may be facilitated by the recent decline in commodity prices.

A more general influence which has tended to check the growth of wool consumption has been resistance to the high wool prices, prevailing up to the middle of 1957—

this appears to have been particularly important in the United States, where the price of wool is further increased by a tariff. The fall in wool prices during the latter part of last year may thus be expected to stimulate consumption, though the effect may not be immediate, since wool price changes are not at once reflected at every stage of production. This year's movement in wool prices, however, is only one of the factors which will influence the wool situation in 1958. Much will depend on the level of consumer incomes, and this in turn will reflect developments outside the wool field, such as last year's fall in commodity prices and the curtailed investment plans of several countries. It would thus be unwise to predict the prospects for wool in 1958 from examination of the current wool situation alone.

Wool consumption in the free world for the July to September quarter this year was 3 per cent. higher than in the corresponding quarter last year. As compared with the previous quarter, consumption declined by 9 per cent., but this was due largely to the seasonal influence of annual holidays. The total amount of wool used by the free world during the July to September quarter is estimated at 452 million lbs. (clean). The daily rate of consumption appears to have fallen slightly between the second and third quarters of 1957. Western Germany and Italy both used more wool during the third quarter than in the second. France, the U.K., the U.S. and Japan all used less. The daily rate of wool cloth output in the July to September quarter in the chief manufacturing countries appears on the average to have risen slightly as compared with April to June, but, in combing and spinning, it is estimated that the daily rate has fallen. The output in practically all countries during the first nine months of the year was above that of the corresponding period of 1956. The U.S. was the outstanding exception.

How banking helps the MINING INDUSTRY

AN important part of India's mineral wealth is found in the South. From mines in South India come gold, magnesite, bauxite, iron, manganese and many other vital minerals.

The mining industry in South India employs about a lakh of people, and has an annual output worth Rs. 10 crores.

Banking has greatly helped the growth of the mining industry. The facilities and guidance of a good bank, such as the availability of ready funds when needed, and the collection of dues in any part of the country, are an essential part of good organisation in the mining industry.

We at Palai are proud that important firms in every field of business and industry in South India

employ the complete banking service we offer:

Current Accounts—Demand Drafts—Telegraphic Transfers—Investments—Letters of Credit—Bill Collection—Deposits—Loans and Overdrafts—Confidential Credit Reports, etc.

If you have business interests in the South, it will pay you to open an account with us. Our 25 branches are strategically located, 23 in important South Indian business centres and two in Delhi and New Delhi; and we have correspondents in all important Indian cities. We offer a comprehensive banking service at each office.

Our clients can make deposits at any of our correspondent banks, situated in all important Indian towns, and have the amounts credited to their accounts at any of our branches.



South Indian miners working on a vein of crude magnesite



PALAI CENTRAL BANK LTD.

Head Office: PALAI, KERALA

Branches at: Madras, Madurai, Cochin, Quilon, Trivandrum, Mangalore, Bangalore, etc. Also at: Delhi and New Delhi

A LEADING BANK IN SOUTH INDIA

27 Years of Banking Service THE VYSYA BANK LTD.

Established: 1930

A Scheduled Bank

Capital Authorised, Issued and Subscribed	- - - - -	Rs. 20,00,000
Capital Called-up & Paid-up	- - - - -	Rs. 11,87,940
Reserve Fund	- - - - -	Rs. 2,59,000
Deposits Exceed (as on 30-6-57)	- - - - -	Rs. 1,04,63,000

Head Office: Avenue Road, Bangalore City

BRANCHES:

Bangalore	Bellary	Chikballapur	Chintamani
Chitaldrug	Davangere	Hindupur	Kadi
Kadur	Kollegal	Markapur	Mulbagal
Mysore	Chickpet (Bangalore City)		

Madras Branch:

268-270, Netaji Subhaschandra Bose Road

DIRECTORS:

Dharmaprakas S. V. SREENIVASA SETTY, J. P. (Chairman)	
Mr. KOTA S. KAMAKSHIAH SETTY	Mr. K. A. SREENIVASA SETTY
Mr. B. L. NARAYANASWAMY SETTY	Mr. K. VENKATASUBBA SETTY
Mr. M. L. MANJANATHA SETTY	B.A.B.L.
Mr. RATTEHALLI M. RAMAPPA	Mr. YADALAM S. GOPALAKRISHNA SETTY
Rao Sahab DONTI BHEEMIAH SETTY	Major D. NARAYANASWAMY CHETTY, B.E., A.M.I.E., A.M.I. (Loco) E.
Mr. MEDA KASTURIRANGA SETTY	

TOTAL RESOURCES EXCEED
(as on 30-6-1957) Rs. 1,36,74,000

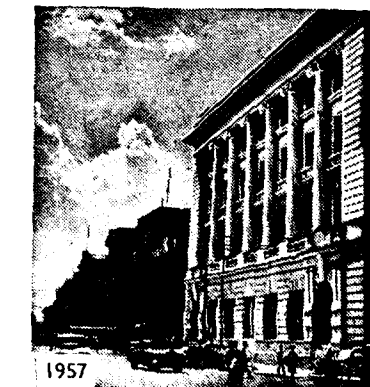
BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED.

J. SURYANARAYANA CHETTY, B.A.,
General Manager.

McLEOD & COMPANY LIMITED

"McLEOD HOUSE"

3, NETAJI SUBHAS ROAD, CALCUTTA-1



"McLEOD HOUSE"

AGENCIES

E. BOYDELL & CO., LTD.
Dummers, Shunting Tractors and Loading Shovels.

McDONALDS' "DEFLECTOR" TEA FANNERS
JOSEPH HIBBERT & CO., LTD.

C. F. WILSON & CO. (1932) LTD.
[Oil Engines.

BRUNTONS (MUSSELBURGH), LIMITED
Bright M. S. Shafting.

RIV OFFICINE DI VILLAR PEROSA SPA
Ball and Roller Bearings.

COOPER PEGLER & CO., LTD.
Anti-Malarial and Anti-Blight Spraying Equipment.

W. G. BAGNALL, LTD.
Steam and Diesel Locomotives.

OMIC LTD.
Hand Pallet and Stillage Trucks.

TRUMETER CO., LTD.
Automatic Counting and Measuring Instruments for Industrial purposes.

SOC. P. AZ. ING. F. FIORENTINI & CO.
Excavators, Cranes, Concrete Mixers and Stone Crushers.

TEA GARDENS

Bormah Jan Tea Co. (1936), Ltd., Baghmari Tea Co., Ltd., Amluckie Tea Co., Ltd., Dejo Valley Co., Ltd., Margaret's Hope Tea Co., Ltd., Sungma Tea Co., Ltd., (Sungma T.E., Turzum T.E.), Tingamira Tea Seed Co., Ltd.



ENGINEERING

Managing Agents:

BRITANNIA ENGINEERING CO., LTD.

Designers and manufacturers of:

Complete Jute Mill and Tea Garden Machinery; Railway Signalling Equipment, Lever Frames, Screw Couplings and Components of all types; Road Building Equipment, Steam and Diesel Road Rollers; Precision Engineering of all kinds; Structural Engineering.

Manufacturers and Distributors of:

"Colfix" Bitumen Emulsion for Road Dressing.
"Hotfix" Hot Asphalt Road Dressing Material.

JUTE MILLS
Kelvin Jute Co., Ltd., Empire Jute Co., Ltd., Presidency Jute Mills Co., Ltd., Chitavalsah Jute Mills Co., Ltd., Nellimaria Jute Mills Co., Ltd., Alliance Jute Mills Co., Ltd., The Alexandra Jute Mills Ltd., Waverley Jute Mills Co., Ltd., Eastern Manufacturing Co., Ltd.



LIGHT RAILWAYS
Burdwan-Cutwa Railway Co., Ltd., Ahmadpur-Cutwa Railway Co., Ltd., Bankura-Damodar River Railway Co., Ltd., Katakhall-Lala Bazar Railway Co., Ltd.



INSURANCE
London & Lancashire Insurance Co., Ltd., Law Union and Rock Insurance Co., Ltd., The British India General Insurance Co., Ltd.



SHIPPING AGENTS
American President Lines, Ltd., Nitto Ship Co., Ltd., Burma Navigation Corporation Ltd., Zim Israel Lines, Europe-Canada Lines, Pope and Talbot Lines.



TEA GARDENS
Bhaskara Tea Co., Ltd., Rajabhat Tea Co., Ltd., Ranicherra Tea Co., Ltd., Tirrihannah Co., Ltd., Dibrugarh Co., Ltd., Teliojan Tea Co., Ltd., Tyroon Tea Co., Ltd., Roopacherra Tea Co., Ltd.

CABLES: "OUTLINE" CALCUTTA

P. O. BOX 78

AS an adequate intake of oils and fats is a vital necessity for proper nutrition, it is a source of considerable satisfaction that world supplies have continued to keep pace and even marginally outstrip the effective demand of the world's population. As our knowledge of production statistics grows, it is not always advisable to compare old estimates with present estimates; nevertheless, it can be safely said that, since 1950, world production of oils and fats has increased by 5 million tons—an increase of 20 per cent. in the last seven years. This growth is, indeed, remarkable, but no less remarkable is the increase in consumption which has prevented the accumulation of any alarming surpluses which could precipitate a world trade crisis in these commodities.

The revised estimate of world production for the crop year 1956-57 is now placed at 28.4 million tons. This is about a million tons more than originally forecast; the difference is partly a result of more factual information regarding production in Russia and China. In fact, these two countries alone account for 700,000 tons of the increase due mostly to sunflower seed oil and, to a lesser extent, to animal fats. On paper, therefore, the last year has the distinction of raising world per capita consumption for the first time above pre-war levels. As will be seen from Table I below, the per capita availability in 1956-57 was 22.9 lbs., as against 22.3 lbs. pre-war. If world supplies follow the trends forecast, then 1957-58 should see a per capita availability of 23.2 lbs. It must be emphasised that per capita figures are calculated from production and do not necessarily reflect actual consumption in the years stated.

"Per Capita" Consumption

It need hardly be pointed out that the per capita consumption in all the countries of Western Europe and America is well above the world average, e.g., U.K. 67.6 lbs., Norway 77.3 lbs., West Germany 65.5 lbs., Spain 37.3 lbs., and are still showing a marginal rate of increase estimated at 1½ per cent. for the next year. In contrast, the level of consumption in the underdeveloped countries of Asia and Africa is quite inadequate. In India itself, the per capita consumption is currently estimated at 11.72 lbs. and leaves vast scope for improvement. Considering that even the world average of 22.9 lbs. is reckoned insufficient by nutritional experts, there is little room for complacency when one thinks of the millions subsisting on less than half this quantity. Unfortunately, the world average is no criterion of actual consumption as some countries are

WORLD SUPPLY OF OILS AND FATS AND INDIA'S POSITION

heavily oversupplied whereas others are pitifully short. It is one of the ironies of life that the accumulation of surpluses of agricultural commodities in some countries can present their Governments problems almost as serious as prospective or current scarcity in others.

If, however, the ever-present desire for greater consumption in the underdeveloped countries could be suddenly translated into effective demand measurable in financial terms, the result would be a complete disruption of the balance of forces that governs the production and distribution of agricultural and industrial commodities.

Soya Beans

Table II on page 150 analyses the estimated world production of oils and fats by commodities, from which it will be seen that, quantitatively, soya beans have attained the foremost position among vegetable oilseeds. The United States and China (including Manchuria) account for most of the world soya bean crop—production in other countries amounting to only 8 per cent. of the world total. From a small beginning in 1930, the soya bean crop has now become a dominant source of vegetable oil in the U.S.A. The provisional estimate of the 1956-57 crop is 12.2 million tons from a harvested acreage of 20.9 million acres. Apart from the suitability of soil and climate, this spectacular development was made possible only because fast growing markets were able to absorb the products of the crushing mills. The soya bean processing industry received its strongest impetus for growth from its close alliance with the cattle and poultry feed industry, for which soya meal provided an ever-increasing protein supply. Soya bean oil, on the other hand, was readily absorbed by the margarine and shortening industries. In recent years, the restrictions on wheat, maize and cotton plantings have resulted, as expected, in record sowings of soya beans. At the same time, the Chinese production of soya beans has shown an impressive expansion to 10 million tons, which is easily the largest crop of post-war years.

Cottonseed

In contrast, the world production of cottonseed has remained almost static, primarily due to a smaller crop in the U.S.A. which accounts for over one-third of total world production. Being one of the major crops of the Soil Bank Programme,

the acreage under cotton was restricted as compared with the previous season. Both the Soviet Union and China are important cotton producers, but, unfortunately, little reliable data are available on harvests in either country. Although the production of cottonseed in India is substantial, its contribution to oil supplies is as yet nominal, as the bulk of the seed is consumed whole as a cattle food.

Olives

The most important vegetable oil-producing medium in the Mediterranean countries of Southern Europe and North Africa is the olive. As a result of severe attacks by the *dacus* fly and damage by frost, the 1955-56 crop was 25 per cent. below normal. In the current year, however, production is once again above the average for the area as a whole. While olive oil is not significant in world trade, being consumed mostly in the countries where it is produced, a shortage in all these areas has a decisive effect on the demand for substitute oils. It was only through liberal assistance by the U.S.A. under P.L. 480 that these countries were able to forestall an oil famine. It also gave the U.S. an opportunity to liquidate some of their cumbersome surpluses without unduly upsetting world prices.

Copra

The last item on which special comment is called for is copra and the Philippines. Between 1935 and 1939, export of copra from the Philippines averaged 300,000 tons a year. In 1946, the U.S. Government made cash advances to the Philippine Government for the rehabilitation of the copra industry and, as a result, production has expanded at a phenomenal rate till exports of copra alone in 1956 reached a million tons and are likely to record a further 7 per cent. to 10 per cent. increase in 1957-58. This has undoubtedly been of immense national significance as eight million of the Philippines' 23 million population are in some way dependent on this industry. In Indonesia, on the other hand, the profitability of competing crops and the disturbed conditions prevailing in certain areas have prevented the country from regaining its pre-war position as the leading copra producer. In India, the copra situation is bad and appears to be getting progressively worse. In spite of artificially high prices and other incentives, the production of copra is declining in contrast to

consumption which seems to have suddenly increased in recent years.

Again, world exports in 1956-57 have been a good deal heavier than in the previous year—preliminary figures indicate that 7.3 million tons were exported. The increase was mostly due to the vigorous application of P.L. 480 by the U.S. Government. The United States of America shipped 360,000 tons more oils and fats than in the previous year. This quantity, together with additional copra from the Philippines and groundnuts from West Africa, more than offset the sharp fall in exports of groundnut oil from India.

The figures in Table III on page 150 indicate that the United States are by far the largest net exporters of oils and fats and it is unlikely that they will lose this position of pre-eminence for many years to come. The relative quantities of the different commodities may alter from year to year—as, for instance, the exports of cottonseed oil have declined by almost 40 per cent. in the last year due to the liquidation of commodity credit corporation stocks and the smaller cotton crop, but exports of soya beans and oil have more than made up the deficit.

In the current year, the pattern of trade for butter exports has also changed with shipments from the traditional exporting countries, Australia and New Zealand, declining, while the smaller producers like Denmark, Sweden and Eire have increased the volume of their exports. Argentina now appears to have rehabilitated its oilseeds economy and has once again emerged as a net exporter, particularly of linseed oil and linseed. India which used to rank as one of the foremost suppliers of oilseeds has sunk into a relatively obscure position as a shipper of castor oil and small quantities of other oils.

American Surpluses

On account of its ever-increasing production, the United States of America is afflicted with the peculiar problem of the disposal of its surpluses. This problem has both political and economic implications as the farming community will not accept a decline in agricultural prices. Consequently, the Government has to take surplus production off the market at support prices and at the same time reduce production under the Soil Bank Programme. In fact, it is not feasible nor is it desirable to reverse the trend of agricultural productivity—the utilisation of farm products must be broadened and unsatisfied human needs must be translated into effective demand. Unfortunately, theories as to the means of applying surplus food production to unsatisfied human needs are not always practicable, because many countries,

TABLE I
TOTAL WORLD PRODUCTION AND "PER CAPITA" AVAILABILITY FOR ALL PURPOSES

		Pre-war	1955	1956 Preliminary	1957 Forecast
World production	metric tons (000's)	21,590	26,830	28,370	29,210
World population	(millions)	2,130	2,690	2,730	2,775
World per capita	lbs.	22.3	22.0	22.9	23.2

TABLE IV
ACREAGE AND PRODUCTION OF MAJOR OILSEEDS IN INDIA

Oilseed	Area ('000 acres)			Production ('000 tons)		
	1954-55	1955-56	1956-57	1954-55	1955-56	1956-57
Groundnut (in shells) ..	13,548	12,892	13,101	4,128	3,862	4,086
Rape and mustard ..	6,025	6,317	6,211	1,019	848	1,017
Sesumum ..	6,501	5,653	5,433	589	457	451
Linseed ..	3,354	3,781	3,758	382	414	349
Castorseed ..	1,394	1,405	1,403	124	124	129
Total ..	30,822	29,848	29,906	6,242	5,705	6,032

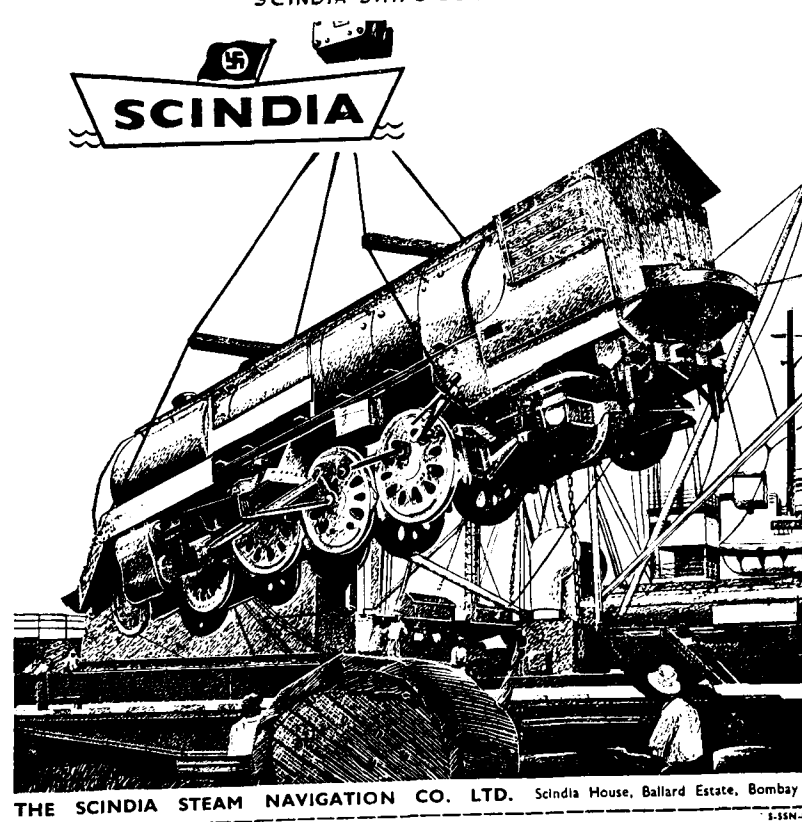
TABLE V
TOTAL AVAILABLE SUPPLY OF FATS AND VEGETABLE OILS IN INDIA—1952-56
(Summary of Production, Imports and Exports)
(Figures in long tons)

	1956	1955	1954	1953	1952
Production of vegetable oils ..	1,578,025	1,749,767	1,521,149	1,313,934	1,346,017
Import of vegetable oils ..	37,212	34,240	51,107	43,688	29,461
Import of vegetable oilseeds (in terms of oil) ..	53,370	46,084	39,337	16,802	12,450
Total in terms of oil ..	1,668,607	1,830,091	1,611,593	1,374,424	1,387,928
Export of vegetable oils ..	130,803	305,869	64,147	58,224	146,805
Export of vegetable oilseeds (in terms of oil) ..	4,965	18,901	7,436	8,362	16,319
Export of hydrogenated oil ..	10,863	15,173	5,699	997	3,298
Total exports of oil and oil products ..	146,631	339,943	77,282	67,583	166,422
Net available supply of oils ..	1,521,976	1,490,148	1,534,311	1,306,841	1,221,506
Butter ..	71,000	71,000	71,000	71,000	71,000
Ghee ..	412,000	412,000	412,000	412,000	412,000
Total supply of oils and fats ..	2,004,976	1,973,148	2,017,311	1,789,841	1,704,506
Population (million)	377	372	368	364	360
Per capita available supply .. (lbs.)	11.72	11.88	12.88	11.01	10.61

The ships
come home
— with
locomotives

The success of India's five-year plans calls for action of the highest order. India needs capital goods—things like locomotives and machinery, to fulfil her planned economy. In the First and Second Five Year Plans Scindia's ships have been actively engaged in bringing these capital goods as fast as they can be brought. Not only capital goods, but raw materials and grains too. Not only bringing, but carrying Indian cargo to other countries. Scindia employs a fleet of 47 ships with a gross registered tonnage of over 2,20,000 to help India's coastal and overseas maritime trade. Scindia feels proud to play its part in nation building activities.

SCINDIA SHIPS SERVE INDIA'S NEEDS.



THE HAPPY HOME

Housework need not be synonymous with drudgery. Today the conception of kitchen is greatly changed and one looks forward for a bright, airy and cheerful place to cook a good and wholesome food without any headache and unproductive labour.

With the continually rising cost of living the household budget has become a vital factor. For a young wife the household arrangement should be planned in such a way as to save the maximum amount of labour and time. If you want to plan your kitchen in a modern and economical way ask for full particulars.

Flame that never fails

THE ORIENTAL GAS CO. LTD.
PARK STREET, CALCUTTA-16

Progressive O.G.C.E.

MAJITHIA'S SARAYA The Greatest Name in

CRYSTAL SUGAR, POWER, ABSOLUTE AND INDUSTRIAL ALCOHOLS, RECTIFIED SPIRIT, EDIBLE OILS AND OIL CAKES; ALUCAL WHITE

PRODUCED IN

SARAYA
SUGAR FACTORY
DISTILLERY
OIL WORKS
CHEMICAL WORKS

For Rates and Details Contact:

SARAYA SUGAR MILLS PRIVATE LIMITED

Registered Office: P. O. SARDARNAGAR, DIST. GORAKHPUR, U.P.

Telephone No. Gorakhpur 88

Telegrams: "MAJITHIAS"

where unsatisfied human needs are greatest, are cut off from surplus supplies by political or economic considerations. However, it must be said to the credit of the American administrators that, within the limits set by their foreign policies, they have made good use of their surpluses to alleviate hardship without seriously upsetting normal trade channels.

The 1956-57 crop year opened with a major price boom brought about by the Suez crisis in late autumn. The closure of the canal generated a buying spree by speculators and consumers. Due to the longer route round the Cape, there was a considerable rise in stocks afloat and a sharp extension of covers and, at the same time, the increase in freight rates also contributed to the general price rise. The boom, however, gradually exhausted itself with larger supplies coming across the Atlantic, e.g., linseed from Canada, soya bean, cottonseed, etc., from the United States, and, by the time the canal was reopened for shipping, prices had returned to normal levels. In fact, the prices of all oils and fats on the international market averaged almost the same for 1956-57 as for the previous year.

India's Position

The world position, no doubt, gives a very optimistic picture regarding total supplies keeping pace with the increased demand but the position in India requires a more detailed examination. In brief, as Tables IV and V on page 148 show, India's per capita consumption and total availability are no doubt increasing, but it must be borne in mind that we are still very much below even world average figures and our increase must be stepped up to keep pace with rising population and rising standards of living.

In reviewing the production of agricultural commodities, it is inadvisable to focus attention on one particular year—the trend is more important—and it is gratifying to note that this trend in India is

slowly upward. Agriculture in India is so dependent on the monsoon that inevitably, in some years, crops will fall well below expectation and in others they may be bumper. In fact, reports on the progress of the crop fluctuate with every shower of rain, and it often happens that an expected bumper crop is written off as a failure after a short period of drought at the critical time. For instance, the total domestic output of oilseeds in 1956-57 saw a decline when compared to the bumper year 1954-55 with a consequent reduction in per capita availability. In India, unfortunately, while food production may fluctuate, the increase in population continues to be relentless.

Foreign Trade

Domestic output, however, is not the whole story, for, if there were plentiful foreign resources, the country could always import whatever is required to augment local supplies, and ban the export of anything which is not absolutely surplus. In this country, however, the position is complicated by dwindling foreign balances and the pressing need for imports of capital goods, foodgrains, etc. On the face of it, assistance under P.L. 480 from the United States of America would appear to be the ideal solution, but, perhaps, that is a political question to which only the politicians can give an answer. In the existing circumstances, no one can quarrel with the Indian Government's policy of keeping a stern control on the foreign trade in these commodities, with domestic requirements established as the overriding factor governing release of export quotas.

The Indian oilseeds market leads an insulated existence almost completely divorced from world price trends, the exceptions being castor, linseed, and cottonseed oils. In consequence, coconut oil in India is now almost double the f.o.b. price in some of the exporting countries, while in the not so distant past, the groundnut oil price, although high by local standards, was well below the international level. In a partly controlled economy, it is more important that

domestic prices remain in equilibrium with each other than with foreign price levels. Furthermore, oilseeds are only one sector of our planned economy and cannot, therefore, claim more than their fair share of the limited resources available.

It is unfortunate, however, that the first year of the second Five-year Plan should have seen a decline, as compared with the previous year, in the net available supplies of oils and oilseeds. As a result of this, prices have been comparatively high, thereby contributing to the general inflationary trend and higher cost of living. It must be stated that the Government's indirect taxation measures have also assisted this upward trend. For instance, the excise duty on non-essential vegetable oils produced by power mills was increased during the course of the year to Rs. 112 per ton, and State Governments increased sales taxes as a result of decentralisation of the coinage.

Industrial Policy

It cannot be said, however, that the Government is blind to the need for increasing oil supplies. On the industrial side, considerable encouragement is being given to the cottonseed crushing industry and solvent extraction plants. Cottonseed provides an almost untapped source of oil of considerable potential, which the Government has at last decided to exploit by such incentives as free licensing of oil and cake for export without any export duties, removal of the full excise duty on cottonseed oil to price it favourably in comparison with groundnut oil. In the meantime, it has also become clear that plans for increasing production of cottonseed oil will be sympathetically considered, and even foreign exchange may be made available for the purchase of the necessary machinery.

While Government encouragement will definitely play its part, the main obstacle to the rapid growth of the cottonseed processing industry is the disposal of the cottonseed cake. Unlike groundnut, cottonseed cake is quantitatively far more important

than the oil and must be sold swiftly and remuneratively if the industry is to become an attractive economic proposition. In India, unfortunately, the farmers have developed a strong bias in favour of the whole cottonseed as a cattle food, and it is exceedingly difficult to eradicate such deeprooted notions from the minds of rural communities. But the process of educating the farmer must be started without delay, for, as long as they continue to purchase the whole cottonseed in preference to the cake, millers will have to pay higher prices for their raw material and secure lower prices for their finished product. The farmer must be made to realise that, on the one hand, cottonseed is a superior cattle food, because it is richer in protein and, on the other, the oil in the whole seed which is now wasted in the animal's metabolism, could be put to far better use for feeding humans. If this is achieved, there is no reason why the cottonseed processing industry should not develop rapidly.

In line with the development of cottonseed oil there has been the gradual installation of solvent extraction plants; solvent extraction of vegetable oilseeds being the most efficient method of recovering the maximum quantity of oil. It is gratifying that several Indian oil millers have applied for licences for these plants and are investing considerable sums of money in installing the necessary equipment.

"Vanaspatti" Industry

In this context, one of the industries which requires particular mention is the *vanaspatti* industry which has made considerable progress in recent years. This industry has been able to provide a semi-solid fat hygienically packed and acceptable in the face of local preferences for specific oils in various parts of the country. This is all to the good, as such preferences have in the past caused high prices when the particular oils have been in short supply. Furthermore, the industry, being the largest consumer of vegetable oils,

(Continued on page 198)

TABLE II
ESTIMATED WORLD PRODUCTION OF OILS AND FATS
Metric tons in 000's
(In terms of oil or fat)

	Pre-war	1955	1956 Preliminary	1957 Forecast
'Edible' type oils :				
Cottonseed	1,453	1,854	1,898	1,830
Groundnut	1,755	2,003	2,231	2,285
Soya bean	1,263	2,416	2,756	3,050
Sunflower	435	993	1,597	1,705
Olive	950	1,088	768	1,030
Sesame	563	558	532	525
Maize	70	140	138	130
Tea seed	25	15	15	15
Total	6,514	9,067	9,925	10,570
'Palm' oils :				
Coconut	1,633	1,986	2,129	2,160
Palm kernel	355	418	448	445
Palm oil	644	995	1,014	1,010
Babassu kernel	27	47	43	40
Total	2,659	3,446	3,634	3,655
Industrial type oils :				
Linseed	1,040	930	1,038	1,240
Castor bean	178	218	242	245
Rapeseed	1,273	1,707	1,585	1,640
Oilicica	9	9	8	10
Tung	121	96	100	105
All other vegetable oils*	211	225	274	270
Total	2,832	3,185	3,247	3,510
Animal fats :				
Butter (fat content)†	4,100	3,730	3,818	3,840
Lard	2,913	3,669	3,839	3,805
Tallow	1,679	2,872	3,049	3,000
Total	8,752	10,271	10,706	10,645
Marine oils :				
Whale (including sperm oil)	507	470	477	465
Fish	323	395	381	365
Total	830	865	858	830
Estimated World Total	21,587	43,862	28,370	29,210

* Includes mowrah, niger, hempseed, etc.

† Includes ghee.

TABLE III
WORLD EXPORTS OF PRIMARY OILS AND FATS
Metric tons in 000's
(In terms of oil or fat)

	Pre-war (Average 1934-38)	1955	1956 Partly estimated	1957 Forecast
By Commodities :				
Copra and coconut oil	1,057	1,189	1,323	1,351
Palm kernels	320	386	397	354
Palm oil	447	546	555	646
Groundnuts	826	796	810	817
Soya beans	432	486	732	766
Cottonseed	189	378	377	313
Linseed	572	454	350	540
All other vegetable oils	523	481	490	604
Butter (fat content)	600	461	464	391
Lard	173	326	356	295
Tallow, etc.	162	711	817	785
Whale oil (including sperm)	507	470	477	467
Fish oils (including liver)	121	189	195	169
Total above	5,829	6,873	7,343	7,438
U.S. retained imports above commodities	960	490	435	435
Quantity available to Europe and rest of world	4,869	6,383	6,908	7,003
By Producing Areas :				
United States of America	100	1,795	2,154	1,934
Other America (excluding Argentina and Uruguay)	133	208	204	379
Philippines	348	597	727	756
Portuguese Africa	62	86	93	92
Belgian Congo	97	224	226	225
Argentina and Uruguay	577	216	133	269
British West Africa	455	662	697	621
French West and Equatorial Africa	298	254	323	358
Other Africa	212	210	256	306
India and Ceylon	589	503	279	273
Malaya	132	104	114	109
Indonesia	529	310	331	326
Australia and Oceania	363	457	483	472
China and Manchuria	742	278	328	333
Other Countries (including Europe)	685	499	158	518
Whale oil (Antarctic and Arctic)	507	470	477	467
Grand Total	5,829	6,873	7,343	7,438

Source : — Pre-war to 1955 : Compiled from official statistics.

Bank With
DENA BANK
DEVKARAN NANJEE BANKING CO. LTD.

65 OFFICES AND 14 SAFE DEPOSIT VAULTS

20th
YEAR OF
SERVICE
1938-26th MAY-1957

DENA BANK, entering its 20th year of service, acknowledges its gratitude to each and every one of its over One-hundred-thousand clients, due to whose support it has grown from strength to strength and established itself as a sound and sizable institution. DENA BANK looks forward with confident hope to a still brighter and more prosperous future in the banking service of the country and community.

AUTHORISED CAPITAL .. Rs. One Crore
SUBSCRIBED & PAID-UP .. Rs. 50 Lakhs
RESERVE FUNDS .. Rs. 34½ Lakhs
DEPOSITS EXCEED .. Rs. 19½ Crores
WORKING FUNDS EXCEED .. Rs. 25 Crores

19 Offices in Bombay, 18 in Gujarat, 12 in Saurashtra, 11 in Maharashtra and one each in Madhya Pradesh, Calcutta, New Delhi, Delhi and Madras.



GENERAL BANKING
BUSINESS TRANSACTED

PRAVINCHANDRA V. GANDHI
Mg. Director

Patronise Swadeshi

Take your
PICK

FORWARD FERRY

LET'S GO
THE BETTER WAY

Centuries ago man and his mate travelled across rough waters by a ship or a boat. But on the Highways and Bi-ways there is a better way—by Bicycle—and for that you cannot do better than to pick a Forward Super-Steel Bicycle or a Ferry the Master of the Road.

H. R. BHALLA & SONS Private Ltd.

Office : 3 Faiz Bazar, DELHI-7 Factory : FORWARD WORKS, BAHADURGARH (Near Delhi)

RAM KUMAR AGARWALA & BROS.

4, LYONS RANGE, CALCUTTA-I.

Phone : 22-6494-6

Tele : "MITHAL"

MICA :

CHRESTIEN MICA INDUSTRIES LTD.

World's Premier Mica Company.
Largest Producers and Exporters of Indian Ruby Mica.
ASSOCIATED MINING INDUSTRIES LTD.

COAL :

NEW CHURULIA COAL CO., LTD.
SONEPUR COAL FIELDS LTD.

MANGANESE :

EASTERN MANGANESE AND MINERALS PRIVATE LTD.
ORISSA MANGANESE AND MINERALS PRIVATE LTD.

FINANCE AND INVESTMENTS :

BENGAL HOLDINGS LTD.
CALCUTTA HOLDINGS LTD.
GANGES HOLDINGS LTD.
INDIAN HOLDINGS LTD.

PROPERTIES :

SHREE BHARAT PROPERTIES PRIVATE LTD.

TEXTILES :

BENGAL NAGPUR COTTON MILLS LTD.
Mosquito Netting our speciality.

ENGINEERING AND FOUNDRY :

INDIAN MALLEABLE CASTINGS LTD.
Pioneer Manufacturers of Malleable Iron Castings to suit all requirements of Railways, Jute and Cotton Mills and other Industries.

CONTINENTAL TOOLS & DIES MFG. & (P) LTD.

Manufacturers of all types of Tools, Dies and Gauges, Power Presses and other Sheet Metal Machineries.

REFRACTORIES :

RELIANCE FIREBRICK AND POTTERY CO., LTD.
Manufacturers of quality Refractories, Fire Bricks of all sizes, Fire Clays and Fire Cements; Acid Resisting Ware, Acid Proof Bricks, Cement, Semi-Vitrified Bricks and Cement; Insulating Bricks and Mortar.

MINERALS :

MERCHANTS' SYNDICATE PRIVATE LIMITED.
Mine Owners, Miners, Pulverisers of all Minerals.

ICE AND REFRIGERATION :

HIMALAYA ICE PRIVATE LTD.

PHARMACEUTICALS :

CLEY'S PRODUCTS (INDIA) PRIVATE LTD.
MORGAN AND MORGAN.

CO-OPERATIVE DEVELOPMENT IN ASIA

All Countries Keen On It—Integrated Plans Needed

By K. MADHAVA DAS

THESE are some common features in the economy of many countries in the Asian region. The most important common feature is, perhaps, the predominance of agriculture and the need for raising it from its present low levels of productivity. This implies the need for an organisation, especially at the village level, which can provide facilities of various types, such as credit, marketing and processing. There has been general agreement on the fact that the co-operative form of organisation is most suited in this context—whether it be for provision of credit or of marketing and processing services or for other functions such as installation of irrigation pumps, dairying and milk supply and so forth. The co-operative form of organisation is also well suited for meeting the requirements of village artisans (such as weavers), the small trader and petty shopkeeper, the salaried and wage-earning class working in mills and factories, and the consumer in the urban and semi-urban areas. In fact, the co-operative form of organisation has a long history behind it in many of the countries of the Asian region and, with the emergence of independence, it has gained added importance as an instrument of planned development which, in these countries, inevitably implies concerted attention to the needs and special problems of the rural areas and of the rural population.

I.L.O. Seminar

Some of the problems and plans connected with co-operative development in the Asian region were recently discussed at an Asian Regional Co-operative Seminar conducted under the auspices of the International Labour Organisation at Nuwara Eliya, Ceylon, from 4th to 30th November 1957. This seminar formed the fifth in the series of regional conferences convened by the International Labour Organisation. It was attended by delegates from Afghanistan, Burma, Ceylon, India, Indonesia, Japan, Malaya, Pakistan, the Philippines, Singapore, etc. The theme of the seminar was: "Problems and Methods of Organisation, Administration and Financing of Co-operative Societies in the light of Economic and Development Planning in the Region." The seminar was attended by several co-operative official and non-official workers from the Asian region and it provided a valuable opportunity for exchange of views and experiences with regard to the concerted development of the Co-operative Movement, as part of the development programmes of the countries concerned.

A reference was made at the outset to the predominantly agricultural character of the economy of many countries of the Asian region. This may be elaborated by giving some instances. In Afghanistan, out of a total population of 12,000,000, more than 85 per cent. are engaged in farming and pastoral activities. Burma's population is estimated at 19,000,000. Over two-thirds of the population are engaged either in agriculture or forestry. Ceylon's population is 8,098,637, of which 6,866,700 come under the category of 'rural.' Indonesia has a population estimated at about 84.7 million; about 56 per cent. of the net national income is derived from farming, fishing and forestry. In

the Philippines, with a population of about 22 million, about 70 per cent. derive their livelihood from agriculture. In India and Pakistan, the majority of the people depend on agriculture for their livelihood. In India, out of a total population of about 357 million (in 1951), about 295 million, or nearly 83 per cent., live in the rural area.

Independence

Colonialism, and recent emergence from it into independent status, is another feature which is common to most of the countries in the Asian region. One of the factors which has stultified the development of Co-operation in the Asian region has been colonialism. In this context, the following passage from *The General Report of the All-India Rural Credit Survey Committee* as regards conditions in India, may be referred to:

"Many reasons are usually given, but not always in full realisation of the extent and nature of the failure of co-operative credit in India. Functional, structural and administrative defects, dearth of suitable personnel, lack of training, a background of illiteracy, the grave and chronic deficiency in roads, storage and other vital economical requirements—all these are relevant as part of the explanation. The main causes are much deeper. They are largely socio-economic in character and are related to certain fundamental weaknesses which have developed in the rural structure. Some of the factors making for weakness, such as caste, have always been there; some of the weaknesses are inherent in most agricultural economies, especially those which consist of small units of operation together covering a vast area; but the features most significant in this context are those which have emerged from the combined impact of commercial colonialism, industrialisation and urbanisation on these pre-existing conditions. As a result of all the three has been imposed for nearly one hundred years, a powerful, urban and highly monetised economy on a rural structure which had economically been self-sufficient and which socially continued to be based on caste. In its origin, the monetised economy was associated with colonial commerce; the latter was supported by colonial rule and administration; with such commerce and administration were associated big financial institutions such as banks and trading houses. In its development, this monetised economy derived strength and support from all these and in particular from the financial institutions which indeed were its accompaniment. The colonial rule underwent transformations; it became more and more beneficent in its objectives as well as more and more democratic in its character, till finally it gave place to full independence and democracy. However, the financial institutions associated with it or growing under its auspices have in character and functioning remained substantially unaltered. In their effect on the rural economy, in their relations to it and in their attitudes towards its real interests, there has been little change of any significance in the powerful institutions of industry, trade and finance.

The emergence of independence has seen, notably in India, concerted efforts with regard to the preparation and implementation of national plans of development. In India, the co-operative development plans form a part of the second Five-year Plan. A few Asian countries too have co-operative development plans of some kind. It may be interesting to cast a very quick glance at the present position of the Co-operative Movement in some of these countries and attempt a very brief comparison with what is being done in India in the context of our co-operative development plans.

In Burma, the total number of registered co-operative societies as

on 31st May 1957 was 14,183, as follows: Non-business federations and secondaries (193); business federations and secondaries (89); agricultural producers co-operatives (6,966); consumers societies (5,125); fishery co-operatives (909); induscos (319); and special and miscellaneous types of societies (582). The figures in brackets refer to the total number of respective societies. Of these, as many as 6,721 societies are reported to be not functioning, such non-functioning societies being particularly noticeable with regard to agricultural producers co-operative societies and consumers societies. At the secondary level, there are district or township wholesales. The Union of Burma Co-operative Wholesale Society at Rangoon functions as the national wholesale co-operative for Burma. It gets a fair share of the imports. It feeds the secondary organisations and undertakes business in the production line.

Non-credit Dominates

The movement in Burma appears at present to be predominantly of a non-credit type. It is reported that almost all the co-operative banks formed in pre-war years are inactive and they have been unable to clear their deposits. A new co-operative bank was formed in 1954, but it deals primarily with consumers societies in the Rangoon area and with secondary co-operative business organisations.

In 1954, a State Agricultural Bank was set up by Government to function as a central authority for all types of agricultural finance. Another recent development is connected with the recommendation of the Land and Agricultural Planning Commission (formed in 1954) that it would be better for the State to have a single organisation at the village level for distributing agricultural loans. It appears that a decision has been taken recently to the effect that there will be only one agency at the village level and that this will be the village bank which is an agency of the State Agricultural Bank.

State loans are also available for co-operative marketing, especially of cotton and sugarcane. In the case of paddy, the State Agricultural Marketing Board acts as the buyer and the Co-operative Societies Department, in conjunction with the Board, arranges for the sale of paddy on behalf of the agricultural producers co-operatives.

The Five-year Plan of Burma has assigned an important place, particularly to non-credit co-operation, in production and marketing in relation to agriculture, fisheries and cottage industries; import and distribution of essential commodities; and in the mobilisation of people's savings. Four types of primary co-operatives are envisaged, namely, (1) producers multi-purpose co-operatives, one each in almost all the 12,000 village tracts; (2) consumers co-operatives for the urban areas; (3) industrial co-operative societies for cottage industries, and (4) fishery co-operatives in fishing villages. These primaries will be federated into appropriate district or township co-operative wholesales and the National Co-operative Wholesale. On the organisational and educational side, there will be primary co-operatives, township councils, district councils and a National Co-operative Council which is eventual-

ly expected to be the supreme non-official co-operative organisation in the country. The plan also includes arrangements for the training of personnel.

Ceylon

The Co-operative Movement in Ceylon, till the period of the Second World War, was predominantly a credit movement based on the Raiffeisen type of primary agricultural credit societies at the base, organised on unlimited liability. Until 1942, about 85 per cent. of the societies were credit societies. There was a spectacular development of the consumers movement in 1942 when Ceylon was faced with an acute food shortage and the need was felt for an agency which could distribute foodstuffs on an equitable basis. The Government decided to make use of co-operative stores for the purpose and a very large number of stores were registered under a Wholesale Establishment, originally started as a Government department. As on 31st December 1956, there were 2,584 consumers retail stores catering for over half the population. They are federated into 95 stores unions. The apex is the Co-operative Wholesale Establishment which is a Government-sponsored corporation set up to supply the requirements of co-operative stores.

The other important type of society on the non-credit side is the co-operative agricultural production and sale society. The co-operative agricultural production and sale societies have been given a monopoly for procuring paddy under the Guaranteed Price Scheme of the Government. As on 31st December 1956, there were 955 co-operative agricultural production and sale societies which handled produce, under the Guaranteed Price Scheme, of the value of Rs. 122,137,766. They also give 'production' loans to their members out of funds obtained from Government, in addition to the supply of requirements such as fertilisers.

Credit Societies

With regard to co-operative credit, reference should be made to the 3,415 primary credit societies with unlimited liability and 154 societies with limited liability. The higher levels of the credit structure consist of provincial and district banks numbering 12 and the Co-operative Federal Bank of Ceylon at the apex.

Ceylon has also a number of other types of societies such as coconut producers' societies, fishermen's societies, dairy co-operatives, cottage industries societies, tobacco production and sale societies, co-operative hospitals and school co-operatives.

In Ceylon, Co-operation forms a very important agency for putting through Government plans (e.g., the Guaranteed Price Scheme and distribution of foodstuffs through consumers stores, development of the fishing industry, etc.). The latest development relates to a scheme for the formation of 17,000 multi-purpose societies to embrace all aspects of the economic life in the village. The multi-purpose society will undertake the functions of credit, supply of consumer and producer requirements, marketing of agricultural and industrial produce, and

BANK OF MADURA LIMITED

MADURAI

(Established 1943)

BRANCHES:

SALEM, COIMBATORE, PUDUKKOTTAI, RAYAVARAM, KEERANUR, KANDANUR, ARANTANGI, PONNAMARAVATHI, DEVAKOTTAI, DHARMAPURI AND TIRUPPATTUR (N.A.D.T.)

CAPITAL AND RESOURCES

	Rs.
Authorised Capital	25,00,000
Paid-up Capital and Resources	15,47,500
Total Deposits (as on 31-12-1956)	2,62,47,000
Total Resources (as on 31-12-1956)	3,36,48,000

BOARD OF DIRECTORS:

SRI KARUMUTTU THIAGARAJAN (Chairman)
SRI V. RM. VALLIAPPA CHETTIAR
SRI N. A. ANNAMALAI CHETTIAR
SRI O. RM. M. SP. SV. A. ANNAMALAI CHETTIAR

ALL KINDS OF BANKING BUSINESS TRANSACTED.

P. S. VISWANATHAN,
Secretary.

M. C. M.

Copper Sulphate 98/100%

Excellent Fungicide for Spraying Coffee, Areca, Rubber Plantations and Food Crops, etc.

Produced by the largest makers of Copper Sulphate in India at their most up-to-date factory at Chikbanavar, near Bangalore

ALSO

SULPHATE OF ALUMINA, 1/2% IRON
SULPHATE OF ALUMINA, IRON FREE
CRYSTAL ALUM (AMMONIA ALUM)
LUMP ALUM (POTASH ALUM)

FACTORIES:

CHIKBANAVAR (Bangalore Dist.)

AND

BELAGULA (K.R. Sagar P.O.)

For prices and terms write to:

MYSORE CHEMICAL MANUFACTURES LTD.
CHIKBANAVAR P.O. (BANGALORE DIST.)

Telegrams: "ALUM", Bangalore

Telephone: 4387



ORISSA CEMENT LTD.
Refractories Works:
LIKELY TO GO INTO PRODUCTION VERY SHORTLY.
Modern Production methods make possible large output of consistently high grade refractory products.

- FIRECLAY • SILICA • MAGNESITE • CHROME
- INSULATION ETC. • ALL TYPES, SIZES AND SHAPES

To meet the requirements of all types of furnaces, rotary & stationary

FOR THE STEEL, CEMENT, GLASS & OTHER INDUSTRIES

Collaboration with
DR. C. OTTO & COMP., Germany

Enquiries are welcomed
ORISSA CEMENT LTD.
RAJGANGPUR, ORISSA.

Managing Agents:
DALMIA AGENCIES PRIVATE LTD.

Q.C.R.E. 57-58-17

A.I.A.8

With Best Compliments
from

THE PHALTAN SUGAR WORKS LTD.

HEAD OFFICE :

SANGLI BANK BUILDING
296, BAZARGATE STREET
FORT - BOMBAY-1

FACTORY :

SAKHARWADI
Dist. Satara North

MANAGING AGENTS

Messrs. Mafatlal, Apte and Kantilal
Private Ltd.

THE BOMBAY STATE CO-OPERATIVE BANK LIMITED

9, Bake House Lane, Fort, Bombay-1.

(ESTABLISHED IN 1911)

Chairman : SHRI RAMANLAL G. SARAIYA, O.B.E.

★
Money Deposited with this Bank helps the Indian
Agriculturists and Co-operatives.

★
PAID-UP SHARE CAPITAL :

Subscribed by the Share-
holders - - - - Rs. 40,11,500

Subscribed by the Govt.
of Bombay - - - - „ 31,00,000

Rs. 71,11,500
RESERVE AND OTHER FUNDS - - - - „ 59,28,100
TOTAL DEPOSITS - - - - - „ 10,71,33,200
WORKING CAPITAL - - - - - „ 17,63,73,000

★
BRANCHES 56 IN 11 DISTRICTS.

Collection arrangements in most of the
important cities of the Indian Union.
Banking business of every description
transacted.

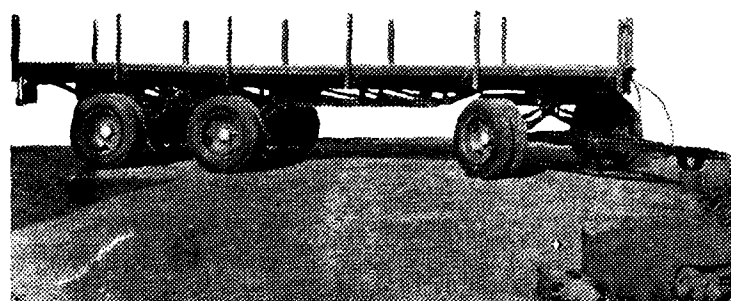
Deposits of all kinds accepted. Terms
on application.

G. M. LAUD,
Managing Director.

VIKRAMA

Tractor-Drawn Trailers

All welded construction
Tipping and Non-Tipping types,
Two-wheelers to 12-wheelers
Upto 15 Tons Capacity



Manufactured by

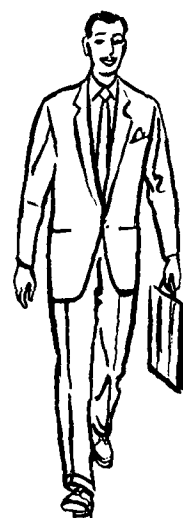
THE VIKRAMA ENGINEERING COMPANY

Mechanical and Structural Engineers,

10, First Main Road, Gandhinagar,
P.B. No. 909, Adyar, MADRAS-20.

Ambassador
FINE SHOES

FOR DISCRIMINATING MEN



Style 75
Rs. 32.95

Fine blucher cut shoes with
mudguard front—luxurious
soft calf upper—in black
or brown—leather sole.

Bata

the organisation of labour. It will function as a planning body in the village with regard to schemes for agricultural development. Every existing society, other than credit societies with unlimited liability, is expected to fall in line with the scheme, that is, be converted into a multi-purpose society. Another proposal is with regard to the starting of an apex co-operative bank. "The Bank would run branches wherever necessary, especially in the rural sector. . . . The State will participate in its share capital and guarantee its debentures. All funds now made available to Provincial or District Banks by the various development departments of Government could be channelled through this proposed Bank. . . . The present Provincial and District Banks could also become members of the proposed Bank if they so wish."* The plan also lays stress on an intensified scheme of co-operative education and training.

Indonesia

At the primary level, the main types of co-operative are multi-purpose co-operative societies (4,085), credit co-operatives (4,545), credit co-operatives dealing in kind (637), producers' co-operatives (1,349), consumers' co-operatives (about 840), and other types (300). At the higher level, there are 142 associations of primary co-operatives and three associations of co-operative centrals. Financing is done by provincial co-operative banks. An Indonesian Co-operative Council has been formed recently. In July this year, the management of the "co-operative cadre courses" was transferred to this Council. It is reported that the Indonesian Government regards Co-operation as one of the keystones of the new economic and social structure of Indonesia. In this context, it may be mentioned that about 13 per cent. of the total outlay of the Five-Year Development Plan of Indonesia is on agriculture.

Malaya

In 1956, there were 2,123 societies of all types in the Federation of Malaya, of which 959 societies were rural credit societies with unlimited liability financed in part by loans obtained from the 16 banking unions and the Federation of Malaya Rural Co-operative Apex Bank. Thrift and loan societies for salary earners, numbering 120, are reported to be the most flourishing. There were also 310 production and marketing societies (out of which 210 were rice mills) and 243 consumers' stores and the Malayan Co-operative Wholesale Society. Plans are under way for the intensive establishment of industrial co-operative societies and co-operative marketing societies. Government has earmarked funds for a co-operative fish marketing scheme. Stress is also laid on the training of co-operative workers to undertake these programmes.

Japan

At the end of March 1957, there were 32,985 agricultural co-operatives in Japan established under the Agricultural Co-operative Law. Out of these societies, as many as 12,704 were multi-purpose societies providing credit and other services. There were also several co-operative societies for "smaller industry" established under the Smaller Industries Co-operative Law of 1949. The smaller industry co-operatives numbered 34,914 on 20th November 1955. These societies are given Government assistance of various types such as subsidies.

There is a programme on hand, called The Three-Year Reforming and Strengthening Plan for Co-

*Report on the Working of Co-operative Societies for 1956, Government of Ceylon.

operatives, formulated at the All-Japan Co-operative Meeting, held in October 1956. The plan expects unit co-operatives and their respective affiliated organisations to prepare their respective three-year plans. The overall plan, based on these subsidiary plans, will be co-ordinated and formulated by the Central Union of Agricultural Co-operatives. Further data on the plans are not available.

India

Reference may next be made to the co-operative development plans of India. India is, perhaps, the only country in the Asian region to have a comprehensive co-operative development plan which forms an integral part of the national plan. Further, it is clear that in no other country of the region are the Government and the Central Bank of the country playing such a dynamic role in Rural Credit and Co-operation, nor assumed to the same extent the functions of guidance, financing and co-ordination. As is now well known, the co-operative development plans in India are based on the recommendations of the All-India Rural Credit Survey Committee (1954) which have been accepted by the Central and State Governments, the Reserve Bank and the co-operators of the country after detailed discussions and deliberations at various national and State conferences, meetings and seminars. The plan provides for the strengthening and reorganisation of co-operative credit at all levels; linking of co-operative credit with co-operative marketing and processing and a determined programme for the development of co-operative marketing and processing; the construction of warehouses and godowns with planning and finance derived from all-India and State bodies; and the execution of a co-ordinated plan for the training of staff of co-operative institutions and departments. An important feature of the scheme is State partnership in co-operative credit, marketing and processing societies, together with assistance of various other kinds by the State. Each State has prepared a five-year co-operative development plan for 1956-61, besides yearly plans for 1956-57 and 1957-58. The plans for 1958-59 are now being discussed at New Delhi under the auspices of the Planning Commission.

Second Plan

The overall plan of co-operative development, based on the State plans, is embodied in the second Five-year Plan. The principal targets for co-operative credit, marketing, processing, warehousing and storage to be achieved under the second Five-year Plan are as follows:

Credit :	
Number of large-sized societies	10,400
Target for short-term credit (Rs. crores)	150
Target for medium-term credit (Rs. crores)	50
Target for long-term credit (Rs. crores)	25
Marketing and processing :	
Number of primary marketing societies to be organised	1,800
Co-operative sugar factories	35
Co-operative cotton gins	48
Other co-operative processing societies	118
Warehouses and storage :	
Warehouses of the Central and State Corporations	350
Godowns of marketing societies	1,500
Godowns of large-sized societies	4,000

A brief reference may next be made to the progress achieved in the fulfilment of the plan, with special reference to co-operative credit, co-operative marketing and processing, and storage and warehousing during 1956-57.

Co-operative Credit

About 1,300 large-sized credit societies were set up in 1956-57. Special reference may be made to the position of large-sized societies in some of the pilot projects areas of certain States. For instance, in the Broach district of Bombay State,

where the pilot scheme is in operation, a target for establishing 46 large-sized societies was fixed for 1955-57. Those set up, however, numbered 100—this figure including 62 existing multi-purpose societies whose capital was strengthened by contribution from Government. About 84 per cent. of the villages of the district are now served by co-operatives, the population served having increased from 34.4 per cent. to 38.2 per cent. during the year. The total amount of crop loans made available by the central financing agencies through large and small primary societies increased from Rs. 61.74 lakhs before the beginning of the project to Rs. 88.23 lakhs in 1956-57. Forty large-sized societies, set up newly, advanced Rs. 24 lakhs as crop loans.

To take another instance, in the two selected talukas of the West Godavary district in Andhra Pradesh, 40 large-sized societies, which were set up under the project, together with other rural credit societies, covered all the villages in the area. Crop loans issued in the area have increased from a very low level to Rs. 3.95 lakhs as on 30th June 1956 and to Rs. 24.97 lakhs on 31st October 1956. Taking all the three pilot project areas of Andhra Pradesh (Visakhapatnam, West Godavary and Kurnool districts), 88 large-sized societies were established as a result of the amalgamation of 381 small credit societies. The total membership of these societies increased from 37,000 to 68,000 as on 31st December 1956. Loans issued increased from about Rs. 60 lakhs in 1955-56 to about Rs. 86 lakhs in 1956-57, this figure relating to a period which is less than a year. Equally encouraging results are seen in another State, namely, Madras, which had about 86 large-sized credit societies at the end of June 1957. The average in respect of membership and loans issued by a large-sized society was 600 and Rs. 50,000, respectively, as compared with 108 and Rs. 5,310 for the ordinary type of rural credit society.

Small Societies

Side by side with the organisation of large-sized credit societies, small societies are being revitalised in many States as part of the co-operative development plans. It may be mentioned that the total loans advanced by primary agricultural credit societies in India has increased from Rs. 35.48 crores in 1954-55 to Rs. 49.62 crores in 1955-56.

The higher financing structure, consisting of central banks and State co-operative banks, is also being reorganised and strengthened by schemes for the amalgamation of central banks into viable units and for strengthening them and their apex banks by State contribution to share capital. The State Governments can obtain loans from the Reserve Bank's National Agricultural Credit (Long-term Operations) Fund for contribution to the share capital of co-operative societies such as large-sized credit societies, central banks, State co-operative banks and central land mortgage banks. The total amount to the credit of the Long-term Operations Fund is now of the order of Rs. 20 crores. The total amount of loans sanctioned from the Fund to State Governments to enable them to contribute to the share capital of co-operative credit institutions amounted to about Rs. 4 crores as on 30th September 1957.

To facilitate the setting up of agencies for co-ordinated programmes in respect of marketing, processing, warehousing and co-operative development in general, the Agricultural Produce (Develop-

ment and Warehousing) Corporations Act was enacted in 1956. It provides the legislative framework for a country-wide organisation intended to initiate and finance, in part, programmes for co-operative marketing, processing, warehousing and storage. In terms of this Act, the National Co-operative Development and Warehousing Board was set up by the Government of India on 1st September 1956. The Board is empowered to give loans and subsidies for co-operative development plans such as contributions to the share capital of marketing and processing societies, construction of godowns, employment of additional staff by co-operative departments and institutions. The other important organisation set up in terms of the Agricultural Produce (Development and Warehousing) Corporations Act is the Central Warehousing Corporation which commenced functioning in March 1957.

Assistance to Warehousing

The following figures show the assistance availed of by State Governments from funds provided by the National Co-operative Development and Warehousing Board in 1956-57.

(Rs. in lakhs)			
	Loans	Subsidies	Total
Development of co-operative credit	14.80	9.86	24.75
Development of co-operative marketing	60.50	7.17	78.67
Development of co-operative processing :			
(a) Co-operative sugar factories	80.10	..	80.10
(b) Other processing societies	5.52	..	5.52
Departmental staff	..	4.10	4.10
Total	176.01	21.22	197.23

For the schemes for 1957-58, the Board has sanctioned funds amounting to about Rs. 256 lakhs as loans and Rs. 92 lakhs as subsidies, according to available data.

Marketing Societies

A number of marketing societies has also been established under the programme in 1956-57, e.g., 224 primary marketing societies and 20 regional marketing societies. In the field of processing, special reference may be made to co-operative sugar factories. The second Five-year Plan provides for the establishment of 35 co-operative sugar factories. Taking into account the 15 co-operative sugar factories which formed part of the first Five-year Plan, the total comes to 50. Licences have been issued for 38 new factories, excluding two, viz., those at Pravaranagar and Etikoppaka, which were already in operation. Eight co-operative sugar factories were in operation during the 1956-57 season. Six factories are under erection. The total amount of cane crushed by the eight factories was 5,57,006.14 tons and the sugar produced was 58,110.45 tons, in the 1956-57 season.

Appreciable results are also in evidence regarding the linking of credit and marketing which forms an important feature of the integrated scheme of rural credit. For instance, the seven primary marketing societies in the pilot project areas of Andhra Pradesh—two in the Visakhapatnam district, three in the West Godavary district and two in the Kurnool district—cover all the important mandal centres in the pilot project areas. Members of credit societies in the areas have to sell their surplus produce through the marketing society concerned, in terms of a provision in the loan bond. The Government of Andhra Pradesh have sanctioned the free services of departmental senior inspectors to work as full-time secretaries of the marketing societies, in addition to contributing a sum of Rs. 1.53 lakhs to the share capital of the seven marketing societies. The

(Continued on page 175)

SOME FACTS ABOUT MICA INDUSTRY

Three-fourths of World Demand Met by India

By R. G. AGARWALA

GENERAL MANAGER, CHRESTIEN MICA INDUSTRIES LTD.

TO those conversant with the mythological stories of India, *Abrak* and *Abhra*, the Indian names for mica, are quite familiar words. In the pre-historic days of Satya-yuga, when there was war between the gods and the demons, it is supposed that Indra, the king of the gods, lifted his *vajra* to kill the enemy, flashes of lightning spread throughout the entire length and breadth of the sky, whilst sparks which fell on the mountains were arrested in them in the form of mica. The Hindu classical writers imagine mica as a sort of petrified lightning flash.

According to geology, the common mica, "muscovite," is found in rock known as pegmatite. These pegmatites are granite-like masses containing quartz and feldspar. Besides these principal constituents, the pegmatite may contain other minerals, namely, garnet, tourmaline, apatite and beryl. In fact, these pegmatites of India may be called "nature's field museum of mineralogy." Generally, the quantities of minerals other than essential minerals are so small that, except in few instances, they have no economical value.

There is a number of theories regarding the origin or mode of formation of these pegmatites and the subject being a very debatable one, nothing definite can be said. Some geologists are of the opinion that the mica-bearing pegmatites are the crystallised products of the residual portions of the slowly cooled molten granitic magma, which have entered the cracks and fissures of the ancient country rocks, known generally as "schists." According to some petrologists, crystallisation of the simple pegmatitic magma was followed by the previously formed minerals and disposition of new and rarer minerals by hydrothermal solutions derived from the same magma. Another section of geologists believes that the pegmatites are crystallised products deposited from superheated waters that contain mineral water in solution and were carried into country rock.

Medicinal Use

In olden days, mica was mainly used for medicinal purposes. Indian *kavirajas* used to prepare, through complicated process, medicines with mica which was known as *Abhra Bhasma*, meaning fused powder of mica. *Abhra Bhasma* is made from *Rama Abrak*, which has got almost no commercial value in the electrical industry.

In foreign countries too mica was used for medicinal purposes as well as for toy-making and decoration purposes. And the main use was to serve the purpose of glass, but, with the growth of the glass industry the consumption of mica as a substitute for glass declined and, at the same time, new appliances gradually developed requiring considerable quantities of mica which, in fact, may be regarded as the basis of the present-day mica industry.

The main use of mica is now for insulation and dielectric use in the electric world. Before the invention of "micanite" or built-up mica, only pieces larger than 1 sq. in. were in demand, while a major portion of the production of mica had to be dumped at the mines as useless mica. But, with the increase in size of electric units like generators and motors, the problem of insulation became more and more acute, since other materials such as glass or porcelain could not

possibly be used where there was pressure or vibration and where sudden changes in temperature were encountered and where very thin flexible sections were needed. The problem was finally solved by the invention of "micanite" or built-up mica which today has become the most important electric insulator. This was the invention of an Englishman, Mr. Arthur H. S. Dyer, and was publicly described by Mr. Edward P. Thompson at a meeting of the American Institute of Electric Engineers held in 1892.

This invention enabled the use of thin splittings prepared from the smaller size mica which used to be thrown away as waste, by building them by a suitable binder into plates or boards to any desired size and thickness.

The manufacture of mica splittings was first introduced in India about the year 1895, when Mr. H. S. Munsell of Munsell & Co., New York, with his two friends visited the Tisri factory of the late Mr. F. F. Chrestien. These men found enormous dumps of mica lying over the mining and factory area which could be used profitably. Mr. Munsell engaged a few girls and boys in the locality in the art of splitting mica.

With the march of time, the demand for such mica splittings increased to such an extent that today practically the entire population of all the villages surrounding the mica manufacturing centres possesses an amazing mastery of the art of splitting.

As no statistics were maintained before 1912, no figures are available. In 1912, the total export of mica from India to different foreign ports, was to the tune of Rs. 37,17,882 for 23,250 cwts. (block and splittings, etc.).

In 1921, the total quantity of splittings exported from India was about 17,000 cwts., which gradually rose to 267,000 cwts. in 1937. In 1956, only 141,394 cwts. of splittings were exported from India. Today, the requirements of mica in the electric world are met principally by India, Canada, Rhodesia, Tanganyika, South Africa, Madagascar, Argentina and Brazil.

Due to the peculiar combination of a number of physical, chemical, thermal and dielectric properties which no other insulator possesses, mica has become the main backbone of the electrical industry. It is very difficult to imagine what form electrical development would have taken had mica not been available.

Mica is generally transparent up to a certain thickness and flexible, so much so that a one-inch thick piece of mica can be split up to 2,000 layers and it can be easily rolled round a rod without cracking. Mica is also heat-resistant, as it can resist very high temperature without undergoing any physical or chemical change. Besides this, mica can withstand sudden and wide variation of temperature, without undergoing any appreciable change, that is, mica is free from contraction or ex-

pansion by virtue of its extremely low thermal coefficient.

The dielectric strength has easily put it in supremacy over all other insulating materials. Observations made by the late Mr. Charles P. Steinmetz, in this context, are worth reading:

"Take, for instance, two plates, put them against each other at a distance of, say, one-tenth of a millimetre—that is, 0.004 in. of air between them. Now, measure the resistance at, say, 100 volts difference of potential between the plates. It is infinitely high. For I do not think anybody ever measured the true resistance of air and found any other result than infinite. Now raise the potential difference between the plates to 500 volts. A spark will pass across the gap, and this insulating resistance, which a moment before was infinite, is now reduced to nil; it has broken down. Now, replace the air gap by a piece of dry fibre of the same thickness and measure again the insulating resistance in the usual way. You will find the resistance measurable, hence infinitely smaller than the resistance of your air gap. Still, you may raise the potential to 500 or 1,000 volts, and the fibre will stand the pressure. It will break down under a stress of about 1,300 volts. Now, replace the fibre sheet with a sheet of mica. The resistance is much smaller than the resistance of the fibre, to say nothing of the air. But, you may raise the difference of potential at the terminals to 10,000 or 20,000 volts and the mica sheet will stand it. The electricity will rush out from the terminal plates upon the mica sheet in long, glowing streamers, beating against the mica with a hissing noise and forming a broad electrostatic aurora of violet light, and still the mica will not break down. This (dielectric strength) is the property we want, but this disruptive strength has nothing to do with insulating resistance." (U.S. Tariff Commission Report on Mica Industry.)

Occurrence of Mica in India

About 75 per cent. of the world's demand for mica is met by India. Mica is mostly found in Bihar, Rajputana and Madras, though occurrence of mica-bearing pegmatites are also found in the States of Nepal, Assam, Kashmir and Delhi. The most important State is Bihar which accounts for 60 per cent. of the total production in India and, out of the remaining 40 per cent., about 25 per cent. comes from Rajputana and 15 per cent. from Madras. The mica mines in Bihar are being worked for the last 100 years, while the fields in Rajputana and Madras are of less than half a century and, therefore, the cost of production in Bihar is higher when compared to Rajputana and Madras, as the mines in Bihar area have gone very deep. The maximum depth of a mine so far reached in the Bihar mica field is about 600 ft. (which may be considered as the world's deepest). Bihar produces the best quality mica as compared with other States.

Mica was first discovered by the late Mr. F. F. Chrestien sometime in the year 1882, while he was working as a railway contractor in Monghyr District in Bihar. He came across few pieces of mica in the process of constructing railway lines and he sent some pieces to foreign countries to find out if there could be any use for the same. Since then, the use of mica has gradually come up to the present level.

In olden days, mica mining operation was carried on in a crude manner. The use of compressors, machine drills, hoists, etc., were unknown, but, with the progress of time, improved methods started. To mechanise a mine in India, it now requires a minimum of one lakh of rupees by way of machinery, timber and other expenses.

Marketing

The consumption of mica is very small in India, practically negligible, and the Indian mica industry has to depend for its existence entirely on foreign countries. Though, at one time, India used to hold the monopoly for mica, Brazil has now become a potential supplier of block

mica. Moreover, Brazilian fields are virgin, as they were started only during the Second World War, when America invested huge capital there in their efforts to find an alternative source of regular and adequate supply of mica. Brazilian mica is also getting preferential treatment in prices from America by an average 25 per cent. since 1954, as compared with prices offered to India.

It is interesting to note that, from the crude mica produced from the mines, about 75 to 80 per cent. is waste and the remaining 20 to 25 per cent. is only sorted and classified in so many grades. Waste mica is used in foreign countries for the manufacture of paints and boards and filler for rubber works. The Government of India is contemplating to put up a mica grinding plant in India, so that this waste mica may be utilised locally by the paint and rubber industries for consumption in India and for export to foreign countries. At present waste is exported to foreign countries at a nominal price of Rs. 30 per ton.

Grades and Qualities

Mica is classified in the following grades and qualities:

- (1) Block mica, which is 7 mils and up (sometimes 8 mils and up) in the following qualities:
 - (a) Clear and slightly stained block (C.L. & S.S. block)
 - (b) Fair stained block (F. S. block)
 - (c) Good stained block (G. S. block)
 - (d) Stained block (Std. block)
 - (e) Heavily stained block (H. S. block)
 - (f) Densely stained block (D. S. block)
 - (g) Blackspotted block (B. S. block)
- (2) Splittings, in the following qualities:
 - (a) Bookform or book packed splittings in 1st and 2nd qualities in No. 4, 5, 5½ and 6 sizes.
 - (b) Dusted loose splittings or loose with powder, in 1st and 2nd qualities in No. 4, 5, 5½ and 6.

- (c) Loose splittings without dust, i.e., without powder in No. 4, 5, 5½ and 6.
- (3) Condenser films, in 1st, 2nd and 3rd qualities of No. 4, 5, 5½ and 6 sizes.

In block mica, there are different sizes as described below:

- (a) Over extra extra special (square area 100" and up)
- (b) Over extra extra special (square area 80" to below 100")
- (c) Extra extra special (64" to below 80")
- (d) Extra special (48" to below 64")
- (e) Special (36" to below 48")
- (f) No. 1 (24" to below 36")
- (g) No. 2 (15" to below 24")
- (h) No. 3 (10" to below 15")
- (i) No. 4 (6" to below 10")
- (j) No. 5 (3" to below 6")
- (k) No. 5½ (2½" to below 3")
- (l) No. 6 (1" to below 2½")
- (m) No. 7 (under 1")

Note:—No machine has so far been invented to test the grades and qualities of mica except by visual test. That is, why there is always a chance of difference of opinion between different experts about the various qualities of mica.

Labour

Though from and export point of view mica is shipped at an average of about 8 to 10 crores of rupees every year, there are great potentialities for employment of labour, as in factories every work is being done by hand and no machine has been invented so far which can process the mica. So labour employment in the mica industry, either directly or indirectly, including home splitters, is about 500,000. The labourers in the mica field are casual labour, dependent partly on earnings from this industry and partly on agriculture of their own. Their wages are governed by the Awards which came into force in 1948 and revised every two to three years and also by the Mini-

mum Wages Act which came into force in 1951.

The Indian mica industry has been passing through a slump since 1952 and the following statistics from the year 1951 to 1956 will show how export of mica from India has declined:

		Cwts.	Rs.
1951	Calcutta Madras Bombay	5,02,354	13,52,07,701
1952	Calcutta Madras Bombay	3,26,556	9,22,72,880
1953	Calcutta Madras Bombay	2,75,806	8,38,52,375
1954	Calcutta Madras Bombay	3,57,950	6,56,45,398
1955	Calcutta Madras Bombay	4,81,581	7,90,96,522
1956	Calcutta Madras Bombay	4,96,488	7,85,90,109

These are the only three ports through which all mica exports are made.

Mica on Consignment

Mica is exported either directly against firm orders under letters of credit or shipped on consignment basis to the foreign agents or brokers for disposal when demand arises. While the former method is very healthy for the mica trade, the latter is very injurious, as, once mica is shipped to foreign countries on consignment basis, it is left entirely to the mercy of the foreign agents or brokers and the consumers. If the mica is not disposed off immediately, it is stored in the warehouse for four to five years until the demand comes, with the result that actually when the mica is sold, the shippers find that the foreign agents or brokers offer nothing near about the cost price. Moreover, certain shippers have begun to send mica on long credit basis varying from three to four months. This may be a reason why there is slump in the mica industry. Frankly speak-

ing, this mineral, which is essential for the electric industry of the world and which the world cannot afford to ignore but to buy it from India, in spite of the inventions of synthetic and integrated mica substitutes, still suffers from slump and fails to obtain economic prices, because of its entire dependence for its consumption in foreign countries.

Mica Piracy

Mica being a semi-precious mineral, the price of it ranging from Re. 0-8-0 to Rs. 300 per lb., is obtained from mines generally situated in jungles and hilly tracts, and, before it can reach the factory, it passes through a large number of skilled and unskilled labour as well as subordinate staff and has the temptation of being stolen. It is considered that at an average 10 to 15 per cent. of the production of mica goes by way of theft and sells in the market. The inevitable effect of such piracy is always considered to be fatal for the legitimate mine owners. It deprives the honest mine owner of his return on the capital outlay. The thief and the receiver of stolen mica put the mica on the market at a low price without any cost of production and this depresses the market abnormally during a slump. The Bihar Mica Act had to be enacted in 1932 to save the industry from being ruined, but the Act could not help in checking mica piracy to any appreciable extent.

Recently, the Government of India has formed an Export Promotion Council for mica with the object of promoting export. A micanite factory has also been established in Kodarma, with a capacity of 300 tons of micanite per year, though India consumes only about 30 tons. This micanite factory will have to depend upon the export of micanite and it is yet to be seen how the foreign markets for micanite reacts to the Indian-produced micanite.—*All Rights Reserved.*

Telegram: "SUGARS," Anakapalle.

Telephone: 270

THE VIZAGAPATAM SUGARS AND REFINERY LIMITED

ANAKAPALLE (S. Railway)

Authorised Capital - - - - Rs. 1 Crore
Subscribed and Paid-up Capital - Rs. 7½ Lakhs

Manufacturers of:

**SUGAR, PHARMACEUTICALS, SPIRITS,
TINCTURES, PHENYL, CO₂ GAS, ETC.**

Board of Directors:

SHRI KANTILAL NAHALCHAND (Chairman)
SHRI ANANDLAL H. SHETH
SHRI SUMATICHANDRA H. SHETH
SHRI D. VARAHA NARASIMHAM
SHRI CHANDRAKANT POONAMCHAND
SHRI HIMATLAL KANTILAL
SHRI K. G. APTE
SHRI JIVANLAL CHHOTALAL

COAL

UNDERGROUND POTENTIAL..

The perfect power generating material, millions of years old, brought to the surface by man and modern up-to-date machinery...

NOW SERVING INDIA.....

The speed of development of India's projects not only depends on Modern machinery and methods, it also depends on Coal. And modern plants need good quality coal. Therefore, we believe that the better our coal the better we can serve the country.

THE SINGARENI COLLIERIES CO. LTD.,

"MEHER MANZIL", RED HILLS, HYDERABAD • DN.

HERCULES INSURANCE CO., LTD.

(INCORPORATED IN INDIA)

**• FIRE • MARINE
• MOTOR AND
MISCELLANEOUS
ACCIDENT INSURANCES**

Head Office

16, HARE STREET, CALCUTTA

Branches

BOMBAY: 21, Ravelin Street - MADRAS: 1st Line Beach

Sub-Offices and Agencies

LUCKNOW - AHMEDNAGAR - NAGPUR
HYDERABAD - AHMEDABAD - INDORE
KARACHI - NAIROBI & LONDON

For better return

of your money

always insist upon

NEW SWADESHI FABRICS

Our Specialities

SAREES

CHINTS

DHOTIES

ETC., ETC.

MULLS

AND VARIOUS

POPLINS

TYPES OF

CREPES

CLOTHS FOR

SHIRTINGS

EXPORT.

**THE NEW SWADESHI MILLS OF
AHMEDABAD LIMITED**

NARODA ROAD, AHMEDABAD - 2.

Telephone: 2828

Telegrams: NEWSWADESI

Trade with JAPAN through BANK OF TOKYO LTD.

(Incorporated in Japan)
(LIABILITY OF MEMBERS LIMITED)

THE ONLY FOREIGN EXCHANGE BANK IN JAPAN LICENSED
UNDER THE FOREIGN EXCHANGE BANK LAW.

	Yen
Authorised Capital	10,000,000,000
Paid-up Capital	3,300,000,000
Reserves	7,850,000,000

Head Office: NIHOMBASHI, TOKYO.

OVERSEAS BRANCHES:

NEW YORK, RIO DE JANEIRO, BUENOS AIRES, LONDON, HAMBURG,
ALEXANDRIA, CALCUTTA, BOMBAY, KARACHI, VEINTIANE, SINGAPORE, HONGKONG.

REPRESENTATIVE OFFICES:

TORONTO, SAO PAULO, PARIS, DUSSELDORF, BEYROUTH, TEHRAN,
RANGOON, BANGKOK, PHNOM-PENH, SAIGON, DJAKARTA,
MANILA, SYDNEY.

AFFILIATES:

THE BANK OF TOKYO OF CALIFORNIA, SAN FRANCISCO, — LOS ANGELES — GARDENA.
THE BANK OF TOKYO TRUST COMPANY, NEW YORK.



BOMBAY BRANCH:

221, DR. DADABHAI NAOROJI ROAD, BOMBAY-1.

Telephones:
Manager: 261221
Office: 263058

T. OHNUMA
Manager.



'The Artillery Man...'

The early smokers in England were brave and hardy souls. The targets of poetasters, wits and frowning moralists, they had, in addition, to bear the heavy burden of their elaborate smoking paraphernalia. These consisted of sets of clay and ornamented pipes, an ivory box to hold up to a pound of tobacco, silver tongs to lift glowing embers to light the pipe, a pick, a knife and a small scoop. Armed with this 'artillery', as a contemporary writer dubbed the paraphernalia, the smokers were to be seen at the Playhouses, at the taverns and at the other fashionable districts of London.

From a fashion confined to an intrepid few, smoking today has become a simple pleasure, universally enjoyed. To provide this pleasure The Imperial Tobacco Company of India Limited manufacture the finest quality cigarettes that modern means and materials can produce.



ITC 8

FACTS ABOUT MATCH INDUSTRY

Raw Material Problem Requires Urgent Attention

(Contributed)

BEFORE considering the match industry today, a short historical introduction will be of interest. Prior to the First Great War, most of India's needs of matches—some 15,000,000 gross boxes—came from Sweden and Japan. In 1921-22, the *ad valorem* customs duty of 7½ per cent. was increased to 12 annas per gross and further increased the following year to Re. 1-8 per gross. After 1922, imports fell sharply and an indigenous match industry emerged. Early Indian match works were more in the nature of assembly plants than complete factories and it was not until 1924 that the large mechanised industry took root in the country. The Tariff Board of 1926 decided in favour of protection for the nascent industry, whose capacity in 1928 was around 18 million gross per annum. By 1951, India's total requirements were being manufactured indigenously and production was around 29 million gross boxes of 60 sticks each. This has now risen to around 34 million gross boxes.

Matches are, of course, a universal need and consumption in India approximately averages two sticks per head per day. Production today is under two executions—one of 60 sticks per box and the other of 40 sticks. Indigenous raw materials are to a large extent used by the industry, though some chemicals and match paper have still to be imported—the chemicals because they are not available in India, and some quantities of match paper because local mills cannot fully meet requirements. Indigenous manufacturers have lately been producing paper of an acceptable quality, and it is expected that imports will no longer be necessary when the Western India Match Company's new paper mill commences operations next year.

Employment Potential

The industry consumes approximately 120,000 tons (50 c.ft. each) of timber annually and employs some 40,000 workers directly, apart from giving a livelihood to large numbers of people in the timber and match distribution trades. Excise duty on matches alone today yields over Rs. 10 crores to the Central Government, apart from which the industry pays substantial taxes on raw materials, sales taxes, octroi duties and timber royalties.

There used to be on the market very many different sizes of boxes and ranges of stick-contents, but now excise duties are so fixed that the executions mentioned above are universal and a partial standardisation has been achieved. Further standardisation of box sizes is a desirable aim, in view of the scarcity of accessible sources of the right kinds of softwood. Match boxes produced by the cottage sector today, which usually contain only 40 sticks, are often of the same size as the mechanised sector's 60's boxes, and cottage 60's are usually bigger than those of the other sector. The simple rural consumer is all too often deceived by the similarity of box sizes into thinking that there is no disparity in stick-contents. The most economical execution for India is 60's, as it provides the best compromise possible with the quality of timber available. Less than 60 sticks per box would make for wastage in boxwood.

The best matchwood in India available in any quantity is *Bombax malabaricum*, known popularly as *Semul* or *Sawar*. This species was at one time plentiful on the mainland, but heavy inroads by the match industry and other wood users, such as plywood and packing case manufacturers, have greatly denuded our forests. There has been until recently no constructive afforestation to speak of, and even now the rate of timber consumption is far higher than the rate of afforestation. It is of prime importance that this aspect of preserving the industry's main raw material should be given very careful attention. Furthermore, certain species of softwood should be strictly reserved for match manufacturers, who unlike the others named above, can utilise only a few of the softwood species available in the country.

A Serious Problem

A corollary to conserving supplies of timber is that transport for this valuable raw material should be adequate and timely. This is one of the industry's most serious problems, and every year delayed or insufficient transport occasions severe wastage. A felled tree to be of any use to the match manufacturer must reach his factory while it is still fresh and retains its natural moisture. At the large mechanised factories, there are excellent facilities for the storage and preservation of timber stocks either in tanks, where the logs are completely submerged in water, or in yards where they are continuously sprinkled and kept damp. Not more than three weeks should elapse if a log is to reach the factory site in good condition, whereas in practice today, about five weeks is the usual period for the journey from extraction site to that of manufacture. Ten days are required in transit from forest to railhead, normally about two weeks' waiting at the railhead, and a final ten days in transit by rail. In many cases, however, consignments lie at railheads for months awaiting wagons.

The industry, in these circumstances, loses much money and the nation wastes a valuable and scarce resource. A ton of timber today costs the industry something in the region of Rs. 200, which yields about 250 gross of matches, paying Rs. 1,225 in excise duty. A dryage of 15 per cent., which is quite common, thus means a loss to the manufacturer of Rs. 30 per ton. A raw material as perishable and as scarce as this deserves some kind of priority of movement on the railways over non-perishable material not immediately required for highly important national needs. During the war the match industry enjoyed a high priority on the railways, but today, in peace-time, in spite of many representations, it has none.

Andaman Islands

A very fruitful source of timber for the industry should be the Andaman Islands, but the opening up of this great reservoir has been disappointingly slow and ineffective. There have been difficulties with regard to the settlement of refugees and other pioneering projects. The forest authorities have always done their best to exploit the resources in the Islands, but are hampered by being confined to an insufficient budget and being forced to manage with inadequate and outdated equipment which greatly obstructs their

work. There is, moreover, considerable doubt whether the concessionaires who were granted the rights to work the North Islands for timber have proved their capacity to discharge their important task. Large buyers, both on private and Government account, have experienced endless difficulties in obtaining regular and satisfactory supplies of hard and soft woods.

Another serious bugbear has been the shipping position between the Islands and the mainland. None of the shipping firms care to send their vessels to the Andamans because of delayed turnaround and as they consider that the freights are unremunerative. There have been repeated disputes with Government authorities concerning freight rates, and at present an unfortunate deadlock exists between the shippers and the authorities on this question, with consequent stoppage of urgent supplies to consumers. Timber is, moreover, an awkward cargo to handle and wasteful of hold space. A radical solution, such as a ship specially built for the Andamans-mainland run, is overdue. Until these chronic difficulties are satisfactorily resolved, there will never be a smooth flow of timber between the Andamans and India, and the rich virgin forest resources which should supplement India's pressing raw material needs will go to waste.

A Tax Upon A Tax

Matches are an article of necessity to the common man, and its price should therefore suit his pocket. This commodity is nevertheless one of the heaviest taxed in existence. The table below indicates the progressive raises in the impost on matches over the years:

Excise duties (applicable to 'A' class factories only)

	40's	60's
Rs. a.	Rs. a.	Rs. a.
From 1st April 1934	1 0	1 8
From 1st March 1949	2 0	2 0
From 16th May 1957	3 25	4 00

The final hoist of 63 per cent. now burdens this article of general utility with a tax which is not less than 156 per cent. of its wholesale price. The weight of excise duties is furthermore supplemented by the imposition of sales taxes, octroi, etc., by State administrations and local bodies, some of which are actually levied on the excise duty portion of the commodity's price—namely, a tax upon a tax! In these circumstances, it is hard to see how Government's desire that a 60's box should be sold at 6 nP and 40's at 4 nP can possibly be met, as there must be some margin for the wholesale and retail distributing trade. These middlemen today are asked to share between them a return of 7 per cent. on their investment. If Central revenue needs require that excise duties at these levels must remain, there is every reason why State Governments should be restrained from further taxing matches and forcing the end price to the consumer beyond limits desired by the Centre. The price marking on individual boxes enjoined by the authorities has accordingly become a fiction and might just as well be abolished.

Rebates from 1934 to 1949 were granted only in respect of category 'C' factories. Rebates for category 'B' commenced in 1949, whereas category 'D' was not instituted till 1954.

Spectacular Growth

In the first category (category 'A') falls only the large mechanised sector of the industry which is firmly discriminated against and alone pays the full excise duty. This sector has in fact undertaken not to increase its capacity and to leave the expanding market to the cottage sector. How well the latter have profited by this is shown by the table below:

Cottage production in cases of 50-gross boxes of 60's

Year	Cases
1949	99,000
1950	129,000
1951	150,000
1952	181,000
1953	185,000
1954	256,000
1955	308,000

Cottage production has advanced spectacularly and their rates are in any case so far below that of the mechanised sector that additional (Continued on page 163)

goods which cannot be made better by large mechanised industry. An impartial observer would doubt whether the manufacture of a commodity such as matches is one of these fields that are ideally suited for the cottage hand-worker and his children. Some of the materials used are potentially dangerous, and there is always the risk of fire. Quality also tends to be uneven with the lack of scientific control. Some cottage factories provide quite pleasant conditions of work, but others fall short of normal industrial requirements and neglect the welfare aspect. All members of a family, including small children, may be put to work and there is not much play time for the latter when cottage match production is in full swing. Earnings per head are low, while the wages paid to operatives in the mechanised sector are among the highest in the country.

Special Aid

Suitable or not, extensive concentrations of cottage match output are in being in the South and have to be accepted as an important wing of the industry. Government have always encouraged the cottage sector of the match industry, on the ground that it is labour-intensive and, of course, provides employment to a considerable number of people. Government have, therefore, followed a policy of granting them every assistance, particularly in the form of substantial rebates in excise duty. The table below indicates the range and progressive development of these:

Progressive Rebates per gross boxes granted to Cottage Factories—Categories 'B', 'C' and 'D'

	Stick-contents	40's	60's
		Rs. a. p.	Rs. a. p.
From 1st April 1934: For all factories manufacturing more than 100 gross boxes per day		0 0 10	0 1 3
From 1st March 1949:			
Category 'B'		0 0 6	0 0 9
Category 'C'		0 0 1	0 0 2
From 1st April 1950:			
Category 'B'		0 1 0	1 4
Category 'C'		0 2 0	3 0
From 1st October 1954:			
Category 'B'		0 1 0	1 4
Category 'C'		0 2 0	3 0
Category 'D'		0 4 0	6 0
From 1st March 1955:			
Category 'B'		0 2 0	3 0
Category 'C'		0 4 0	6 0
Category 'D'		0 6 0	9 0
From 16th May 1957:			
Category 'B'		Rs. n.P.	Rs. n.P.
Category 'C'		0 10	0 15
Category 'D'		0 20	0 30
From 12th June 1957:			
Category 'B'		0 10	0 15
Category 'C'		0 30	0 40
Category 'D'		0 45	0 60

Note: Definitions of categories 'A', 'B', 'C' and 'D' referred to above are as follows:

- Factories producing more than 500,000 gross boxes per year (which receive no rebate).
- Factories whose production does not exceed 500,000 gross boxes per year, but exceeds 100 gross boxes per day.
- Factories whose production does not exceed 100,000 gross boxes per year, but exceeds 25 gross boxes per day.
- Factories whose production does not exceed twenty-five gross boxes per day.

STATE OF FOOD AND AGRICULTURE

Consumer Has Had To Pay Higher Prices

THE year that is just drawing to a close saw the cultivation year 1956-57 end up as the most prosperous year for Indian agriculture (since decontrol in 1952-53)—most prosperous in terms of total output, prices of farm produce and probably of farm incomes. But what was good for the farmer did not turn out to be so very good generally for the country which in the calendar year had to import nearly as much foodgrains as in 1952, or for the non-producing consumer who had to pay during most of the time higher prices than in any year since decontrol. And thus it came about this situation of prosperity for the producer and crisis for the consumer rendered the year under review most crucial and controversial since the agriculture-oriented first Plan started—crucial in the sense that it shook the complacency of the powers-that-be and led to a sober realisation that food and agriculture would continue to be the crux of India's planned economy and controversial on the score of revised higher targets of agricultural production under the second Plan and on the score of ways and means of increasing agricultural productivity. The state of food and agriculture in 1957 is reviewed in this article broadly in the order in which the main developments of the year are highlighted at the outset.

Production

The output of foodgrains—cereals and pulses—totalled 68.69 million tons in 1956-57, as against the previous year's 65.29 million tons and the record level of 68.72 million tons in 1953-54, while the production of all agricultural commodities including foodgrains reached the highest level ever, representing an increase of 8.7 points over the production index of 114.3 for 1953-54. Table 1 gives an expanded picture of production in the three years under reference.

What is noteworthy in the figures in this table is that, while the 1956-57 area under agricultural crops other than foodgrains was practically the same as in 1955-56, the output of such crops in the former year had increased by 11.3 per cent. over that of the latter year. On the other hand, while the 1956-57 area under foodgrain crops was also practically the same as in 1955-56, their output in the former year had increased by only 5.2 per cent. over that of the latter year. The far higher increase in the yield of commercial crops was probably due, in the main, to two factors: increased utilisation of irrigation water and increased use of manures and fertilisers. The part played by irrigation in this regard can only be inferred from the trends revealed between 1953-54 and 1955-56 as figures pertaining to crops irrigated are not yet available for 1956-57. These trends are noted in the following figures:

Gross Area Irrigated

(In million acres)			
	Foodgrains	Commercial crops	
1953-54	49.1	10.7	
1955-56	51.7	12.2	
Net change	+ 5.3%	+ 14.0%	

It may also be seen from the above figures that, of the increase (4.1 million acres) in gross irrigated area, commercial crops accounted for 1.5 million acres or about 37 per cent. This was a disproportionate increase in relation to the fact that the area under commercial crops was only about 18 per cent. of the area under all crops. This trend, again, should

have continued in 1956-57, judging from the relatively higher increase in the output of commercial crops in that year.

Incidentally, a closer look at the figures in Table 1 would also show that the output of the two major cereals—rice and wheat—in 1956-57 represented an increase of about 5.0 per cent. over that of 1955-56. The larger part of this increase in output should have been due to the increase (3.5 per cent.) in the area alone under the two crops. The comparatively less significant part played by additional irrigation and aids for increased productivity in the matter of rice and wheat could also be inferred. Again, in the matter of other foodgrain crops, which are predominantly unirrigated, the increase of 1.61 million tons in their output should have been almost entirely due to the seasonal factor, because there was not only no increase in their area but actually some decline from 163.9 million acres in 1955-56 to 161.8 million acres in 1956-57.

Thus, if no diversion of area from foodgrain crops to commercial crops had taken place since 1955-56, there had taken place instead, it would appear, some diversion of aids and facilities for increasing the productivity of latter crops. The comparatively greater profitability of commercial crops should have contributed to this trend. The difficulty of keeping a balance between foodgrain crops and commercial crops and of apportioning aids and facilities between them for increasing productivity should be obvious.

Irrigation

As irrigation is a factor which can, on an average, double per-acre yield, it would be relevant to know what progress has been registered in this sphere. It has been claimed by the Planning Commission that during the first Plan period irrigation was available from major (including medium) irrigation works for about 8.5 million acres but that the area actually irrigated was only a little over 4 million acres. As it has also been claimed that minor irrigation works benefited about 10 million acres of land, the total additional area brought under irrigation was

supposed to have been about 14 million acres. That this is a wrong estimate can be easily seen from the following authoritative figures of the Food and Agriculture Ministry:

(In million acres)		
	Net area irrigated in 1950-51	Net area irrigated in 1955-56
By Government canals	17.9	19.9
By private canals	2.8	3.2
By tanks	8.8	10.5
By wells	14.7	16.8
By other sources	7.3	5.8
Total	51.5	56.3
Major irrigation	29.7	23.2
Minor irrigation	30.8	33.1

Even supposing the Planning Commission has meant the gross irrigated area (covering irrigated area sown once and irrigated area sown more than once), its estimate was still wrong because the gross irrigated area had increased by only 8.1 million acres from 55.8 million acres in 1950-51 to 63.9 million acres in 1955-56. As the actual utilisation, by agriculturists, of additional irrigation was thus considerably lower than the total availability of such additional irrigation upto 1955-56, it can be safely assumed that the additional area actually brought under irrigation in 1956-57 should have been only about one million acres net or 1.6 million acres gross and that as much as half of this additional irrigation should have benefited commercial crops. Between 1955-56 and 1956-57 there could not have taken place a sudden big jump in the actual utilisation of irrigation water.

If the irrigation potential already created by major projects had been utilised to cover at least 7 million acres and if, at the same time, an estimated 8 million acres had not been deprived of irrigation under many older minor works which had been allowed to go into disrepair over the first Plan period, the additional foodgrains production on this account alone could well have been 2.5 million tons in 1956-57. But that was not to be and so, in this context, the year under review was notable for the official 'discovery' of the

under-utilisation of irrigation potential already there and for the Asoka Mehta Committee's realistic recommendations to redress this state of affairs in a crucial field. The more important of these recommendations are:

"Water rates under the new major and medium projects should not be based on the 'cost' of such projects but on the principle of 'net benefits' and a uniform rates structure for all irrigation water in homogenous tracts be fixed on the principle of benefits and by pooling together the costs of different projects; concessional water rates be charged in the first few years to encourage the full use of irrigation facilities wherever the cultivators are not readily willing to use them; double-cropping be encouraged in such project areas as normally have adequate rainfall by exempting the second crop from water charges in the first few years; cultivators be helped with credit and other facilities for making the dry lands suitable for wet cultivation by levelling, bunding, etc., and repairing of the existing minor irrigation works be given as high a priority as construction of new works as there has been a general tendency to neglect the maintenance of old works with the result that 'the net increase in irrigation is less than the figures of new construction would show.'"

It would appear from the Committee's finding in respect of the likely increase (10.33 million tons, as against the revised Plan target of 15.51 million tons) in foodgrains production in the last year of the second Plan as compared to 1955-56, just 3.31 million tons or roughly two-thirds of the targeted quantity under the irrigation head would be accounted for by major and minor irrigation. The need for giving effect to the Committee's recommendations to achieve at least that much is obvious. Of course, if the additional irrigation potential that is being continuously created comes to be utilised to a greater extent than what has been cautiously estimated by the Committee, the prospective achievement can well be greater.

Imports and Prices

Whatever be the achievement in the future, there can be no doubt that the deplorable under-utilisation of irrigation and the disproportionate diversion of irrigation facilities to commercial crops were mostly responsible for the marginal shortage of foodgrains in the year under review. Without going into too many statistical details germane to this question of shortage, it may be broadly and pragmatically assumed that the ship-to-mouth imports in the year (excluding the closing stocks with the Central and State Governments) did in fact represent the marginal shortage of market supplies which alone were relevant from the standpoint of non-producing consumers in both urban and rural areas and of the prices they had to pay. Since in the calendar year 1957 the market did in fact absorb nearly 3.1 million tons (2.4 million tons of wheat and 0.7 million tons of rice) out of the total imports in the year of about 3.7 million tons (2.9 million tons of wheat and 0.8 million tons of rice) and since no physical scarcity bordering on famine developed in any part of the country, the real shortage of supplies could not have been more than 4.5 per cent. of the 1956-57 foodgrains production or 4.3 per cent. of the 1957 total requirement.

What disproportionate impact this marginal shortage should have had on regional or local prices could also be inferred from the fact that, in many States, the increase in foodgrains production was too marginal to have had any counter-impact on prices. The following table gives

SPENCER & CO., LTD.

Head Office: MADRAS-2.

Post Box No. 301

Telephone No. 84001

BRANCHES THROUGHOUT INDIA

IMPORTERS, EXPORTERS AND GENERAL MERCHANTS

Hotel Proprietors, Caterers and Owners of the Rob Roy Tea Estate in the Nilgiri Hills

Manufacturers of:

CIGARS, FURNITURE, DRUGS & CHEMICALS, AERATED WATERS, TEA, CONDIMENTS, ETC.

Distributors for:

KELVINATOR REFRIGERATORS AND AIR-CONDITIONING EQUIPMENT, RONSON PRODUCTS, PHARMACEUTICALS, PARKE-DAVIS & COMPANY LIMITED, "STEEL AGE" STEEL EQUIPMENT, STORES, ETC.

THE CENTRAL BANK OF INDIA, LIMITED

(ESTABLISHED DECEMBER, 1911)

Head Office:

MAHATMA GANDHI ROAD, FORT, BOMBAY, I

Authorised Capital	- - - - -	Rs. 6,30,00,000
Subscribed Capital	- - - - -	„ 5,76,66,125
Paid-up Capital	- - - - -	„ 3,14,54,250
Reserve Fund and Other Reserves	- - - - -	„ 4,02,77,122
Deposits as at 31-12-1956	- - - - -	„ 1,39,01,90,571

DIRECTORS:

SIR HOMI MODY, K.B.E. (Chairman)
COOVERJI HORMUSJI BHABHA, Esq. (Vice-Chairman)
DINSHAW D. ROMER, Esq.
DHARAMSEY MULRAJ KHATAU, Esq.
MANMOHANDAS MADHAVDAS AMERSEY, Esq.
C. P. WADIA, Esq.
CHIMANLAL BAPALAL PARIKH, Esq.
FRAMROZE J. GAZDAR, Esq.
SIR JAMSETJEE JEJEEBHAY, BART.
His Highness SIR JIJAJIRAO MADHAVRAO SCINDIA, G.C.S.I., G.C.I.E., Maharaja of Gwalior.

Branches and Pay Offices in all important Commercial Centres of India, Pakistan and Burma.*

LONDON BRANCH:

159, Fenchurch Street, London, E.C. 3.

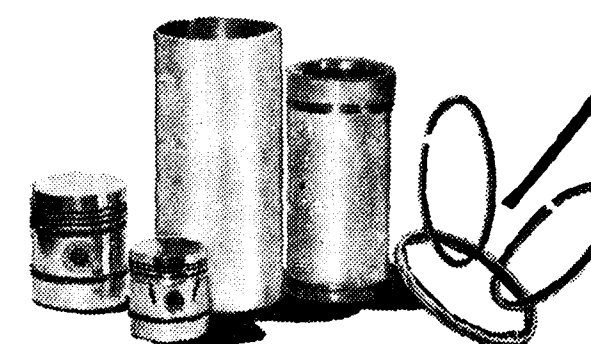
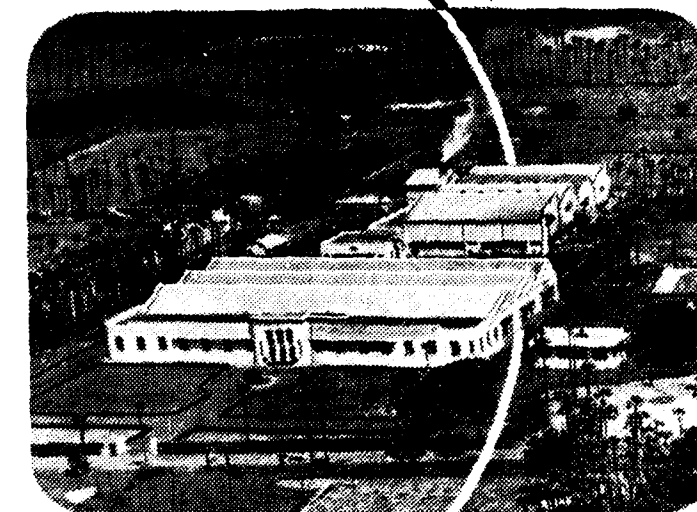
NEW YORK AGENTS:

The Guaranty Trust Co. of New York.
The Chase Manhattan Bank.

Banking business of every description transacted on terms which may be ascertained on application.

N. K. KARANJIA,
General Manager.

NOW IN
Our 9th
YEAR



PROGRESS AT A GLANCE

- 1949 ERECTION OF FACTORY
- 1950 PISTON RINGS
- 1951 CAST IRON FOUNDRY
- 1952 PISTONS
- 1953 CYLINDER LINERS
- 1954 GUDGEON PINS
- 1955 EXPANDER TYPE STEEL RINGS
- 1957 ALUMINIUM FOUNDRY

SUPPLIERS OF PISTONS, PISTON PINS, PISTON RINGS AND CYLINDER LINERS TO ENGINE MANUFACTURERS AND REPLACEMENT TRADE THROUGHOUT INDIA

INDIA PISTONS (PRIVATE) LTD.,

MADRAS-11.

* For 1956-57, second estimate

† In terms of cane and not gur

‡ Although sugarcane, chilies, etc., are food crops, they are treated here as commercial crops because they are not foodgrain crops

GLADSTONE LYALL & CO., LTD.

4, FAIRLIE PLACE, CALCUTTA

STEAMER AGENTS
THE CITY LINE LTD.
ELLERMAN & BUCKNALL
ASSOCIATED LINES.
HALL LINE LTD.

AIRLINES
SWISS AIR TRANSPORT
CO., LTD.
CATHAY PACIFIC
AIRWAYS LTD.
CANADIAN PACIFIC
AIRLINES LTD.

LLOYDS AGENTS
LIGHTERAGE
Managing Agents:
CALCUTTA LANDING AND
SHIPPING CO., LTD.

SUGAR DISTILLERIES
Managing Agents:
CAREW & CO., LTD.

INSURANCE
FIRE, MARINE, ACCIDENT.

PLYWOOD
Selling Agents:
EAST INDIA PLYWOOD CO.
PRIVATE LTD.

ROOFING
MALTHOID ROOFING, FLOOR-
ING AND DAMPCOURSING,
"JASON" ROOFING.
Contracts undertaken anywhere
in India.

DDT
Licensees for:
J. R. GEIGY S.A., BASLE.
D. D. T., B. H. C., DIAZINON
& BASUDIN FORMULATIONS.
"AKAR" ACARICIDE, FUN-
GICIDE, ETC.

MILL STORES
Proprietors:
G. F. PLAYFAIR & CO.
Stockists & Distributors:
SILVERTOWN RUBBER
CO., LTD.

PAINTS
RED HAND COMPOSITIONS
COMPANY
PABCO PAINTS
STONALL
Super Polish, N. C. Thinner, Black
Anti-corrosive Paints, Belt Dress-
ings, Leakstop, Etc.

GENERAL
Agents:
"THERMOCOLE" Cold Insulation
Sheets and Shapes
(Delhi, Punjab, U.P., etc.)
Building Boards Etc., Etc.

Branches at:

NEW DELHI . BOMBAY . VIZAGAPATAM . BANGALORE

Phone: 22-3279

Gram: KRISHISAKHA

THE BANK OF BANKURA LIMITED

Central Office: 36, STRAND ROAD, CALCUTTA-1.

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED

(a) TIME DEPOSITS ACCEPTED AT
ATTRACTIVE RATES.(b) ON SAVINGS DEPOSITS 2½% INTEREST
ALLOWED.

DIRECTORS:

1. SRI KALIDAS ROY
2. SRI CHANDRA KUMAR MAZUMDER
3. SRI KALIPADA GHOSH
4. SRI SUNDAR LALL DUTT

General Manager: R. N. KOLAY

Other Offices:

COLLEGE STREET, CALCUTTA (Phone: 34-3941)
AND BANKURAfigures of State-wise production of
foodgrains:

(In million tons)		
State	Production in 1955-56	Production in 1956-57
Andhra Pradesh	5.42	5.62
Assam	1.07	1.74
Bihar	5.28	5.24
Bombay	7.23	7.77
Jammu and Kashmir	0.46	0.50
Kerala	0.88	0.89
Madhya Pradesh	7.61	8.36
Madras	4.54	4.73
Mysore	2.45	2.50
Orissa	4.70	5.56
Punjab	4.18	4.39
Rajasthan	11.89	12.45
Uttar Pradesh	4.65	4.71
West Bengal	0.53	0.56
Union territories		
Total	65.29	68.89

It may be seen from the above figures that four States—Bombay, Madhya Pradesh, Punjab and Uttar Pradesh—accounted for a production increase of 2.7 million tons out of the total increase, for the country as a whole, of 3.4 million tons over 1955-56. These four States formed part of different wheat zones and so, while prices in the respective zones were restrained, their production increase did not have any counter-impact on prices in most other States. In any case, an increase of 15 lbs. in per capita production in 1956-57 was, again, only too marginal and could have been easily and mostly matched by a marginal increase in consumption by producers themselves. It could thus have come about that the increase in production did not mean increased marketed supplies and, consequently, lower prices.

Although other factors like the pressure of development expenditure and increased purchasing power were in operation, the estimated real shortage of 3.1 million tons appear to have been largely responsible for a general rise in food-grain prices in the country as a whole. In the case of cereals, their general price level in 1957 was about 10 per cent. higher than in 1956, and in the case of pulses the increase was about 7 per cent. The price increases could easily have been far greater in the context of other factors at work; if this did not happen, it was almost entirely due to the quick sales of imported foodgrains from month to month and to the zonal controls which restricted the movement of foodgrains to the respective wheat or rice zones. Incidentally, the sale of imported foodgrains had a greater restraining effect on wheat prices than on rice prices for two reasons, namely, that the larger part of imports was only wheat and the real shortage in the country was greater in the case of rice than in the case of wheat.

While on the subject of shortage and prices, it may be recalled that the reliability of estimates of foodgrains production in the year was called in question on the ground that, if production was really about the same as in 1953-54, there should not have been so much shortage as there was and prices should not have been so much more than in 1953-54. The point was made that production estimates since 1949-50 were not comparable, because there had been, from year to year, additions to the reporting area (with a primary reporting agency) and the estimates in later years were inflated on this account. It was true, that, between 1949-50 and 1953-54, there was an addition to the tune of about 16 million acres of geographical area to the reporting (geographical) area. As the area sown to foodgrains in the additional reporting area of 16 million acres should have been not more than 5 to 6 million acres, the inflation, if there was any, in the estimates of 1953-54 should have been about one million tons only for the reason that as much as 14 million acres of the additional reporting area covered the low-yielding tracts of Bombay and Rajasthan.

Although the hard-pressed consumer could derive some satisfaction from the fact that he did not have to pay still higher level of prices during 1957, he could not, if he looked back, avoid the depressing thought that the prices of cereals in 1954 were about 20 per cent. less, for example. A comparison of 1957 with 1954 would appear most appropriate, because total foodgrains production and gross per capita availability (production plus imports) in both the years were about the same. In 1954, per capita production was, however, higher at 17.9 oz. per day for a population of about 377 million; in 1957, however, it was 17.2 oz. per day for a population of about 392 million. In the former year, too, there was a small marginal shortage and the market actually absorbed 0.63 million tons of imported foodgrains, and so the gross availability then was 18.1 oz. per capita per day; in 1957 also, it was about the same at 18.0 oz., though this was mainly due to large imports. What a difference 15 million more mouths have made to the country and to the consumer!

There was, however, the compensating circumstance that the high prices in 1957 appeared to have contributed further to the prosperity of farmers than in 1956, judging by the generally higher prices received by them for their produce and the generally lower prices paid for purchases made by them. This is a general impression based on the relevant price indices maintained for Punjab for prices received and prices paid; this impression is assumed to be applicable to the whole country. It is also based on the trend of increase in both production and prices of foodgrain and commercial crops.

But this impression should, at the same time, be applicable only to a lesser section of landowning agri-

culturists and tenants who had real surpluses (over and above their consumption requirements) to sell. This could not have been otherwise in the context of the general pattern of distribution of land in the country and in the context of the small size of holdings which are predominantly in the category below the limit of land required for producing a basic minimum quantity of foodgrains for an agriculturist family's own consumption. Although, in this sense, the larger section of producers had no real surpluses to sell except, of course, some commercial produce like oilseeds, cotton, etc., they might still have sold a part of their food-grain produce for their immediate cash needs at some stage in the year and repurchased it gradually at a later stage in the year. In this context, again, the increase in net farm incomes must have been largely confined to the former category of bigger producers, assuming that costs of cultivation had not increased to a greater extent than the increase in prices of farm produce.

Now a few words about the prospects for the 1957-58 agricultural season. Although the season is by now well under way, the picture is still not quite clear. One thing, however, appears to be certain. The recent drought in Orissa, Bihar, Uttar Pradesh, West Bengal and in certain parts of Western India, etc., would appear to have wide implications of an adverse nature for the economy as a whole and the agricultural sector in particular. Estimates of the extent of damage vary widely. Mr. A. P. Jain, Union Minister for Agriculture, first placed the damage at about three to four million tons in respect of foodgrains alone. But, a few days later, he said that this estimate of the extent of damage was rather exaggerated. It is not known whether a more precise estimate made subsequently led the Minister to revise

his ideas or whether in under-rating the loss he was motivated by the desire to discourage a fear complex among the people and profiteering by the trade. Whatever that might be, it is certain that the prospects for agricultural production in 1957-58 has definitely deteriorated. This is sure to have far-reaching effects on the Government, consumer and the cultivators. To cover the deficit in foodgrains, imports will have to be stepped up and the funds allotted for import of other merchandise will have to be diverted to the procurement of foodgrains. The consumer will, in all probability, have to pay higher price even if more controls are reimposed, as is being talked about at the time of writing. The current season might continue to be a good one in respect of prices and farm incomes for cultivators in regions not much affected by the drought, but for farmers in the areas hit by the drought it will be one of financial depression.

As regards commercial crops, production of cotton and jute is expected to be smaller than last year. Although their statistical position is sound and, theoretically, the growers of these commodities should get highly remunerative prices, much will depend on the economic position of the processing industries. Jute goods are experiencing heavy competition, while the cotton mill industry is groaning under the weight of heavy taxation. Indeed, prices of raw cotton after ruling firm during the first three months of the new season, are now depicting a bearish trend. An increase in the production of sugarcane, potatoes and groundnuts seems likely and may improve their supply position in the coming months, but such is not likely to result in any marked reduction in prices, in view of the general inflationary trend of the economy and the increasing domestic consumption. It should not be forgotten that today India has to feed, clothe and house 30 million persons more than it had to six years ago.

MATCH INDUSTRY

(Concluded from page 159)

rebates can really make no difference to their competitive power. These rebates have traditionally been used for internal price-cutting, which has caused the submergence of many of the smaller cottage units by the larger and more powerful ones. Successive rebates have benefited only the match trader and regrettably have very seldom been applied either for obtaining better prices or improving the wage level and welfare of cottage operatives. The average wholesale rate for cottage matches is today Rs. 7.50 per gross, as against Rs. 8.05 for the products of the mechanised sector.

Incidentally, an excellent sales organisation exists in the country to ensure that matches reach every village and rural user. With this penetration to the farthest crannies of the land, the matchbox is a potent advertising medium, which is being realised increasingly by progressive concerns.

The match industry is rapidly becoming more and more self-sufficient and, if proper attention is given to its problems of transport, raw materials and tariffs, there is no reason why it should not flourish and continue to provide the consumer with a serviceable product. The mechanised and cottage sectors have by and large existed peaceably together, and it is only to be hoped that the benefits derived by the latter from financial concessions granted by Government will be utilised productively for development purposes, improvement of quality, and raising the earnings of their operatives. All this the mechanised sector has striven successfully to achieve in the past 30 years.—All Rights Reserved.

Puzzled over **Parcels?**

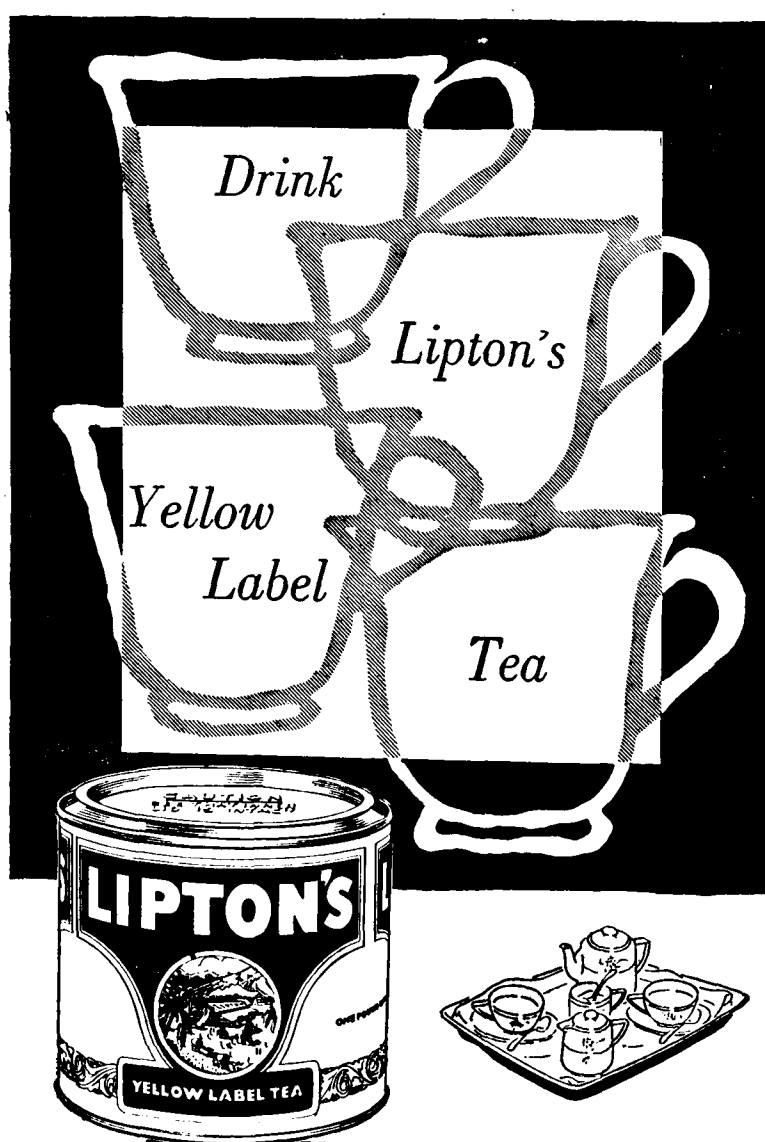
send them by
ST parcel
transport service

Bombay ST's Parcel Transport Service has been extended to more centres, throughout the State, for the convenience of the public. More Booking and Delivery Stations have been opened and the arrangement covers parcels of all categories.

Details regarding rules and conditions, freight etc. from ST's Central Bus Station, Bombay, (Phone: 74272), the Divisional Controller (Phone: 74661) or from the Dy. General Manager (Traffic), Worli, Bombay (Phone: 76221). For enquiries at other places please contact the local Divisional Controller or the nearest ST Depot.

**ST** parcel transport service

BOMBAY STATE ROAD TRANSPORT CORPORATION



LYC-4

A Year Of Despair For Malabar Black Pepper

Keener Competition From Lampong And Sarawak

By INDRAJI T. PAREKH

THE picture of pepper in 1957 reflects a state of the market in the doldrums. Viewing pepper in retrospect, we find that, since 1953, it has been suffering heavy landslide in prices and all-round contraction in both business activity and turnover. Owing to small fluctuations and the consequent diminution in business, a number of merchants, especially those who sprang up during the boom period after World War II and spread their activities in pepper, have had to close down their pepper department as a measure of economy, if not for any other reasons. Professionals in the line also appear to have restricted their activities.

For the fourth year in unbroken succession, Malabar black pepper continued its downward drift. After touching the highest of Rs. 4,300 at Alleppey during the year 1951, it gradually declined to Rs. 515 in 1957, thus establishing a record new low level. In spite of the various Governmental measures to encourage export and more informative services and guidance rendered by the Cashew and Pepper Export Promotion Council, pepper had to pass through critical period, as foreign importers, except Russia, adopted hand-to-mouth buying policy. The boom and its effect that lingered thereafter for some time are definitely over.

Notable Events

The notable events responsible for shaping the market during the year are keener competition from Lampong and Sarawak, despite a smaller crop in British Borneo, uneasy political situation in Indonesia and Syria, raising of Bank rate in the U.K., special measures adopted by the Indonesian Government for encouraging export of their produce, curb on credit by the Indian Government to checkmate inflation, sympathetic adverse effect of a heavy fall in prices of ginger on pepper, the success of the Communist Party in the last election and the consequent formation of the Government by them in the Kerala State, labour unrest in some of the plantations on the Coast, and last but not least, the levying of purchase tax by Kerala at 4 per cent.

Malabar pepper had to contend against Sarawak which has captured practically the entire European market. In the U.S., Lampong continued to offer stiffer competition. Thanks to the preference given by the U.S.S.R. and other East European countries to Malabar black, India was able to maintain her overall yearly average export and foothold on the Continent.

The political unrest in Syria and Indonesia during the year brought about some activity in New York where grinders were reported to have bought spot at as high as \$0.32. But the rise in the U.S. failed to push up the primary markets, as New York dealers refused to follow through. They were averse to buying even nearby or forward shipments at higher prices, as unsold consignments from all the origins proved heavy. They preferred to remain insulated from war psychosis as they had burnt their fingers during the Korean debacle in the past.

The month of November opened with erratic movement in prices, following the war psychosis created in the Middle East on the Suez question. The highest prices touched at Alleppey and Cochin were Rs. 72½ and Rs. 126, respectively. Bombay followed suit. The rate for December delivery was marked up at Rs. 640. But the news of cease fire in the Middle East had a sobering effect, more so because New York did not follow through, as there was heavy pressure of unsold consignments from Lampong. Spot in New York, after touching the highest at \$0.32 per lb., could not maintain itself, as grinders were unwilling buyers. They preferred to wait for new development on the movements of Malabar new crop. Singapore, after having touched Str.\$90 under pressure of buying by a Chinese interest who was reported trying to corner pepper along with rubber, came down to Str.\$82 to improve to Str.\$83. Prices in India dropped to Rs. 650, as support from New York was lacking. In the meantime, there were rumours of dock strike in New York. Prices hardened, though to a small degree. The improvement, however, proved short-lived, as the U.S. buyers showed

little interest above \$0.26. When high prices were asked from the origin, they bought for their immediate requirements only.

December, as is usual, proved a dull month. Activities were at a low ebb, despite firmness in Singapore where Sarawak established a new high level at Str.\$94 under buying by a Chinese speculator. In order to squeeze bears in the Island, he shipped away big quantities as unsold consignments to the Continent and the U.K. The result was poorer enquiries from Europe. New arrivals increased; they averaged 250 candies per day. Growers and holders in terminal markets tried their level best to maintain the prices in the hope of Russian buying. But they were unsuccessful. Alleppey came down to Rs. 600. Garbled at Cochin receded to Rs. 102. New York persisted in hand-to-mouth buying. Dealers there asked concession at every next business. New arrivals continued to augment. They averaged as high as 500 candies a day. Foreign enquiries proved discouraging. Therefore, nearly half the arrivals went into storing. The season at Calicut started earlier than usual. Growers at Alleppey and Cochin feared competition. They became nervous. They were willing to sell at Rs. 550. New York, after buying small quantity at \$0.24½ asked for concessions. Their cables indicated the price at \$0.23½. The relieving feature was the high prices at Singapore. This brought forth small enquiries from the Continent for Malabar. Europe refused to buy in quantity, as European grinders preferred Sarawak over Malabar, despite the quality of Indian pepper being superior in the contents of volatile oil. Low prices of ginger acted as a psychological damper. Investors stood on the fence. They deferred their buying until the market became steady. The stringency in the money market, the Government's policy to step up taxation to control inflation, the heavy decline in the prices of shares of plantations and the curb on credit by the banks, along with other reasons, conspired against the bull market.

January opened on a hopeful note. The trade expected demand from New York after the holidays. Sarawak and Lampong were reported firm and cautious, owing to riots in Sumatra. Enquiries from Russia were in the air. As expected, demand from the U.S. revived where spot price improved from \$0.25 to \$0.27. New York purchased various parcels at prices ranging from \$0.24 to \$0.25½ per named steamer. One of the prominent dealers in the U.S. evinced interest in forwards. He paid for January-February-March shipments in equal monthly lots at \$0.24½. The market having become steady, short sellers among exporters to Russia came in to buy. This proved a supporting factor. Shipment figures of Malabar pepper during December proved higher than expected. This made holders and growers bold. They presented a stiffer front. Alleppey improved to Rs. 570. Garbled was quoted at Rs. 99. February delivery in Bombay improved to Rs. 585. New York buyers, after covering their immediate requirements, withdrew. But sellers to the U.S.S.R. came on the scene and they bought about 1,000 tons for shipping per s.s. Jala Govind. Further enquiries from Russia for February-March shipments at buyers' option were witnessed. However, Singapore proved a fly in the ointment. A Chinese speculator there was reported losing his grip on the market.

Forward Trading

The noteworthy feature of the month was the opening of forward trading in pepper at Cochin. If the turnover in the ring is any criterion for the success of the hedge business, Cochin cannot be termed as a wise selection, it having failed to show adequate daily turnover. Prices for Sarawak black came down to Str.\$82, demoralising the European markets. The tentative figures of export during January made encouraging reading. Growers and dealers became bullish. In the meantime, New York revised its price. Dealers there paid \$0.25 for January shipment. They, however, refused to bid higher, as they thought that big but sporadic buying by Russia during the peak of the season would not be able to keep up the market. For boosting up prices, concentrated and not

impulsive buying was necessary. Singapore further weakened. Sarawak black dipped down to Str.\$76. Weakness in Singapore emboldened a Bombay Singapore house to go short. They started hammering. They sold short a rather large quantity. In the delivery section, Bombay exhibited weakness. On the other hand, Alleppey showed improvement. Prices for garbled and ungarbled firmed up to Rs. 99½ and Rs. 587½, respectively. Sentiment among growers and exporters continued to be bullish on reports that Malabar crop would not be more than 18,000 tons during the season 1956-57. The trade expected smaller crop from Tellicherry area which, however, ultimately proved wrong, as the supply in the latter part of the season from Calicut proved abundant. The final estimate of Malabar black was placed at about 22,000 tons. Easy advices from Singapore were neglected. The feature of the month was the increase in the freight rate by 10 per cent. from 15th February for both the U.S. and Europe.

Prices during early February rallied round in sympathy with the strength in spot in New York, following uncertainty regarding dock strike. Spot was quoted up at \$0.28½. Alleppey rose to Rs. 600 and garbled to Rs. 101½. Buying from New York, however, proved fitful. After buying a few parcels, New York withdrew. Alleppey showed sympathetic decline and turned seller at Rs. 575. Singapore was also marked down to Str.\$77. Pressure of liquidation of February delivery in Bombay was noticed. It had its reflection on Alleppey which went down to Rs. 555½ to improve to Rs. 575 on the news of further strength in spot in New York at \$0.29. Meanwhile, the dock strike at New York was settled, pushing down spot to \$0.27. Bombay weakened, casting its shadow on Alleppey and Cochin where ungarbled dropped to Rs. 57½ and garbled to Rs. 92½. The position of the market became obscure. The general sentiment veered round bear side for lack of concentrated buying from the U.S.A. Russia also remained out of the picture.

Further Deterioration

The month of March brought forth further deterioration. Alleppey crashed to Rs. 520 and garbled at Cochin to Rs. 90. There were few buyers and more sellers. Calicut exhibited anxiety to sell and was quoting Rs. 590. Spot in New York tumbled down to \$0.24 from the highest of \$0.29. Grinders were conspicuous by their absence. They feared a further fall in prices when the strike-bound cargoes began moving. Singapore market remained flat. Enquiries from Europe were far and few between, as the Continental dealers were filling their day-to-day requirements from the unsold consignments shipped by a Chinese firm. Another reason for poor enquiry was that most of the European dealers stockpiled pepper before the blockade of the Suez Canal. The prospects of any good demand from Europe appeared bleak. There were rumours of earlier harvesting in Sarawak this year, though opinions were divided on the size of the new crop. Some of the European dealers envisaged that the new crop in Sarawak would be nearly the same as last year, while Chinese traders estimated smaller crop. Unrest in Indonesia was interpreted in some quarters as a bear factor for the market, since the preoccupation of the army and the frontier police with the rebels would in all probability encourage more smuggling than usual.

New York dealers bought February shipment at \$0.23. Sarawak new crop for June-July shipments was reported sold by bears at prices ranging from Sh. 160 to Sh. 165 c. and f. Continental basic ports. March delivery came down rather perpendicularly from Rs. 540 to Rs. 505 under liquidation by weak holders. However, New York, after haggling for concession, was forced to pay \$0.23½ for afloat which had a salutary effect on Alleppey and Cochin, thus lifting the prices to Rs. 57½ and Rs. 92½, respectively. Meantime, one of the London operators became buyers. They paid for March shipment \$0.23½ to \$0.24½. Despondency was replaced by feelings of buoyancy. Alleppey further stepped up to Rs. 550 and Cochin to Rs. 95. Singapore jumped up from Str.\$73 to Str.\$76. About 1,300 tons of Malabar pepper were shipped to Russia which

afforded relief to holders. Local bulls tried to exploit the situation. But they were unsuccessful, as Singapore weakened and growers in primary centres proved anxious sellers. The special and surprising news of the month was the outcome of the election in favour of the Communist party in Kerala. Cochin and Alleppey remained barely steady, while Singapore once again was down to Str.\$70 under pressure of arrivals from Sarawak. The general attitude in Europe and the U.S. was "to wait and see." Meanwhile, proximity of monsoon continued to make growers anxious sellers.

Scarcity of Stocks

April saw scarcity of spot stock of pepper in New York, in view of poor shipment during February-March. As a consequence, spot hardened in New York. Few parcels were sold at as high as \$0.26½. Technical improvement which was overdue set in. Alleppey was up from Rs. 537½ to Rs. 587½. Cochin rose from Rs. 91½ to Rs. 103. New York dealers did a lot of replacement buying from India at prices ranging from \$0.24½ to \$0.25½ against their sales in spot at \$0.26½ to \$0.27. Singapore also showed sympathetic rise from Str.\$88 to Str.\$72. Overall fairly good exports from November to March made sellers reserved. Alleppey was lifted to Rs. 600 and garbled to Rs. 102½ under pressure of short covering and support by bulls. Political situation in the Middle East proved encouraging and led to improvement of spot in New York to \$0.27½. Dealers there showed conspicuous interest in named steamers at \$0.26½. Alleppey stiffened. The sellers there became reserved. Nominal quotations for ungarbled stood at Rs. 625 and garbled at Rs. 107. However, too much horse-trading on the part of Indian shippers forced New York dealers to turn to Sarawak and Lampong. They picked up Lampong at \$0.26 and Sarawak at \$0.25 for immediate shipment. Competitive sales by other origins made Indian growers soft sellers. They were willing to meet prospective buyers even at some sacrifice at round about Rs. 600 and Rs. 105 for ungarbled and garbled, respectively.

Very small fluctuations were noticed during the month of May. Proximity of monsoon made growers in both the areas anxious sellers. Alleppey continued to quote round about Rs. 600 and Calicut at around Rs. 650, despite improvement in spot at New York which touched \$0.29½. But the dealers from New York were not willing to pay higher price for shipment from India, though, at times, they paid for afloat fractionally higher. New incentives were lacking. Reduction of 10 per cent. in the surcharge of 17 per cent. levied during the Suez trouble was announced. Consequently, New York, after paying \$0.26½ for shipment per named steamer, withdrew and asked for concession. Local sentiment remained depressed, owing to lack of inland demand, following strike by the Commission Houses in protest against new rules for submitting certain sales tax forms by the State. Singapore market saw-sawed. It went up to Str.\$75 to come down to Str.\$71 under pressure of arrivals from Sarawak.

Prices Spurt

The month of June opened on an active note. Prices of Malabar spurted in sympathy with the advance in spot to \$0.30½ at New York, in view of shortage of physical stock, as shipments during April and May from India proved poor. Interested parties among New York brokers, after their return from the yearly Convention, circulated the report that the Sarawak crop for the year 1957 would not be more than 10,000 tons. Knowledgeable sources from the origin, however, placed their estimate between 14,000 and 15,000 tons. Bulls among New York dealers became more bullish and accepted almost all the offers ranging from \$0.28 to \$0.28½ either for ready, or afloat or shipment per named steamers. Singapore also firmed up from Str.\$73 to Str.\$80 on buying orders from Europe and the U.S. where dealers withheld buying in anticipation of lower prices on the movement of new Sarawak. Alleppey rose from Rs. 600 to Rs. 630½, while garbled at Cochin changed hands from Rs. 105 to Rs. 116 for July-August. On second thought, New York dealers realised their mistake in

CLEGG, CRUICKSHANK & CO. PRIVATE LIMITED

Steamship Agents, Chartering and Ship Sales Brokers

14, Netaji Subhas Road

CALCUTTA-1

Agents for :

Kerr Steamship Co. Inc., New York.

Leif Hoegh & Company A/S., Oslo.

Compagnie des Messageries Maritimes, Paris.

Anchor Line Ltd., Glasgow.

Cunard Steamship Co., Liverpool.

Silver Line Ltd., London.

Prince Line Ltd., London.

Managing Agents :

Indian Molasses Co. Private Ltd., Calcutta

Telephones : 22-5231 to 5235

Cables : "CLEGG"

Union Bank of India Limited

(Established 1919)

Head Office:

APOLLO STREET, FORT, BOMBAY-1

Authorised Capital - - - Rs. 1,00,00,000
Paid-up Capital - - - Rs. 40,00,000
Reserve and Other Funds - Rs. 37,50,000

LOCAL BRANCHES:

ABDUL REHMAN STREET — BHAT BAZAAR —
KALBADEVI — MANDVI — MULUND — OPERA
HOUSE — PRINCESS STREET AND ZAVERI BAZAAR.

UPCOUNTRY BRANCHES:

CALCUTTA, COCHIN, DELHI, KOZHICODE, MADRAS,
POONA, AND IN ANDHRA, GUJERAT & SAURASHTRA.

LONDON AGENTS:

WESTMINSTER BANK LTD.
BANK OF AMERICA N.T. & S.A.
CHASE MANHATTAN BANK
FIRST NATIONAL CITY BANK OF NEW YORK

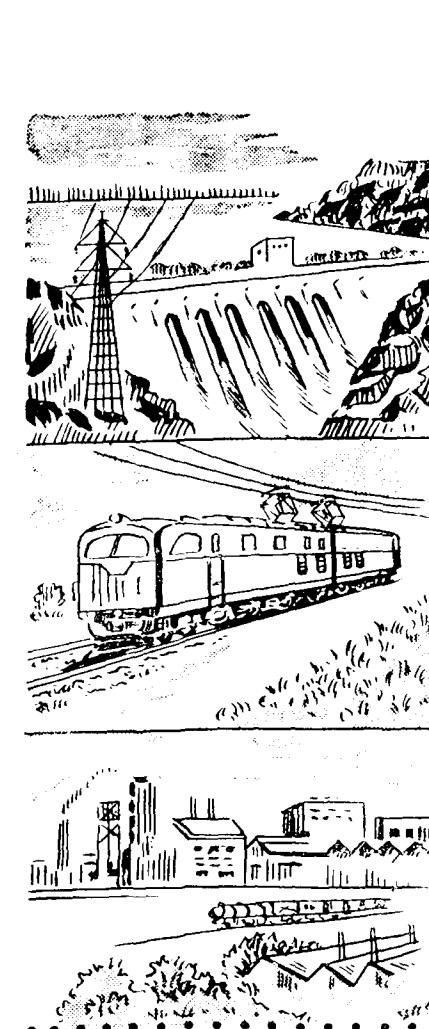
NEW YORK AGENTS:

BANK OF AMERICA
FIRST NATIONAL CITY BANK OF NEW YORK

All kinds of Banking Business including
Foreign Exchange Transacted

F. K. F. NARIMAN, General Manager.

Contributing to a prosperous India



PARAMITE CABLES AND CABLECO

Copper, Aluminium & A. C. S. R.
Conductors



MADE IN INDIA BY
THE INDIAN CABLE CO., LTD
Representatives in India for
BRITISH INSULATED CALLENDER'S CABLES LTD
9, HARE STREET, P. O. BOX 514 CALCUTTA

BRANCHES :
AHMEDABAD, AMBALA, BANGALORE, BOMBAY, COIMBATORE, JAMSHEDPUR, KANPUR,
MADRAS, NAGPUR, NEW DELHI AND SECUNDERABAD

believing the report of shorter crop in Sarawak, as it was too early to give any definite estimate. They withdrew. In sympathy, Alleppey also moved down to Rs. 600. Singapore reacted to Str.577. The market weakened when new Sarawak pepper came in. Nearly 500 tons of catch crop of Lampung black arrived in the terminal markets of Sumatra. Lampung started underselling. Tired bulls in India who were holding in hopes of better market became more tired and began to liquidate. Alleppey went down to Rs. 587½, while garbled was quoted at Rs. 105. July and August deliveries in Bombay climbed down to Rs. 553 and Rs. 563, respectively, under pressure of selling by shorts and liquidation by stale bulls. Singapore gave way. Sarawak was quoted at Str.572 under selling pressure.

The month of July is generally considered a month of hope, because it is in this month that New York dealers usually come out to buy for filling their pipelines for fall requirements. Though spot in New York declined to \$0.27½, exporters from India refused to reduce their price, as they expected springing up of autumn demand in the near future. However, demand from the U.S. failed to revive. Fortunately, demand from East European countries developed. They bought about 600 tons. This proved a supporting factor. Alleppey quoted Rs. 604½ for ungarbled. Underselling by Lampung and shipments of heavy consignments of unsold parcels from Sarawak, Djakarta, Singapore and India discouraged outright buying by America. In most cases, American dealers preferred to buy from incoming consignments for the replacement of their sales to grinders. The practice of sending consignments from the origins came in for severe criticism by the U.S. dealers, as it meant extra competition with them. As such, they tried to buy consignments as distressed parcels at much below the replacing parity. It was reported that more than half the quantity shipped to New York during June and subsequent months comprised unsold consignments from India, Djakarta, Sarawak, Singapore and Teluk Betong. Alleppey quietened at Rs. 588½. Garbled was dull and was quoted at Rs. 102. Unsold consignments depressed spot in New York. It came down to \$0.26, as afloat Lampung and Malabar were sold at prices ranging from \$0.25 to \$0.24. Singapore was reported quietly steady at Str.574, as there was short covering by bears.

Absence of Enquiries

India was neglected by the U.S., as they were getting Lampung at cheaper price, because of new export regulations by the Indonesian Government. Dealers in New York preferred to buy direct from Indonesia rather than from Singapore. Absence of foreign enquiries weakened Alleppey. Growers became willing sellers at Rs. 575. The political trouble in Oman and Muscat emboldened Malabar bulls. They tried to manipulate the market as they were successful in coconut oil. They purchased both ready and forward to push up the prices. Alleppey improved to Rs. 600. But their efforts proved abortive, as Singapore did not follow. Lampung was underselling. Small improvement in inland demand from the moussil was noticed. As a consequence, prices in delivery section were maintained.

Trading conditions during August proved discouraging. Malabar continued to grind within a narrow groove. Alleppey remained flat at Rs. 600 and garbled at Rs. 102-103. News from New York and Singapore were constructive, but they failed to lift up the prices on the coast, as growers appeared free sellers at round about Rs. 600. Lampung continued to under-quote Malabar, as the Indonesian Government allowed shippers to use the foreign exchange earned on their exports for importing scarce consumer goods. Thus they made good the loss, if any, on export of pepper. Singapore improved to Str.576, owing to short-covering. Trouble in Syria imparted some strength to the market, but it proved a passing phase, as America did not follow. General sentiment in Singapore was more bullish for white pepper than black, provided there was no unexpected rush of supply from Muntok.

The month of September saw a flutter in the dovetails at Alleppey and Cochin, following enquiry from New York for nearby and forward shipments. Some small business was booked at \$0.25½ for October-January shipments. The overall export figure from November 1956 to July 1957 reached a high figure of 12,400 tons, as against 10,600 tons in the corresponding period last year, and this was treated as a bullish factor. Sellers tried to show firmer front. The phy-

sical stock of Malabar black in New York was reported small. Yet New York dealers remained unexcited. They bought judiciously without giving any cause for excitement. News of negotiation for a barter deal between Lampung and Singapore had a depressing effect on Sarawak. It went down to Str.574. The Chinese dealers being bullish, they absorbed most of the arrivals and the rate improved to Str.576. They anticipated good demand from Europe, as all this time Continental dealers were buying sparingly. Malabar remained friendless and continued to move within a narrow range at round about Rs. 575. Meanwhile, Singapore declined to Str.572 as the expected demand from Europe did not materialise. Lampung proved competitive sellers. Heavy decline in ginger which touched Rs. 225 per candy, the lowest during the past 10 years, had its demoralising effect on pepper. Proximity of new season made growers anxious sellers.

Paradox

The pepper market presented a paradox, inasmuch as the rates in Cochin remained unchanged, while those in Bombay declined by Rs. 50 per candy, owing to accumulation of stock which was estimated at about 15,000 bags. Pepper traders made important changes in the terms of delivery contract. Pepper from Tellicherry area was treated as legal tender, while that from Alleppey area was tenderable only with a penalty of Rs. 20 per candy. India's export of black pepper this year showed significant changes. Nearly 40 per cent. of the total export went to communist countries, while the balance 60 per cent. was shared by the U.S., Italy, Canada, Aden, Sudan, Morocco and many others. Morocco re-exported black pepper to European countries. Egypt bought on rupee account. As a result, London lost its importance as a re-export market. There were reports that China directed its purchases of Malabar pepper to Rumania in exchange for heavy machinery.

The month of October felt a severe jolt. Alleppey and Cochin tumbled down to Rs. 515 and Rs. 525, respectively, for ungarbled. Singapore marked down to Str.571, with nervous undertone on news that the Bank rate at Singapore was raised to 7 per cent. The raising of the Bank rate in the U.K. from 5 to 7 per cent. made storing of pepper dearer in the U.K. As a result, holders in London tried to liquidate their stocks. This affected fresh enquiries for Sarawak from the Continent. Garbled for December delivery was done at as low as Rs. 93½ and November-December shipments were done at as low as \$0.23½. Small arrivals of light berries in Alleppey affected the sentiment. Dealers in Sarawak and Lampung preferred to do direct business with Europe and New York rather than sending unsold consignments to commission houses in Singapore. This meant that Singapore was slowly losing its importance as a shipping port for pepper from Sarawak and Indonesia. Spot in New York came down to \$0.25 under pressure of heavy unsold parcels, for, there being very little premium between spot and goods to arrive, U.S. dealers preferred to sell ex-stock rather than ex-warehouse, incurring additional charges. Sarawak deteriorated further. It touched the lowest at Str.564, then recovered to Str.568 under short-covering. The uncertain Middle East situation proved a supporting factor, though temporarily. Rains in Kerala during the month delayed new arrivals. In the circumstances, the holders tried to keep up the prices, but were unsuccessful. Lampung was reported offering at as low as \$0.22½. Spot in New York after a small improvement again receded to \$0.24. Lampung, having no outlet other than the U.S., was always selling ¼ to 1 cent lower than India. Alleppey, after improving to Rs. 550, went down again to Rs. 543½. December delivery for garbled was quoted at Rs. 92, as growers were anxious to sell, in view of the approaching new season.

Steadier conditions were witnessed during the month of November, on account of reports that the U.S.S.R. and the East European countries were in the market. Russia was reported to have brought about 800 tons for shipment during December. Exporters who sold to Russia appeared on the scene. As a consequence, Alleppey improved to Rs. 575 and garbled to Rs. 97½ for December delivery. Owing to increase in new arrivals, the market receded to Rs. 550. The quality of pepper also showed improvement. In an easy market, dealers deferred covering. In the meantime, Singapore went down to as low as Str.562 for want of buying by Europe. Demand from Europe this year was not up to the mark as expected earlier, because most of the millers drew their requirements from their stockpiles re-

sorted to during the Suez crisis. Spot in New York continued to move between \$0.23½ and \$0.24½, as grinders preferred sideling. Recent events in Indonesia were responsible for the improvement in spot as well as in buying enquiries from the U.S. and Europe. After a heavy drop of Str.510 in a fortnight under large arrivals from Muntok, white pepper recovered Str.58 in a single day following news of deterioration in relations between the Dutch and the Indonesians. At the time of writing, the situation is fluid and, if no earlier settlement between them is arrived at, there is every possibility of its repercussions on the pepper market, as Indonesia is one of the important sources of supply.

Sarawak

Earlier estimate of the crop during 1957 both by the Government and by the trade was placed at as high as 17,000-18,000 tons. It was also envisaged that the crop this year would move much earlier than usual. Both these forecasts misfired. With the advance in the season, the Government reduced their estimate to 15,000 tons and the trade to 13,000 tons. Pepper estimates are always a matter of guess and one's guess is as good as another's. The reliable figures that are available are for exports only. Sarawak black special, after seeing the highest level of Str.585 during January, slowly went down touching the lowest at Str.562, while white Sarawak fell from Str.512 to Str.594. During the year, the premium between white and black moved from Str.525 to Str.540.

Indonesia

Production in Lampung was estimated at 8,000 tons and Muntok at 9,000 tons. Owing to financial stringency, the Indonesian Government tried to encourage exports of their produce by various methods and means. The export of pepper, both white and black, was encouraged, giving various concessions to exporters. Shipments on non-letter of credit basis were allowed. In some cases, even barter deals were sanctioned. This made Lampung pepper the cheapest in the world market.

Statistics

The following tables give the statistics relating to production, price movements and export of pepper in some of the important countries in the world:

Export of Malabar black from India (In tons)

	Exports to all countries	Export to U.S.	Export to U.S.S.R.
November 1956	765	263	..
December 1956	1,542	647	..
January 1957	2,998	1,220	1,100
February	1,243	633	..
March	1,235	493	1,300
April	1,145	472	..
May	1,130	312	690
June	840	309	220
July	479	131	..
August	753	451	..
September	900	420	..
October	520	92	..
November (estimated)	500	50	..

Output of Lampung black, Muntok white and Sarawak pepper (In tons)

Year	Lampung black	Muntok white	Sarawak pepper
1952	4,000	1,300	5,000
1953	3,000	3,750	8,000
1954	8,000	8,250	14,000
1955	5,000	5,000	13,000
1956	7,000	8,000	18,000
1957	8,000	9,000	14,000
1958 (estimated)	9,000	10,000	15,000

Output of pepper in India and exports (In tons)

Year	Output	Exports
1950-51	18,000	15,100
1951-52	19,000	13,000
1952-53	18,000	10,700
1953-54	22,500	14,850
1954-55	19,000	11,170
1955-56	24,000	12,830
1956-57	25,000	14,700
1957-58 (estimated)	25,000	..

High and low prices for garbled at Cochin during the years 1952 to 1957 (Rs. per cwt.)

Month	1952		1953		1954		1955		1956		1957	
	H.	L.	H.	L.	H.	L.	H.	L.	H.	L.	H.	L.
January	540	485	430	415	335	320	177	145	147	135	102	92
February	535	505	500	420	325	300	185	165	145	135	100	92
March	460	390	610	500	320	250	180	165	145	132	96	90
April	450	410	610	520	275	250	180	165	142	120	95	93
May	480	430	580	480	260	235	175	155	135	120	102	92
June	600	540	570	500	200	140	215	177	137	122	101	102
July	605	585	430	390	275	250	180	165	145	135	102	92
August	680	645	515	450	300	270	205	172	125	118	105	101
September	645	585	440	400	230	170	185	145	143	125	105	102
October	640	615	415	380	205	180	160	147	125	110	100	95
November	580	520	350	320	180	150	155	140	125	110	98	92
December	490	430	360	335	160	135	157	140	112	96	..	..
Average	..	543	..	454	..	287	..	178	..	121	..	..

Price range for monthly delivery in Bombay in 1956-57 (Per candy of 5½ cwt.)

	Highest	Lowest
December 1956	Rs. 625	Rs. 575
January 1957	..	..
February	635	550
March	605	505
April	600	510
May	590	515
June	615	540
July	620	550
August	625	520
September	615	515
October	570	500
November	530	510

Spot price of Malabar black in New York (Per lb.)

Year		\$
1949	..	1.00
1950	..	1.85
1951	..	1.80
1952	..	1.40
1953	..	1.20
1954	..	0.70
1955	..	0.42
1956	..	0.30
1957	..	0.27

* Peak \$2.80.

Price range for Sarawak black for shipment to New York from November 1956 to October 1957 (Per lb. c. & f. New York)

	Highest	Lowest
November 1956	\$ 0.29	\$ 0.27
December 1956	0.27	0.24½
January 1957	0.27½	0.25
February	0.27½	0.25
March	0.25½	0.23½
April	0.208	0.24½
May	0.28½	0.26½
June	0.28½	0.26½
July	0.26½	0.25½
August	0.26½	0.26
September	0.26	0.25½
October	0.24½	0.24

Prices of pepper at Alleppey and New York

Month	Ready Alleppey (Per candy of 6 cwt.)		Spot Malabar in New York (Per lb.)	
	High	Low	High	Low
November 1956	Rs. 650	Rs. 550	\$ 0.28	\$ 0.25
December 1956	..	..	..	..
January 1957	650	570	0.28½	0.25
February	587	531	0.29	0.24½
March	550	525	0.25	0.24
April	610	535	0.27½	0.24½
May	620	565	0.29½	0.27½
June	625	575	0.32	0.28
July	600	575	0.27	0.26½
August	593	587	0.27½	0.26½
September	600	580	0.27	0.26½
October	562	515	0.25	0.24½
November	570	550	0.26½	0.24

Export of Lampung and Muntok pepper during the years 1956 and 1957 (In tons)

	1956	1957
Lampung/Muntok	..	..
Lampung/Muntok	..	..
January	75	685
February	200	450
March	30	525
April	80	195
May	180	500
June	280	1,250
July	560	1,130
August	1,000	1,000
September	1,500	1,750
October	1,348	902
November	1,654	707
December	1,225	747

Total export, including Sarawak, Lampung and Muntok pepper, from Singapore during the years 1956 and 1957 (In tons)

	1956	1957
January	2,170	2,250
February	1,525	1,300
March	1,200	2,100
April	1,000	1,220
May	1,600	1,940
June	2,250	2,510
July	2,730	1,875
August	3,000	3,300
September	3,500	3,220
October	3,300	2,000
November	2,300	..
December	3,525	..

THE BRITISH INDIA GENERAL INSURANCE COMPANY, LTD.

(INCORPORATED IN INDIA, 1919)

★
TRANSACTS
FIRE - MARINE - MOTOR
BAGGAGE - TRAVEL
WORKMEN'S COMPENSATION
BURGLARY - LIVESTOCK
PERSONAL ACCIDENT
(INCLUDING AVIATION RISKS)
ETC.

CHAIRMAN
JAL H. MEHTA

GENERAL MANAGER
M. S. DASTUR

HEAD OFFICES:

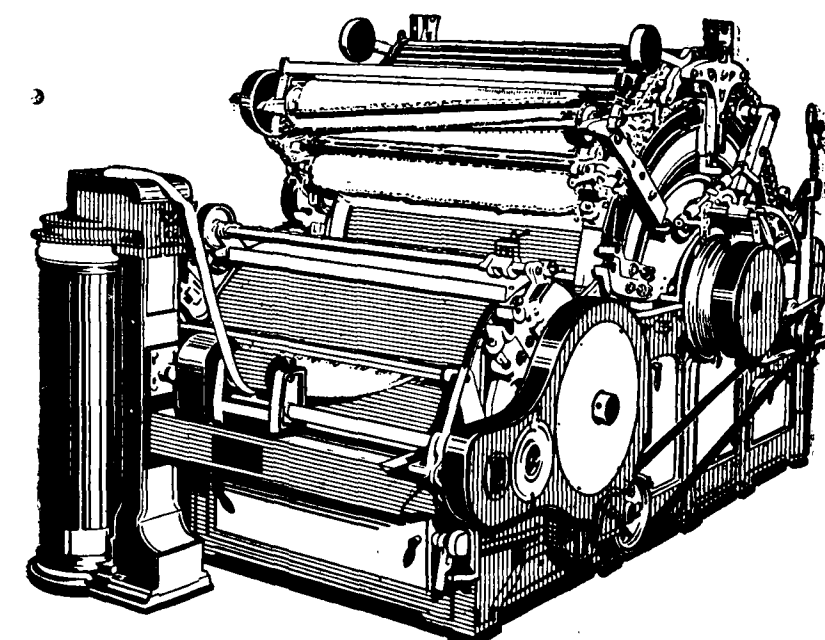
MEHTA HOUSE, APOLLO STREET, FORT, BOMBAY I

BRANCHES AND AGENCIES THROUGHOUT INDIA AND ABROAD
ASSETS OVER Rs. 1,35,00,000

MMC revolving flat cards

Special Features:

- Five distinct setting points, used singly or in combination to control setting to .001 inch.
- Johnson bronze bearings for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
- Ball bearings to lick-in pedestals.
- Self-lubricating 'Olite' bearings at several locations.
- William's patent stripping motion for flats.
- Coilers for 10", 12" or 14" cans.
- Flat and graphite lubrication, star clearer roller for cleaning the back of the flats and sliver compressor as optional equipment.
- Cards can be geared for any production in a mill organisation.



WHITIN MODEL 'J' COMBERS

... "the finest in the world"

Exclusive Distributors for Whitin Model 'J' Combers:

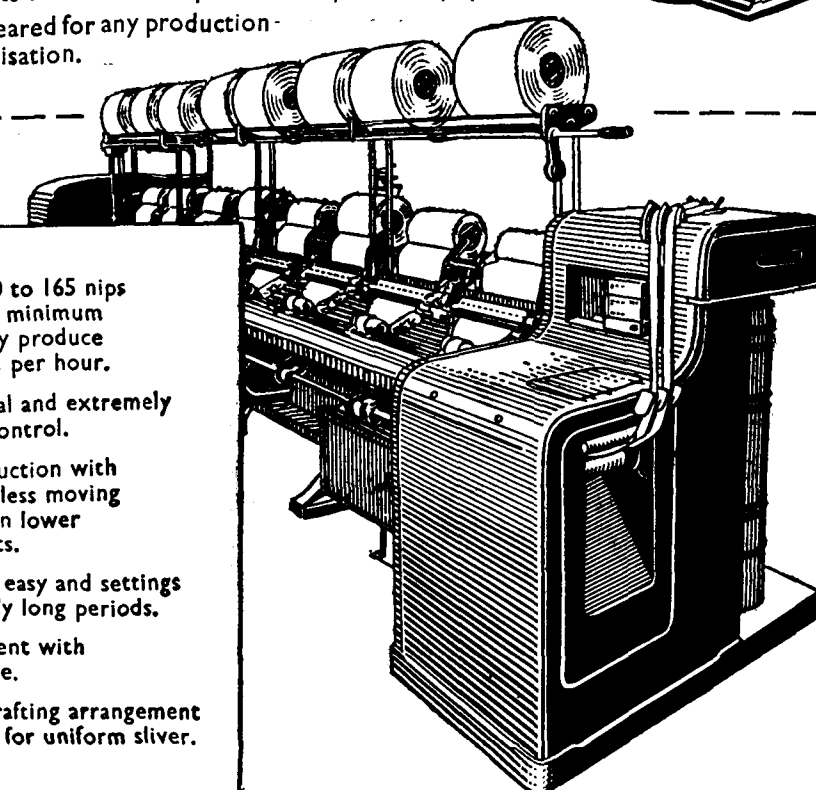
MACHINERY MANUFACTURERS CORPORATION LTD.

Factory: Sonai Works, Kidderpore, Calcutta 23

Managing Agents:

MAHINDRA & MAHINDRA LTD.

Head Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.



PMHC-4

BRUSHES INDUSTRIAL

WIRE - FIBRE - HAIR

FOR

Sugar Mills	Locomotive Workshop
Steel Works	Hydel Projects
Foundry	Electricity Installations
Coke Ovens	Tube Cleaning
Jute Mills	Electroplating Shops
Tea Gardens	Railways
Flour Mills	Ports
Fertilizers & Chemicals	Engineering Workshops
Plants	Rubber Factories
Shoe Factories	Ship-building Yards
Ordnance Factories	Motor Industries
Gas Plants	Collieries
Tube Factory	Cycle Industries

Etc. Etc. Etc.

Wire Brushes is our speciality.

Please send your enquiries to 'SCCO':

Means :-

INDIA BRUSHWARE

Approved Contractors to D.G.S.&D.

Phone: 34-1985

72, Canning Street, Calcutta-1.

ARE YOU DIABETIC?

Are you undergoing painful, costly endless injections, failing to regain health and strength through repeated fastings and diet restrictions? Have you got all or any of the following symptoms? Check them with the indications given below and you will know the stage, the disease has reached in your case.

FIRST STAGE:—NERVOUS DEPRESSION, REDUCED WEIGHT, MUSCULAR DEBILITY, LOIN PAINS, DRY SKIN, DIM VISION, INSOMNIA.

SECOND STAGE:—INCREASED DEBILITY AND LOSS OF NERVOUS ENERGY, INTENSE THIRST, VORACIOUS APPETITE, EXCESSIVE FLOW OF URINE, STRONGLY IMPREGNATED WITH SUGAR, LOSS OF SENSATION IN LOWER LIMBS.

THIRD STAGE:—MARKED DECREASE IN VITALITY, SKIN DISORDERS, RHEUMATISM, GANGRENE, ATROPHY OF THE ORGANS AND MUSCULAR SYSTEM LEADING IN

SOME CASES TO DIABETIC COMA AND DEATH.

If so, follow the lead given by thousands of one-time Victims, who, thanks to DIAMELIN, the NEW THEORY HOME-TREATMENT FOR DIABETES, are now quite free from the malady.

The notable medical discovery named DIAMELIN is based on a new theory and covers not only one accepted cause, DEFECTIVE PANCREAS, but several others, correcting DEFECTIVE NERVOUS SYSTEM, LIVER, KIDNEYS and Ductless Glands. Get a bottle to-day and quickly get rid of Diabetes at home, without being under the strict surveillance of doctors and WITHOUT INJECTIONS. DIETING, FASTING, PAIN OR SUFFERING.

DIAMELIN is available at all leading Chemists and Stores at Rs. 5-12 in phials of 50 tablets, and informative literature can be obtained free on application to the Diamelin Distributors (India), (C.M.S.), P.O. Box 107, Calcutta.

Deccan Sugar And Abkhari Company, Limited

Mr. C. R. Srinivasan's Speech At Annual General Meeting

ADDRESSING the Sixty-first Annual General Meeting of the Deccan Sugar and Abkhari Company, Ltd., held at Madras on Monday, 23rd December 1957, Mr. C. R. Srinivasan, Chairman of the Company, said:

"The report of the Directors and the statement of accounts for the year ended 31st May 1957 should have reached you in due course and I hope you found them both interesting and informing. A complete picture of the capital structure of the Company, the reserves to its credit, and relevant data for a proper understanding of its working have been provided in the notes appended to the statement of accounts and I need hardly add that, if there is any point on which you would like to have fuller and further information, I am at your disposal.

"May I say, to start with, how much we appreciate the ample response that was so readily forthcoming from the shareholders of the Company to the new issue of capital made by the Company on 7th May 1957. It is at once a vote of confidence in your Board and an affirmation of faith in the Company. When we decided to allow the additional capital to participate in the final dividend for the year under report and giving in effect a return on capital, not in service during the period, we hoped the gesture would be appreciated and we are glad our confidence was not misplaced. In the conditions that prevail today in the investment market, it was an achievement that deserves to be recognised and recorded.

New Plant

"You might remember that, when I referred to the issue of this new capital in my speech last year, I pointed out the reason and purpose for which this additional issue was sought, namely, the reconditioning of the factory at Samalkot and the expansion of the boiling house at Pugalur. We are lucky to have had the machinery that we required, covered before foreign exchange came to be rationed and regulated and, though the deliveries were somewhat disturbed by the blockade of the Suez Canal, you will be pleased to hear that they have all arrived. We had intended to start the new crushing season at Samalkot with the new plant, but, as dismantling and erection might have involved unexpected delay and there was a risk of missing a season in crushing, if the work was not completed in time, we decided to take the work on hand as soon as the present crushing season is over.

"At Pugalur where, as you are aware, we work two seasons, the crushing we had to service was so heavy this year that there was not sufficient time between the seasons for both overhaul and installation of new equipment. In these two seasons, the Factory crushed as much as 2.21 lakh tons of cane—a record in its history but achieved at the cost of a fall in recovery due to the prolongation of the crushing season beyond its normal term. In this context, I may refer to the growing tendency on the part of ryots on our register to offer more cane than the factory can handle economically. It is embarrassing to shut out supplies and, obviously,

there can be no discrimination among the ryots.

"The question of expanding the crushing capacity of the factory has often been canvassed but, apart from the question of finance and sanction, there are other factors which must be taken into consideration before a decision can be arrived at. For one thing, the area where the factory is located has a background of jag-gery production and a diversion of supplies of cane, should sugar prices fall and jag-gery prices rise, is a risk that cannot be overlooked. Secondly, there has been an upward rise in the price of sugar following further direct taxation on sugarcane as well as sugar. The excise duty on sugar, as you are aware, was increased from Rs. 112-8 to Rs. 225 per ton from 15th May this year. The Government of Andhra Pradesh has apparently come to regard the cess on cane as a source of revenue and pushed it up from Re. 1 to Rs. 3 per ton last year and again to Rs. 5 per ton this year. In the present search for additional revenue on which all States seem to be engaged, I wonder if this contagion will spread to other States also, in which case sugar economy is bound to be seriously impaired; in addition, there was also the sales tax on sugar ranging from 6 to 8 per cent., replaced recently by an equivalent amount of excise duty.

"The cumulative effect of all these burdens is likely to react on sugar

consumption in the country. No doubt consumption has considerably increased during the last quinquennium, but buyer resistance has begun to manifest itself. Today it cannot be denied that production from units already in commission has outstripped demand and there are more units of production coming into the picture. At the present level of production and consumption, it is estimated that there is a surplus production of 2 lakh tons, besides a carry-over of 4 to 5 lakh tons from the last season. It is against this background that the Indian Sugar Mills' Association has been engaged in prospecting and promoting an export market for sugar. Many problems have been posed in this context and they are now being sorted out with the co-operation of the Government who are naturally interested in any earning potential of foreign exchange.

Conditions of Confidence

"Government are hard put today to find adequate resources, internal as well as international, to service the second Five-year Plan which with its industrial bias must depend for its completion not merely on the service and sacrifice of the people in this country but also the goodwill and co-operation of the world outside. It is in this context that it becomes more than ever necessary for the Government to create conditions of confidence among the investing public here and elsewhere. The

recent tour of the Finance Minister of the Government of India in Europe and America has gone a long way to create this climate of confidence and, if he succeeds as well in the home front, the target set in the second Five-year Plan may yet be achieved.

"On the results of the year's working, we may well congratulate ourselves. Net profits, subject to taxation, record a sizable increase of about 20 per cent. over the corresponding figures for the previous year. Therefore, in spite of the heavier incidence of taxation on the Company because of amendments and additions in taxation measures adopted this year, we have been enabled to transfer Rs. 2,20,000 to the taxation equalisation reserve, to carry Rs. 3,00,000 to the general reserve, and still declare a final dividend of 12 per cent. on the equity capital as on date. The total share capital of the Company is now Rs. 46,84,000 and the strong financial position of the Company may be assessed from the fact that we carry reserves in share premium account of Rs. 6,64,000; capital and revenue reserves amounting to Rs. 23,30,720 and taxation equalisation reserve of Rs. 12,80,000.

Prospects

"So far as prospects for the current year are concerned, we have crushed 66,028 tons at Pugalur in the special season commencing from 20th August to 11th November 1957, with a recovery of 8.7 per cent. Compared with last year's special season, there has been an increase in the tonnage crushed, but a drop in the recovery. It is our endeavour constantly to improve the quality of cane and its production and we expect the drop in recovery is a transient factor. The main season at Pugalur started on 1st December 1957 and indications so far are that it will be a successful season with recovery comparable to the 1956-57 main season. In Samalkot, the season started on 29th November 1957. We propose to accept for crushing one lakh tons of cane and endeavour to finish the season on 30th April 1958, to allow time to install the new milling plant. Altogether I may say that the outlook is promising and, unless something entirely unforeseen intervenes, we hope to present you with an equally good report next year."

The report and accounts for the year ended 31st May 1957 were unanimously adopted and a final dividend on the ordinary share capital of the Company (including the ordinary shares which were allotted on 3rd July 1957) at the rate of 12 per cent., free of income-tax, making a total of 14½ per cent. on the ordinary share capital as increased for the year, was declared payable on 24th December 1957. The retiring Directors, Messrs. G. N. Noel-Tod and P. Hadfield, were re-elected and the remuneration of the Auditors, Messrs. Lovelock and Lewes, was fixed.

N.B.—This does not purport to be a report of the proceedings of the general meeting.

THE BANK OF MYSORE LIMITED

Central Office and Head Office

AVENUE ROAD, BANGALORE-9

Established: 1913

Telegrams: "MYSOREBANK"

Authorised Capital	Rs. 1,00,00,000
Subscribed Capital & Paid-up Capital	50,00,000
Reserve Fund and Share Premium	87,55,000

WORKING FUNDS EXCEED Rs. 15 CRORES

Bombay Branch:

24-26, Dalal Street, Fort, Bombay-1

Madras Branch:

377, Netaji Subash Chandra Bose Road, Madras-1
and Branches all over Mysore State and important centres of South India.

Agents and Correspondents throughout the WORLD.
The Bank renders expert Banking service of every description including Foreign Exchange.

Savings Bank accounts opened with interest at 2½% p.a. Withdrawable through cheques.

Safe Deposit Lockers available at the HEAD OFFICE, BANGALORE-9, MADRAS BRANCH and MYSORE BRANCH.

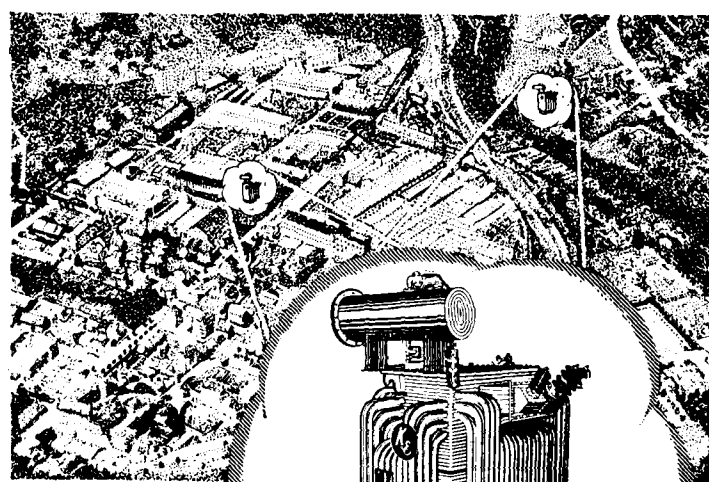
The Bank also acts as TRUSTEE AND EXECUTOR UNDER WILLS, Etc.

B. V. NARAYANA REDDY,
General Manager.

15 KVA to 2000 KVA . . .

A SMALL TRANSFORMER FOR YOUR WORKSHOP . . .

LARGE TRANSFORMERS FOR YOUR FACTORY



Continued leadership
in design, improved methods
of manufacture, and rigid inspection,
guarantee to every Brush Kirlskar Transformer
a strength, and a reliability which ensure dependable
power and long trouble-free service.



KIRLSKAR ELECTRIC CO., LTD.
BANGALORE-2

SOLE AGENTS

PARRY & CO.
LIMITED

MADRAS P.O. Box No. 12
BOMBAY P.O. Box No. 594
CALCUTTA P.O. Box No. 108
NEW DELHI P.O. Box No. 172



VENESTA

aluminium
linings

Enquire: Agents

WILLIAMSON MAGOR & CO., LTD.
4, Mangoe Lane, Post Box 177, Calcutta

WM 8

RESEARCH IN AGRICULTURE

(Concluded from page 96)

insemination is resorted to. The target of the first Five-year Plan was to establish 600 key villages covering a population of three lakh cows fit for breeding. One artificial insemination centre is attached to a unit composed of four key villages.

Rinderpest is one of the deadly diseases of cattle in this country. For the eradication of this disease a scheme for mass immunisation of cattle by vaccination has been put into operation in certain areas in which this disease is particularly well spread.

Sheep rearing is an important occupation of the rural population in many areas. Wool produced from sheep in this country is generally coarse and of an inferior quality. Large quantities of it are exported to Britain and the United States for the manufacture of carpets. There are 38 million sheep, producing approximately 52 million pounds of wool per annum. Import of fine wool into this country amounts to 15.75 million pounds. With the object of improving the wool quality of the indigenous sheep by selective breeding, the Indian Council of Agricultural Research sanctioned pilot experimental projects as early as 1938. The results have shown that it is possible to reduce the hair content of the fleeces appreciably and to evolve an all-wool yielding sheep by selective breeding. In areas of higher elevation with cooler climatic conditions, cross-breeding with the imported Merino rams has been undertaken. Experimental breeding in hilly areas has shown that both the quality and quantity of wool per sheep can be improved. The wool produced by cross-bred sheep was valued at five times the price of indigenous wool.

The goat plays an important part in the economy of the poor man and

is the principal source of meat supply in the country. There are 47 million goats in India, forming one-fourth of the total population of the world. The Indian Council of Agricultural Research has formulated a scheme for breeding goats with fine hair and for evolving strains with high milk yield. In Uttar Pradesh and Bombay State experimental breeding of goats for the production of mohair has been undertaken. Cross-breeding of local goats with the imported Angora breed has shown that it is possible to raise animals far superior to the imported type. While the yield of hair from goats in the hilly areas is half to one pound per year, the clip from Angora is from 4 to 5 pounds a year. Side by side with this, attention is also being paid for improving the goats for meat and milk production. Selective breeding in the Jamnapari breed in Uttar Pradesh has been undertaken to evolve a high milk yielding type. There are goats yielding six to eight pounds of milk per day, the record being 12 pounds a day.

Poultry

Improvement of poultry in the country has received the earnest attention of the Indian Council of Agricultural Research. The bulk of the population of 69 million poultry birds in India consists of ordinary mongrel indigenous fowl whose average annual egg production is 52 per bird as compared to an annual average egg production of 130 per bird in many of the foreign breeds. An improved strain has been evolved by selective breeding whose average annual egg production is about 150 while individual hens have laid up to 234 eggs. The quickest method of improving the Indian poultry is to grade up the local fowls by cocks of foreign breeds such as White Leghorn and Rhode Island Red.

Ranikhet, the main disease affecting fowls, has been brought

under control by the discovery of a cheap and safe vaccine. This vaccine protects the bird from the disease and promotes their normal growth and reproduction. Efforts are being made to evolve a more satisfactory vaccine against fowl cholera. Fowl pox, another disease affecting the poultry in India, has been controlled to a great extent by the discovery of a suitable vaccine.

It will thus be seen that research problems covering almost all aspects of agriculture and animal husbandry are being tackled and in many cases satisfactory results have already been obtained. The economic value of these successful research undertakings is reflected in the shape of increased outturn of agricultural and animal husbandry products.—All Rights Reserved.

ALL-ROUND INCREASE IN INDUSTRIAL OUTPUT

(Concluded from page 170)

has initiated a pilot programme to provide credit to small industrial units in selected areas.

Capital Market

Institutional credit continues to be a significant factor in the establishment and expansion of industrial enterprises. The fact that India provides a large market for industrial goods has not been of much avail in stimulating the capital market. The Government's fiscal policies have prevented the operation of this factor. Indeed, as a result of this policy, the index number of prices of variable dividend industrial securities (Base: 1949-50=100) declined to 97.4 in October 1957, as against 113.7 in January 1957 and 124.9 in October 1956. It is true that the issues of several well-established enterprises have been readily absorbed but only on terms that are most attractive. The capital market has, on the whole, been found insufficiently responsive to the capital needs of the new and growing enterprises.

Apart from credit from the World Bank, the credit made available from the specialised credit institutions in the country has, therefore, been a helpful factor in keeping up industrial activity. During the year ended 30th

June 1957, the Industrial Finance Corporation sanctioned loans to the tune of Rs. 11.9 crores and disbursed Rs. 9.77 crores, as against Rs. 15.13 crores and Rs. 2.20 crores in 1955-56. During 1956, the Industrial Credit and Investment Corporation of India Ltd. sanctioned financial assistance to the tune of Rs. 6.01 crores, and a further 15 applications involving a total amount of Rs. 6 crores were under examination. Up to June 1957 the National Industrial Development Corporation Private Ltd. sanctioned loans to the tune of Rs. 1.95 crores in respect of six cotton mill applicants and Rs. 55 lakhs to two jute mill applicants for purposes of rehabilitation of the units concerned. The Corporation has under examination project reports relating to the setting up of capacity for heavy castings and forgings, manufacture of intermediates for organic chemical industries, production of aluminium and manufacture of synthetic rubber, cinema and X-ray plants, newsprint, basic refractories and sulphur from pyrites. The precise details for implementing these projects have not been worked out. The Corporation might itself undertake a project or have it worked by a subsidiary company owned by the Corporation or enter into varying degrees of collaboration with private enterprise.

Productivity

A subject which evoked considerable interest in 1957 was industrial productivity. This followed the publication of the report of a delegation of officials and non-officials which visited Japan in October 1956. This delegation has recommended the creation of a national productivity council to launch an effective national movement for increased productivity in India. It has suggested that such a productivity council should include representatives of employers, employees, technicians and professional consultants. Thanks to this report, the devoted work of the I.L.O. productivity missions to India and the general diffusion of knowledge of work-study techniques among technologists and industrial engineers, there is now considerable productivity consciousness, a greater awareness of the significance of productivity movement which has made considerable headway in Western countries. It is now widely recognised that, in the context of the ambitious industrial programmes in the second Five-year Plan, increase in productivity should be given special importance.

Commodity Prices Rise But Less Markedly

Further Increase In Living Costs

DESPITE the growing strain imposed by a high rate of investment which was deficit-financed to a considerable extent, commodity prices did not register such a steep increase during 1957 as in 1956, or as many had feared. The general index of wholesale prices (Base: year ended August 1939=100) over the first 10 months of the year rose by only 1.6 per cent., as compared with the advance of as much as 13.5 per cent. in the corresponding period last year. Even this small rise of 1.6 per cent. was mainly accounted for by items which either do not enter into the family budget of a common man or are relatively less important. Thus, the combined index of miscellaneous items like tobacco leaf, betelnuts, cashewnuts, bricks, turmeric, pepper and chillies in the aforesaid period moved up by 9.5 per cent. and that of industrial raw materials by 3.0 per cent., while the index of food articles and semi-manufactures (leather, mineral oils, vegetable oils, cotton yarn, metals, oilcakes, etc.) were a shade lower, the index declining by 0.5 per cent. and 2.9 per cent., respectively. The index of manufactured goods increased by just 2.0 per cent., notwithstanding the steep upward revision in excise duties on several commodities, including mill-made cloth.

The wholesale price indices for the different groups at the end of October 1957, as compared with those a year before, are given below:

	Week ended		Percentage rise
	26th Oct., 1957	27th Oct., 1956	
General Index	432.7	417.4	+ 3.6
Food articles	411.1	392.2	+ 4.8
Raw materials	536.7	497.9	+ 7.8
Semi-manufactures	407.1	408.6	- 0.4
Manufactures	392.7	386.5	+ 1.6
Miscellaneous	655.2	599.1	+11.2

The smaller rise in commodity prices in 1957 as noted above may appear surprising, considering the rising impact on demand of incomes generated by heavy investment under the Plan. But the impact was neutralised greatly by a notable expansion in foodgrains production—from 65.29 million tons in 1955-56 to 68.69 million tons in 1956-57—and larger availability of the essential items of consumption such as

sugar and cloth. There were besides, the measures taken by the Government to curb the rise in prices. These included imports of wheat and rice, particularly from the U.S. under Public Law 480, opening of fair price shops for foodgrains distribution, assumption of powers by the Centre to requisition food stocks at the average market price of the preceding three months, and creation of three wheat zones and one rice zone with restrictions on inter-zonal movement.

Credit Restriction

The credit restriction policy of the Reserve Bank and the upward revision in the excise duties on consumption articles such as cloth and sugar also helped to avoid a spiralling movement in prices. The large deficit in the balance of payments, too considerably neutralised the expansionist effect of a large volume of deficit financing by Government and of bank credit. The money supply with the public was, of course higher, the net increase over the first 10 months of 1957 being Rs. 103 crores, as against Rs. 64 crores in the same period last year.

The commodity prices began the year on a subdued note, the general index for the first week standing at 417.6, as compared with 421.9 at the end of 1956. Thereafter, the index moved steadily upward and touched the peak of 445 early in August. The subsequent two months witnessed a decline in prices, the index for the week ended 26th October being 432.7. The downward trend was due entirely to the fall in the prices of agricultural commodities. This was inconsistent with the reasonably low stocks in the market, but was due to a number of factors. There was, for instance, a depression in such manufactured goods as cotton textiles on account of heavy taxation. Secondly, the world trend of commodities also was downward. And, thirdly, the Reserve Bank's credit restrictions made it difficult for the trade to push up prices. The decline, however, proved short-lived. Since the beginning of November 1957, prices have again shown a rising tendency. This tendency is

particularly pronounced in the case of foodgrains, thanks to persistent shortages in certain areas of the country, owing to failure of crops brought about by unfavourable weather conditions. Needless to say here that the reports of scarcity from these "epicentres" have had a bullish effect in other areas as well and aggravated the general inflationary trend.

Food Articles

Food articles, as already noted, recorded a rise of 4.8 per cent. over the year ended October 1957. When the year commenced, it looked as though the prices of foodgrains had not only stopped rising but actually tended to recede; the average index for the month of January was markedly lower at 392.1, as against 413.9 for December 1956. This impression, however, was soon proved wrong when, in February, there was a steep rise of nearly 14 points or 3.6 per cent. in prices, the index for the month being 406.0. The price of rice which usually rules low at this time of year shot up. Wheat and gram also hardened prior to the arrival of the new rabi crops. Tea, on the other hand, recorded a steep decline. After a slight fall to 402.7 in March, the index once again staged a rise in the subsequent month, and the upward trend continued unabated till August when it stood at 440.9. The next two months witnessed a perceptible break in prices of foodgrains, the index at the close of October being 411.1. Since then, there has been a notable recovery in prices. An idea of the price movements in respect of the important items in the food group can be had from the following statement:

	Index No. (Base: Year ended August 1939 = 100)				
	26-10-1957	Aug., 1957	Jan., 1957	Dec., 1956	Oct., 1956
Rice	663	709	562	596	593
Wheat	550	554	584	578	535
Jonar	225	266	220	328	287
Barley	312	368	376	370	357
Gram	297	330	347	342	308
Tea	381	428	500	507	446
Coffee	648	647	693	615	621
Sugar	307	314	262	262	262
Gur	146	208	169	180	177

Following the upward trend in foodgrain prices and with a view to

checking a further rise, the authorities adopted several measures. Towards the close of January, the Government of India decided not to purchase rice and paddy from the harvests, as had originally been contemplated. But shortly thereafter, the position started deteriorating rapidly and the authorities had to do something about it. In May, the Government decided to set up a high-powered committee to investigate fully the reasons for the rise in foodgrain prices and to suggest remedial measures to prevent speculative hoarding and arrest an undue rise in prices. The setting up of the committee with Mr. Asoka Mehta as Chairman was officially announced on 24th June. Early in June, the Essential Commodities (Amendment) Act 1957, which empowers the Centre to requisition stocks of foodgrains at average market prices ruling in the local markets in the three-month period prior to the passing of the Act, was made applicable to 12 States and three Union territories in respect of rice and paddy purchases.

In order to ensure supply of wheat and wheat products in adequate quantities at reasonable prices, the Central Government created in June three wheat zones with restrictions on inter-zonal movement without permit. A ban was also imposed on exports of rice, including paddy and wheat products, outside Greater Bombay except under a permit issued by the State Government. This was followed by the formation in July of a rice zone comprising the States of Andhra Pradesh, Madras, Mysore and Kerala. Further, the Government issued a notification with a view to controlling the rise in prices and preventing hoarding in respect of gram, including split gram and products thereof, in the States of Punjab, Rajasthan and 15 districts of Uttar Pradesh. Several State Governments also took steps to regulate movement and distribution of foodgrains.

Alongside the efforts of Governments to fight the upward move-

BATLIBOI & CO.

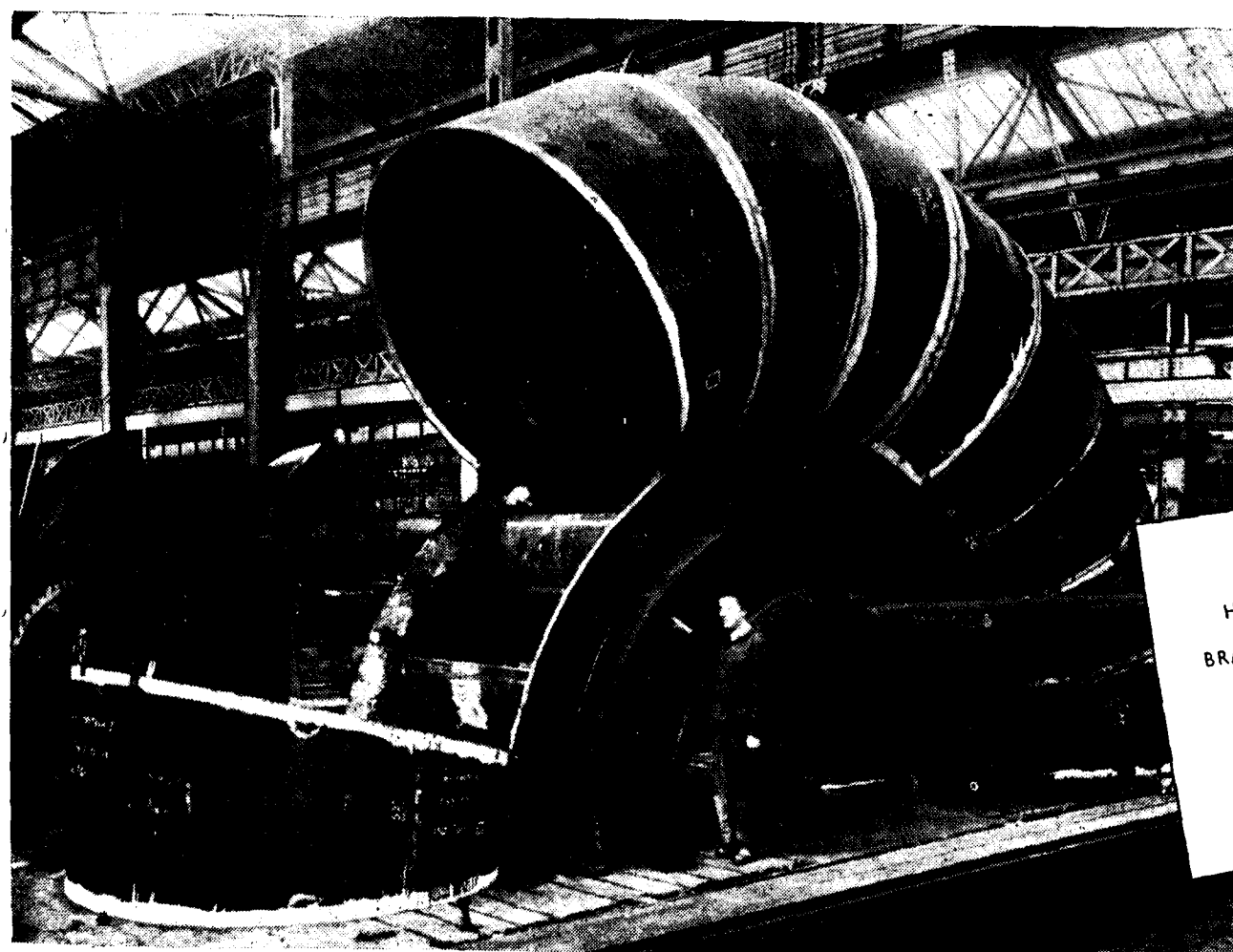
Representing Leading
FRENCH Manufacturers

ALSTHOM

NEYRPC

C.G.E. (Compagnie
Général d'Électricité)

For Complete Plant and Equipment for Thermal and Hydro Power Stations



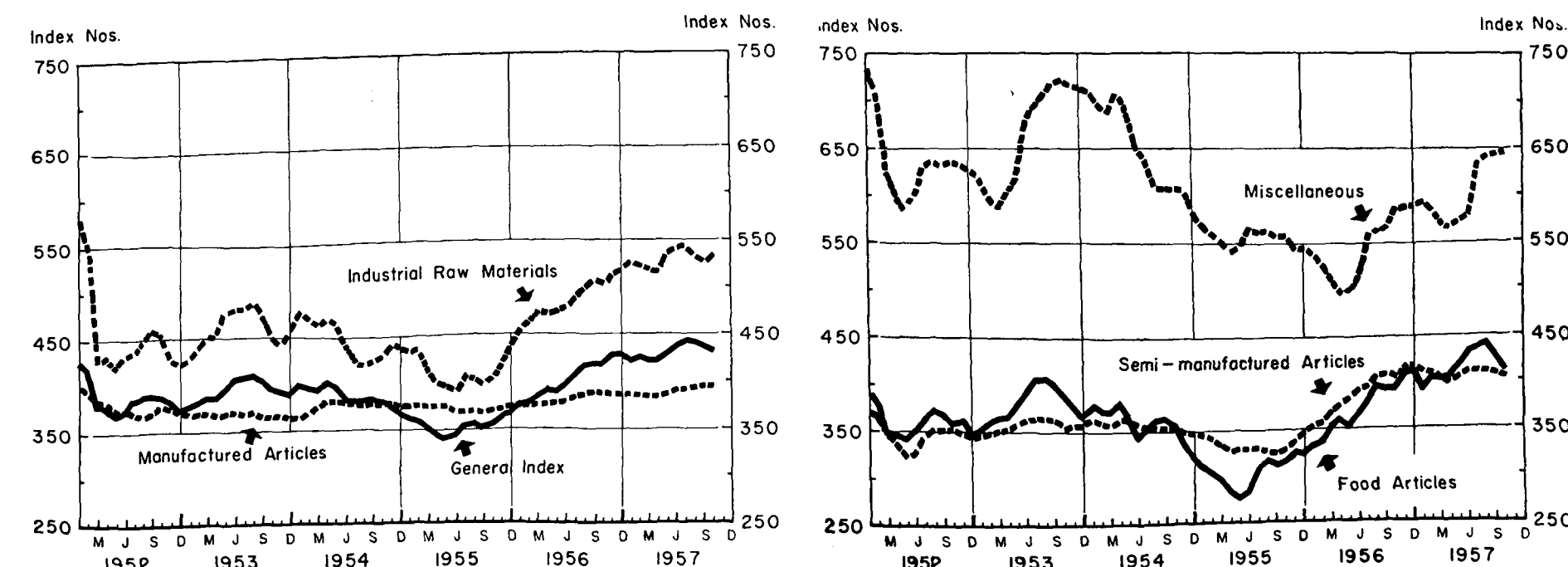
The photograph shows a part of the scroll case under manufacture in NEYRPC's works for three 27,750 BHP, 176.5 rpm horizontal shaft Francis turbines which NEYRPC are supplying to the DVC for their Maithon Power House.

NEYRPC are supplying their turbines to all parts of the world.

BATLIBOI & CO.
HEAD OFFICE: Forbes Street, Fort, Bombay I
BRANCHES: Madras-Calcutta-Delhi-Ahmedabad-
Coimbatore-Kanpur-Vijayawada
Associates in Bangalore and Secunderabad-Dn

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939=100)



THE VASANTA MILLS LIMITED

TELEGRAMS: "VASANTA" COIMBATORE
GRAMS: "VASANTA" SINGANAILLUR
PHONE: No. 25

Registered Office:
SINGANAILLUR
(Coimbatore Dist.)

CAPITAL:

Authorised - Rs. 30,00,000
Paid-up - Rs. 25,50,000
Spindles: 44,424 Looms: 270

Spinning:

RING YARNS of all counts ranging from 20s to 80s

SINGLE

DOUBLE

CHEESES

CONES

STAPLE FIBRE

MERCERISED

Manufacturing:

MULLS

LONGCLOTHS

DHOTIES

TOWELS

TERRY TOWELS

Managing Agents and Secretaries:

R. K. SHANMUKHAM CHETTY & Bros.

Managing Agent

R. K. KANDASWAMY,
B.A., B.Sc. (Tech.), A.M.C.T.

Spinning Engineer

M. RAMASWAMY, B.Sc. (Tech.), A.M.C.T.

Weaving Engineer

K. V. RAMACHANDRAN, B.Sc., B.S. (Hon.)

Telephone: 37894

Gram: "EASTSHIPCO"

THE EASTERN SHIPPING CORPORATION LIMITED

4th Floor, Steelcrete House
Dinshaw Wacha Road, Churchgate Reclamation, Bombay I.

SCHEDULED PASSENGER-CUM-CARGO SERVICES

BOMBAY/EAST AFRICA EAST AFRICA/BOMBAY

Calling at Mombasa, Zanzibar, Dar-es-Salaam; also at Porbandar or Bedibunder and Seychelles in alternate voyages.

MADRAS/SINGAPORE SINGAPORE/MADRAS

Calling at Nagapattinam, Penang, Port Swettenham.

REGULAR CARGO SERVICES

INDIA/AUSTRALIA AUSTRALIA/INDIA

Calling at Calcutta, Vizag/Madras, Colombo, Rangoon, Singapore, Fremantle, Adelaide, Melbourne, Sydney, Brisbane and other ports.

CALCUTTA/FAR EAST FAR EAST/CALCUTTA

Calling at Calcutta, Rangoon, Straits Ports, Hong Kong and principal Ports in Japan.

MANAGERS OF THE SERVICE RUN BY GOVERNMENT OF INDIA

INDIA MAINLAND/ANDAMANS ANDAMANS/INDIA MAINLAND

Calling at Calcutta, Port Blair, Car Nicobar and Madras.

Travel and Ship by Indian Vessels and Serve the Nation

For the last 50 years—genuine, ethical Pharmaceuticals

For five decades now, Alembic has won golden opinions from the medical profession, chemists and the Nation, proving that the Alembic reputation stands firm on concrete results—not mere claims.

In India today, therefore, whenever it's a question of utmost reliability, Alembic, ever so often, is preferred.

This is hardly surprising, for at Alembic, quality comes before everything else to measure up to the highest international standards, assuring products of dependable purity, potency and efficacy.

ALEMBIC
CHEMICAL
WORKS
COMPANY
LIMITED,
BARODA



THE ENGINEERING INDUSTRY is vitally dependent on imports of equipment and materials in order to maintain and expand production. The foreign exchange needed can be found, in part, from exports of Indian engineering products for which there is a considerable demand in neighbouring countries. Indian engineering firms can build up valuable export connections. The services of the Council are at their disposal.

LOOKING AHEAD



ENGINEERING
EXPORT
PROMOTION
COUNCIL
India Exchange Calcutta I



ment in foodgrain prices, the Reserve Bank of India, too, adopted two important measures. Restrictions on bank advances against paddy and rice were reimposed on 9th February 1957 to forestall excessive expansion of bank credit against these commodities. These restrictions, however, proved to be inadequate and bank advances against foodgrains continued to rise. The Reserve Bank, therefore, issued, on 7th June 1957, a directive designed both to curb bank finance for speculative holding of stocks and to bring down substantially the level of advances against these commodities. Since prices of foodgrains have generally continued to rule at a high level and prospects of output remain uncertain, the Reserve Bank directed, on 11th December 1957, all the Scheduled banks in the country to maintain margins (not less than 40 per cent. of the value of the relative stocks) and restrict sanctions of credit limits (to not more than Rs. 50,000) to parties against security of foodgrains. A somewhat less drastic restriction was applied to advances against sugar granted to merchants.

Industrial Raw Materials

Industrial raw materials maintained a distinctly firm trend, the rise over the year ended 26th October 1957 being of the order of nearly 39 points or 7.8 per cent. The rise was accounted for by all the sub-groups excepting "others" which tended to decline. The index numbers of "fibres," "oilseeds" and "minerals" moved up from 479, 557 and 539 in October 1956 to 520, 582 and 603, respectively, in the week ended 26th October 1957. The advance in the index of "fibres" was due to firmness of raw cotton, thanks to reduced supply in the wake of enlarged mill demand, and of raw jute, following high prices in Pakistan and considerable delay in movement from East Bengal to mills in India. Despite the improvement in production of oilseeds—from 5,705,000 tons in 1955-56 to 6,032,000 tons in 1956-57—prices registered an advance. There was persistent demand for groundnuts from crushers and vanaspathi manufacturers. Linseed evoked good support from paint and varnish producers. Castor seeds recorded a rise in prices induced by overseas demand for castor oil. The upward revision in excise duty on vegetable non-essential oils (groundnut oil, linseed oil, castor oil, cottonseed oil, etc.) also contributed to the rise in prices of oilseeds. The following figures relate to index numbers (Base: year ended August 1939=100) of some of the important raw materials:

	Week ended	
	26th October 1957	27th October 1956
Coal	463	430
Raw cotton	506*	466
Raw jute	503	464
Groundnut	504	577
Linseed	435	405

* September.

Manufactured Goods

While the raw material prices advanced substantially during 1957 thus, the prices of manufactured goods increased by only 1.6 per cent., the general index for the week ended 26th October 1957 being 392.7, as against 386.5 a year before. Even

this relatively small increase must be attributed more to artificial factors than to natural causes. Special mention must be made of the steep upward revision in excise duties on a wide range of goods. The following figures give the latest available index numbers of the sub-groups as compared with those a year before:

	Week ended	
	26th October 1957	27th October 1956
Cotton manufactures	419	436
Jute manufactures	423	426
Woolen manufactures	283	266
Rayon and silk manufactures	386	429
Iron and steel manufactures	363	333

The index of cotton manufactures for the week ended 26th October 1957 was 419 which compares unfavourably with 431 in August 1956. It is necessary to point out here that the index of 419 relates to prices which include the enhanced excise duty, while that for August 1956 relates to prices prevailing before the upward revision in duty. Making allowance for this difference, the decline in prices of cotton manufactures over the year comes to not less than 10 per cent.

Semi-manufactures

The index of the semi-manufactures group, which stood at 417.5 in December 1956, steadily declined to 400.0 in April and, after moving up to 413.3 in July, once again receded, the index for the week ended 26th October being 407.1. This figure represents a fall of 0.4 per cent. as compared with the corresponding week of October 1956. The fall was accounted for entirely by cotton yarn and oilcakes, the index of which receded from 493 and 470 in October 1956 to 465 and 456, respectively, in October 1957. All the other sub-groups recorded a rise, "mineral oils" increasing from 210 to 228, "vegetable oils" from 516 to 598, "metals" from 326 to 341, "leather" from 396 to 400 and "others" from 362 to 372.

Cost of Living

Thanks to the comparatively small rise in the prices of food articles and other essential items of consumption during the major part of the year as compared with 1956, there was no marked variation in cost of living of the urban working classes, although the trend generally continued to be upward. The consumer price index numbers for

working class in the major industrial cities of India are given below:

	Base=100	Oct. 1957	Dec. 1956	Oct. 1956	Average for 1956
All-India	1949	114*	109	109	105
Bombay	1954	374	355	355	353
Ahmedabad	1957	260	259	261	244
Sholapur	1928	339	356	344	316
Madras	1949	115*	115	112	111
Nagpur	1949	113*	108	108	105
Calcutta	1939	371*	356	364	347
Kanpur	1949	98*	91	94	89
Delhi	1949	118*	115	116	109
Jamshedpur	1949	121*	103	111	106
Jabalpur	1949	106*	103	101	100

* For September † For August ‡ For July.

The all-India consumer price index number for working class (Base: 1949=100) during the first three quarters of 1957 was higher by only 3 points, as against 10 points in the corresponding period of 1956. The index for Bombay (Base: June 1934=100) in the ten months ended October 1957, however, increased by 19 points, as against 23 points a year before. In Ahmedabad (Base: July 1927=100), it rose by one point, while the advance in the same period last year was 29 points. There was actually a drop of 17 points in Sholapur (Base: January 1928=100), in contrast to the rise of as many points as 94 in the January-October 1956 period. As compared with the levels a year ago, the consumer price indices for October 1956 show an increase of 4.4 per cent. in Bombay and a fall of 0.4 per cent. in Ahmedabad.

CO-OPERATIVE DEVELOPMENT IN ASIA

(Concluded from page 155)
following table indicates the present position of the societies:

(As on 31st March, 1957)	
Number of members	9,891
No. of primary agricultural credit societies functioning in the areas	185
No. of societies affiliated to marketing co-operatives	135
Paid-up share capital	(Rs. lakhs) 3.63
Value of fertiliser distributed from 1st April 1956 to 31st March 1957	10.42
Loans issued against produce (1st April 1956 to 31st March 1957)	9.47
Value of members' produce sold (1st April 1956 to 31st March 1957)	29.94

Paddy in the West Godavari district, sugarcane in the Visakhapatnam district, and cotton and groundnut in the Kurnool area, are the principal crops grown. With the development of the societies in the area for co-operative marketing, equipped with godowns, an appreciable percentage of these crops is being marketed co-operatively.

Pilot Scheme

In Bombay, special mention may be made of co-operative marketing

in Broach where the pilot scheme is in operation. It appears that, before the starting of the pilot scheme, only 27 co-operatives in the area were marketing the agricultural produce of their members, but, after the scheme began to operate, 54 societies have adopted the linking of credit with marketing. The societies handled 72,412 bales of cotton during the last season. The percentage of cotton handled through the agency of the co-operatives is about 20 as compared with 10 previously.

In Madras, the Gobichettipalayam Marketing Society in the Coimbatore district has 30 primary credit societies affiliated to it through which it works the "controlled credit" scheme. During 1955, the total amount of loans under the controlled credit scheme advanced by the Central Bank in the area of the marketing society amounted to Rs. 67,285 out of which Rs. 60,931 was realised through the marketing society by the sale of members' produce. All the eight marketing societies in the Salem district are working the controlled credit scheme. The total amount of advances given by the credit societies and the amount recovered by the marketing societies in 1954-55 amounted to about Rs. 5 lakhs and Rs. 92,220 respectively.

In the field of warehousing, the Central Warehousing Corporation has got into stride and has embarked upon a programme for the construction of warehouses at certain all-India centres. The first batch of seven warehouses will have been established before the end of December. Many States have also made provision for starting State Warehousing Corporations and a few States have got them registered. The Central and State Warehousing Corporations will generally have warehouses at all-India and State centres, respectively, while lower down, especially at the village and mandi level, storage will be provided by the godowns of the marketing society and the large-sized credit society. During 1956-57, 207 godowns had been constructed, or were under construction, by primary marketing societies. The relevant figure for regional marketing societies and apex marketing societies was 5 and 6 respectively and 376 for large-sized credit societies.

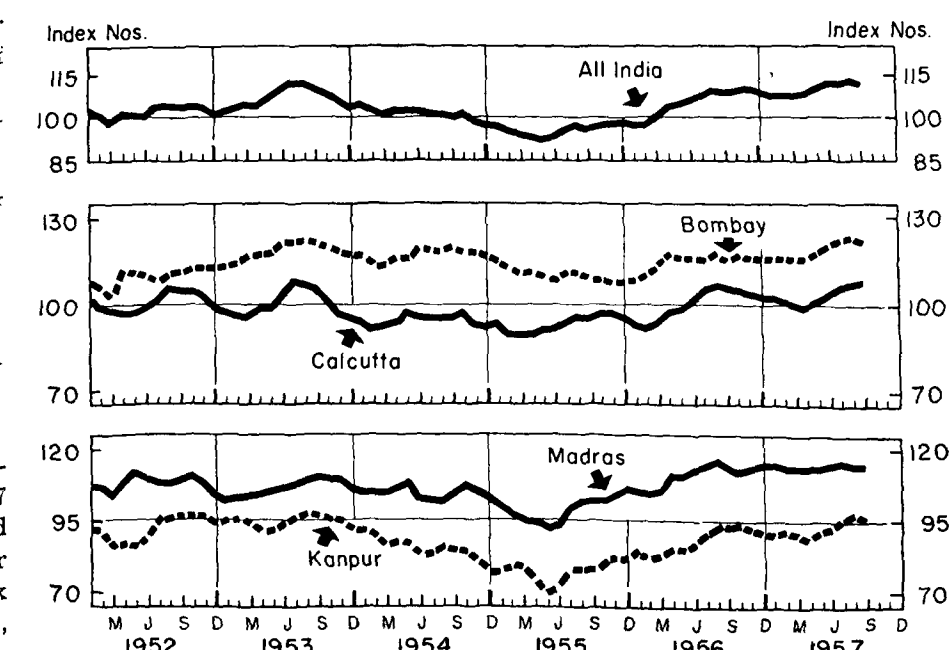
The planning and, in part, the financing of this co-ordinated programme is the responsibility of the National Co-operative Development and Warehousing Board and its connected organisations.

Conclusion

From this brief account it will be seen that the stage of co-operative development in the Asian region varies from country to country, even though the keenness of the Governments to make use of co-operative agencies for implementing their plans appears to be a common feature. If co-operatives are to function effectively in the context of a planned economy, detailed co-operative development plans, integrated with the national plan, should be drawn up, providing for active State participation, financial, technical and advisory. The integrated scheme of rural credit, now in operation in India, represents such a plan which has made a useful beginning.—All Rights Reserved.

INDEX NUMBERS OF COST OF LIVING (WORKING CLASS)

(Base: Year ended August 1949=100)



Coal Award and Its Aftermath

No Significant Rise in Productivity

THE local industry's main preoccupation in the year 1957 was the implementation of the Labour Appellate Tribunal's award in respect of coal miners' wages and the impact of the award on production costs. Being a controlled industry, in the sense that coal prices are statutorily fixed by the Government, and an industry in which the wages of workers account for some 70 per cent. of production costs, the coal industry is naturally handicapped severely if the Government does not permit a rise in prices commensurate with the increase in wages it compels the industry to pay its workers. Although the increase in prices permitted in July 1957 has meant some relief to the industry, the year closes on an uncertain note, thanks to the fact that soft coke prices have not been raised and the Coal Prices Committee has not yet published its report.

The issue of India's coal prices is a sad tale of neglected opportunities and belated action. In July 1947, a rise in coal prices was permitted, so that the increase in workers' wages could be met. In November 1949, coal prices were actually revised downwards, as the first step in an experiment of compulsory reduction in prices of commodities as a method of fighting inflation. This experiment was abruptly abandoned, after trying it on coal and cloth, but the cut made in their prices was not restored promptly. On the contrary, production costs continued to mount at a rapid rate, and little was done on the prices front. The workers, however, continued to demand higher wages. And the issue of the wages was referred to the All-India Industrial Tribunal (Colliery Disputes) in February 1954. The Tribunal took more than two years to give its verdict. The award of the Tribunal, which was published in May 1956, fixed the minimum basic wage for surface workers at Rs. 69-1 and for underground workers at Rs. 72-2 per month of 26 days. The effect of the award, it was computed, was to raise the industry's wages bill by 40 per cent. In order to offset the increase in costs, the Government raised, with effect from July 1956, the prices of coal of the Bengal and Bihar collieries by Rs. 3 per ton; the increase in prices of coal from other collieries varied from Rs. 2 to Rs. 5 per ton while that for hard coke and soft coke was Rs. 4-8 and Rs. 5 per ton, respectively.

L.A.T. Award

Before the industry could settle down on the basis of the new prices, a new uncertainty arose in the shape of an appeal preferred by certain sections of labour to the Labour Appellate Tribunal (L.A.T.) against the award of the All-India Industrial Tribunal. The award of the L.A.T., which was announced on 29th January 1957, gave substantial additional increase in wages to workers. Thus, the L.A.T. raised the minimum wage for the lowest category of workers from Rs. 69-1 to Rs. 78-4-4 inclusive of bonus. It also awarded equal wages for men and women workers, as against the lower Tribunal's decision to fix the women workers' wages at 75 per cent. of the men workers' wages. Further, the L.A.T. held that its new scales would have retrospective effect from the date of publication of the lower Tribunal's award. The 'retrospective' nature of the decision alone, it was computed, would mean a burden of Rs. 4.25 crores, while the full implementation of the

award would raise production costs by Re. 1.75 per ton.

Small wonder, then, the coal industry felt somewhat alarmed by the L.A.T.'s findings. In a Press note, issued in February 1957, the industry stated that, as a result of the award, the industry was confronted with a "crushing financial burden." After pointing out that the prices of coal were subject to control by the Government, the Press note said: "The hands of the coal industry are tied and the remedy lies with Government. It is most unfortunate that the industry should be placed in this predicament at a time when every effort should be made to increase coal production under the second Five-year Plan." It was not, however, before July 1957 that the Government could take a decision on coal prices. On 8th July last, the Government announced a uniform increase of Re. 1.50 per ton in the price of coal. It also raised the prices of by-products of hard coke and bee-hive hard coke by Rs. 2.50 and Re. 1.50 per ton. No increase in prices was permitted for soft coke.

Soft Coke

Such in brief, is the story of the labour awards and their impact on the coal industry. It will be seen that the decade-old issue of coal prices has been imperfectly resolved and that, as the year 1957 draws to its close, there is no prospect of a realistic decision on coal prices. Soft coke producers are sore over the fact that the prices of soft coke have not been raised. Other coal producers also feel that the increase in coal prices, granted in July last, does not cover in full the increase in wages bill necessitated by the Labour Appellate Tribunal's award, let alone its being sufficient to meet the rise in other elements in production costs. Much will, therefore, depend upon the Coal Price Inquiry Committee (Chairman: Mr. S. Boothalingam, Secretary: Union Ministry of Steel, Mines and Fuel) which was set up in May 1957 to study the cost of production of coal in the light of the awards of various industrial tribunals and other factors that have a bearing on the coal production programme in the second Five-year Plan. Although the Committee was expected to submit its report within two months after it was set up, it has not done so far, that is, up to 15th December 1957.

The importance of the issues which have been referred to the Coal Price Inquiry Committee will be evident from the fact that the second Five-year Plan envisages a large increase in coal output. The target set for 1960-61 is 60 million tons, as against 38 million tons in 1955-56. Out of the additional production of 22 million tons, the share of the public sector is 12 million tons and that of the private sector 10 million tons. This unequal distribution of the target is obviously based on ideological considerations, for there is no doubt that private collieries can produce all the additional 22 million tons at a fraction of the cost the public collieries will need in order to produce its share of the additional 12 million tons. During 1956, the total raisings aggregated 39.4 million tons, of which the public sector accounted for some 3 million tons. The total production of coal in the country up to the end of September 1957 was 32.03 million tons, as against 29.25 million tons in the corresponding period of 1956. The share of the State-owned collieries

in this rise in output is not known. But it cannot be very large, considering that no new State colliery has gone into production since the commencement of the second Five-year Plan. It may be noted that the output in the public sector in the first half of 1957 amounted to 1.71 million tons, as compared with 1.49 million tons in the corresponding period of 1956.

State Sector

Although one would expect the public sector to hum with activity, considering that it is expected to increase its output of coal by 12 million tons during the second Plan and the country is now nearly half-way through the Plan, no great effort has been made to raise the output of coal in the State sector. Perhaps, the only significant step the Government has taken so far is to acquire powers for taking over unexploited coal-bearing areas covered by private leases or prospecting licences. The Coal-Bearing Areas (Acquisition and Development) Act, which received the President's assent in June 1957, provides for payment of reasonable compensation to the owners of the areas acquired by the State. In the course of the debate on the Bill in the Lok Sabha, in May 1957, Mr. K. D. Malaviya, Minister for Mines and Fuel, stressed that fair and reasonable compensation would be paid to those who were dispossessed of their mining areas or rights. He added: "We do not want to pay illusory compensation which we cannot justify in anybody's eyes." This assurance has been widely welcomed. Nevertheless, the impression persists that the Government is adopting a "dog-in-the-coal-pit" policy in that it will neither increase coal output itself nor create the necessary climate in which the private sector can make an effective contribution to the overall target for coal output. That the coal industry is capable of delivering the goods is evident from the fact that the plans submitted by the industry to the Government in 1956 envisaged an increase of 30 million tons in the output of coal.

Coal Raisings

Despite unhelpful price controls and insufficient allotment of wagons, there was a welcome increase in coal raisings. Thus, during the first nine months of the year, as the table at the end of the article will show, coal raisings aggregated 32.03 million tons, as against 29.25 million tons in the corresponding period of 1956. In other words, coal production in 1957 has been running at the annual rate of 42.67 million tons, as against 39.43 million tons actually produced in 1956. Despatches of coal during the nine-month period in 1957 were 28.07 million tons, as compared with

25.56 million tons in the same period in 1956. Private collieries have continued to complain of insufficient supply of wagons, though it is generally conceded that the authorities are trying to make the best use of the available supply of wagons. Again, complaints of some bias in favour of the public sector in the matter of allotment of wagons have been made. The existence of such a bias has, however, been denied by the Government.

Since transport is vital to the progress of the coal industry, the achievement of the target for coal production will, apart from the settlement of such issues as coal prices and fiscal policies, depend upon the provision of transport facilities. Assuming that the coal production target for 1960-61 remains unchanged at 60 million tons a year and efforts are made to reach that target, there will be a progressively heavier demand on transport by the industry. It has been computed that, in 1957-58, the daily wagon requirement will be 4,860, rising to 6,155 in 1958-59, 6,481 in 1959-60 and 6,804 in 1960-61. Nearly 80 per cent. of these wagons will be required in the West Bengal-Bihar area, the chief coal-producing region in the country. This region, it is computed, will need about 4,603 wagons in 1958-59, 4,810 in 1959-60 and 5,015 wagons in 1960-61. Some idea of the leeway in wagon allotment which has to be made up in the later years of the second Plan can be had from the fact that in October 1957, the daily average coal loading in the Bihar-Bengal area aggregated 3,982 wagons.

Coking Coal

A problem which continues to attract attention is the conservation of metallurgical coal. The Government continued in 1957 its policy of limiting the output of coking coal collieries. The overall ceiling for selected A and B grades of coking coal in 1957 was 7.90 million tons, as against 7.70 million tons in 1956. The ceilings for grade I and grade II coals were 4.40 million tons and 3.70 million tons, as compared with 4.20 million tons and 3.10 million tons respectively in 1956. It is now recognised that the production of coking coal will have to increase in response to the growing needs of India's expanding steel industry. At the end of the second Five-year Plan, the country will need about 12 million tons of coking coal with ash content of 15 per cent. and below. It is not, of course, difficult for the country to produce the increasingly larger quantities of coking coal which will be needed for metallurgical purposes. There

(Continued on page 181)

Raisings and Despatches
(In tons)

	Raisings		Despatches	
	1957	1956	1957	1956
January	3,627,151	3,206,243	3,136,528	2,703,897
February	3,518,681	3,357,546	2,850,781	2,697,020
March	3,656,896	3,361,867	3,248,079	2,838,920
April	3,726,106	3,225,494	3,184,079	2,866,259
May	3,793,377	3,316,272	3,184,270	2,869,719
June	3,330,400	3,103,660	2,915,343	2,877,636
July	3,331,257	3,164,853	3,077,367	3,017,172
August	3,383,988	3,307,647	3,243,778	3,173,927
September	3,662,573	3,123,341	2,230,264	2,820,219
October	..	3,177,384	..	2,940,017
November	..	3,323,227	..	3,025,083
December	..	3,678,262	..	3,038,222
Total	..	39,433,802	..	34,068,071

THE LAXMI BANK LIMITED

Head Office : AKOLA (Bombay State)

Established 1938

Chairman:

Diwan Bahadur Seth Gopaldas Mohta

Banker, Landlord, Mills and Mines Owner

BRANCHES IN BOMBAY STATE

- | | | |
|------------------|-------------------------|-----------------|
| 1. Akola | 2. Akot | 3. Amravati |
| 4. Achalpur | 5. Bhandara | 6. Chanda |
| 7. Dharmangan | 8. Gondia | 9. Hinganghat |
| 10. Karanja | 11. Khamgaon | 12. Nagpur City |
| 13. Nagpur Bardi | 14. Pulgaon | 15. Pusad |
| 16. Shegaon | 17. Tumsar | 18. Umarkhed |
| 19. Wardha | 20. Washim | 21. Yeotmal |
| 22. Bombay-Fort | 23. Bombay-Zaveri Bazar | |
| 24. Shusawal | 25. Jalgaon | |

BRANCHES IN MADHYA PRADESH

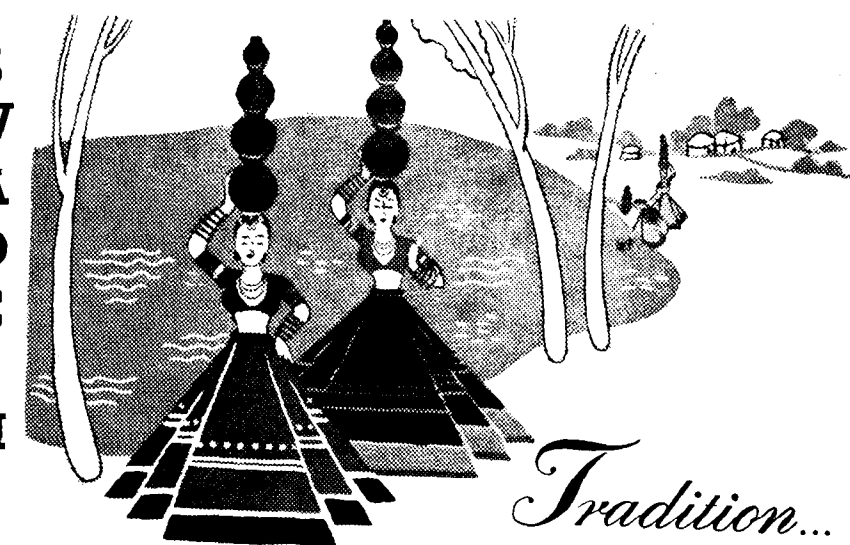
- | | | |
|--------------|-----------------|-------------|
| 1. Burhanpur | 2. Betul | 3. Bilaspur |
| 4. Balaghat | 5. Chhindwara | 6. Dhamtari |
| 7. Durg | 8. Dongargarh | 9. Jabalpur |
| 10. Khandwa | 11. Raigarh | 12. Raipur |
| | 13. Rajnandgaon | |

BRANCHES IN OTHER STATES

- | | |
|-------------|----------|
| 1. Calcutta | 2. Delhi |
|-------------|----------|

P. N. VASUDEVA,
General Manager.

SWADESHI



THE NAME THAT STANDS FOR QUALITY

SAREES
DHOTIES
PRINTS
FLANNELS
CANVAS
WEBBINGS
&
VANASPATI

ROOTED, as it is in the hoary past of our ancient land the Textile Industry in India today is the biggest National Industry.

SWADESHI, the biggest Cotton Mills of Northern India, has the rare honour of being one of the biggest Textile Units of Asia.

SWADESHI symbolises the spirit of Swadeshi and carries with it the richest traditions in Indian Textiles.

SWADESHI fabrics are equally popular in India and abroad, because of their radiant finish, glowing range of colours, incomparable quality and lasting stuff.

SWADESHI fabrics are priced lower than their counterparts in the market and are suited to all tastes and pockets.

SWADESHI

COTTON MILLS COMPANY LIMITED

BRANCHES:

- SWADESHI COTTON MILLS COMPANY LIMITED, PONDICHERY
- SWADESHI COTTON MILLS COMPANY LIMITED, NAINI
- BERAR SWADESHI VANASPATI, SHEGAON

SUBSIDIARY CONCERNS:

- GANESH SUGAR MILLS LIMITED, ANANDNAGAR
- SHREE ANAND SUGAR MILLS LTD., KHALILABAD
- SAMLA COLLIERIES LTD., PANDAVESHWAR
- JAIPURIA KAJORA COLLIERIES LTD., ONDAL

IT IS A JAIPURIA ENTERPRISE

Brown Boveri & Company * Alfred J. Amsler & Company * The V. D. Anderson Company, Ohio * Landis & Gyr, S.A. * Micafil S.A. * Union Carbide & Carbon Corporation * A.I.A.G. (Societe Anonyme pour l'Industrie de l'Aluminium) * Aquametro Water Meter Works Limited * Bethlehem Steel * Birchmeier & Company Limited * Blackstone & Company Limited * Broom & Wade Limited * Joy Manufacturing Company * Joy Sullivan Limited * Lindemann Maschinenfabrik G.m.b.H. * R. A. Lister & Company Limited * J. J. Saville & Company Limited * William Jessop & Sons, Limited * Schloemann Aktiengesellschaft * Sulzer Brothers Limited * Carrier Corporation International Division * International Harvester Company * Athens Plow Company * R. A. Lister & Company * Rotary Hoes, Limited * International Harvester Export Company * American Bosch Corporation * Owatonna Tool Company * The Timken Roller Bearing Company * Benninger Engineering Company Limited * J. J. Rieter & Company Limited * Ruti Machinery Works, Limited * Benteler Works Limited * Artos Machine Works * Schweizer Limited * Carver Cotton Gin Company * Centennial Cotton Gin Company * Gandy Limited * James Kenyon & Son, Limited * Graf & Company * Grob & Company Limited * Injecta Limited * Lakshmiratan Engineering Works Limited * Universal Textile Bobbin Company * F. Hoffmann-La Roche & Co. * N. V. Philips Roxane * La Roche Incorporated * Glaxo Laboratories Limited * N. V. Philips Roxane * Binny & Smith International Inc. * James Ferguson & Sons Limited * Durham Ra

Societe d'Electro-Chimie * Merck & Sharp & Dohme International * Sharp & Dohme International * Hindustan Antibiotics (Private) Ltd. * Escher Wyss G.m.b.H. * Jagenberg-Weitzer International Corporation * Mack Trucks Inc. * The Gallion Iron Works & Machine Works Limited * Blackstone & Company Limited * Brown Boveri & Company * Alfred J. Amsler & Company * The V. D. Anderson Company, Ohio * Landis & Gyr, S.A. * Micafil S.A. * Union Carbide & Carbon Corporation * A.I.A.G. (Societe Anonyme pour l'Industrie de l'Aluminium) * Aquametro Water Meter Works Limited * Bethlehem Steel * Birchmeier & Company Limited * Blackstone & Company Limited * Joy Manufacturing Company * Joy Sullivan Limited * Lindemann Maschinenfabrik G.m.b.H. * R. A. Lister & Company Limited * J. J. Saville & Company Limited * William Jessop & Sons, Limited * Schloemann Aktiengesellschaft * Sulzer Brothers Limited * Carrier Corporation International Division * International Harvester Company * Athens Plow Company * R. A. Lister & Company * Rotary Hoes, Limited * International Harvester Export Company * American Bosch Corporation * Owatonna Tool Company * The Timken Roller Bearing Company * Benninger Engineering Company Limited * J. J. Rieter & Company Limited * Ruti Machinery Works, Limited * Benteler Works Limited * Artos Machine Works * Schweizer Limited * Carver Cotton Gin Company * Centennial Cotton Gin Company * Gandy Limited * James Kenyon & Son, Limited * Graf & Company * Grob & Company Limited * Injecta Limited * Lakshmiratan Engineering Works Limited * Universal Textile Bobbin Company * F. Hoffmann-La Roche & Co. * N. V. Philips Roxane * La Roche Incorporated * Glaxo Laboratories Limited * N. V. Philips Roxane * Binny & Smith International Inc. * James Ferguson & Sons Limited * Durham Ra

These are the names of some of the leading manufacturers who command a world-wide reputation for the high quality and precision of their manufactures, for their latest researches in technology and for their ability to think ahead of the times in respect of their customers' requirements. These leaders of industry entrust Volts with their business in India for they know and appreciate the sound tradition of Volts and the services offered by them in the field of engineering, pharmaceuticals, chemicals and bulk vitamins. No job is too big or too small for Volts. Each job receives the same prompt attention and specialised service.

For Quality and Service

VOLTAS

VOLTAS LIMITED

Electrical Engineering * Mechanical Engineering * Agricultural Machinery * Machine Tools * Construction Equipment * Air Conditioning and Refrigeration * Textile Machinery * Textile Mill Stores * Industrial Chemicals * Bulk Vitamins * Paper Machinery * Pharmaceuticals * Aquametro Water Meter * Broom & Wade Limited * J. J. Rieter & Company Limited * Carrier Corporation * The Timken Roller Bearing Company * Ruti Machinery Works, Limited * Benteler Works Limited * Artos Machine Works * Schweizer Limited * Carver Cotton Gin Company * Centennial Cotton Gin Company * Gandy Limited * James Kenyon & Son, Limited * Graf & Company * Grob & Company Limited * Injecta Limited * Lakshmiratan Engineering Works Limited * Universal Textile Bobbin Company * F. Hoffmann-La Roche & Co. * N. V. Philips Roxane * La Roche Incorporated * Glaxo Laboratories Limited * N. V. Philips Roxane * Binny & Smith International Inc. * James Ferguson & Sons Limited * Durham Ra

Head Office: Bombay
Calcutta - Madras - New Delhi - Cochin
Bengalore - Ahmedabad - Secunderabad
Lucknow - Kanpur - Madurai - Coimbatore
Vijayawada - Jaipur - Bhopal - Nagpur

Cotton Mills Pass Through A Year Of Stress And Strain

Stocks Accumulate—Prices Fall Sharply

THE year 1957 was one of considerable stress and strain to the Indian cotton mill industry. Apart from the continued retention of control—quantitative and qualitative—on production of certain varieties of cloth which did much harm to the mills, the rigorous effect of the steep increase in excise duty on cloth (made on 1st September 1956) was acutely felt by the industry. The increase was so staggering as to evoke stiff consumer resistance in internal markets which compelled the mills not only to bear the whole of the enhanced tax burden—an average of 10 per cent. of the price of cloth—but themselves also to lose heavily by way of a fall in prices—believed to be more than 5 per cent. over the year. There was thus a drop of over 15 per cent. in mill realisations on cloth sold for domestic consumption. At the same time, there was a sizable advance in cost of production, brought about by an all-round rise in wages and in the prices of raw materials and stores, not to mention machinery. The cumulative effect of these factors was that most of the mills incurred heavy losses.

Even after the drop in cloth prices, the mills were finding it exceedingly difficult to sell their goods, with the result that stocks mounted up to high levels. The aggregate quantity of cloth actually lying unsold with mills during November 1957 was as much as 580.5 million yards (387,000 bales), as against just 223 million yards (148,678 bales) as on 18th August 1956. These stocks, together with the 330.0 million yards (220,000 bales) sold but not lifted by the trade, brought the total stocks with mills to 910.5 million yards (607,000 bales), equivalent to over two months' output. The position would have been worse still but for the improvement in exports. The mounting stocks of cloth caused untold hardship to mills, especially to the marginal units, inasmuch as the carrying of stocks entailed a financial burden, not to speak of the pressure on their storage space. Nearly Rs. 60 crores of finance, it is said, has been locked up consequent on the heavy accumulations of stocks, imposing a severe strain on the finances of mills and adding to the stringency of the money market.

High Output

Despite all these handicaps, the mill output of textiles was maintained at a high level during 1957. This may appear to be somewhat of a riddle, but actually it is not. For, by maximising production, the cotton mills could reduce the unit cost of manufacture which would have otherwise been higher still. In other words, by keeping production at the highest possible level, they were only trying to minimise their loss and keep their heads above water.

The looms in the cotton mill sector were weaving fabrics in 1957 at an annual rate of 5,320.0 million yards of cloth—an all-time peak—which compares favourably with 5,306.5 million yards woven last year. This figure is near the target set for the mill sector in the second Five-year Plan and is markedly higher than the industry's total rated capacity of 4,950 million yards (1955-56), assessed on the basis of double-shift operation for 305 working days per annum. During the first 11 months of 1957, for which period only actual production figures are available at the time of writing, output of cloth amounted to 4,877

million yards, as against 4,827 million yards in the corresponding period of 1956.

The rise in cloth production followed a substantial improvement in yarn output. More than 1,773 million lbs. of yarn are estimated to have come off the spindles in the past year, as against 1,671 million lbs. in 1956. Never in the history of the cotton mill industry had this level of yarn output been touched; the previous record output was 1,684 million lbs. in 1943, but this figure includes the output of mills in the territories that now constitute Pakistan. Production, however, falls short of the rated capacity of about 1,840 million lbs. The second Plan target is 1,950 million lbs. The quantity of yarn actually spun in the first 11 months of 1957 was 1,624 million lbs., as against 1,516 million lbs. in the same period last year.

The Trend

The trend of mill yarn and cloth production—month by month—in the past two years is indicated below:

	Cloth (Million yards)		Yarn (Million lbs.)	
	1957	1956	1957	1956
January	483.7	413.8	158.4	132.5
February	435.1	425.6	143.2	133.6
March	453.3	418.8	150.5	132.6
April	464.4	420.8	153.7	131.0
May	458.1	452.7	149.0	135.4
June	419.6	451.5	137.0	137.0
July	458.9	467.0	150.1	145.3
August	420.4	428.3	144.1	140.3
September	443.7	465.6	150.9	146.2
October	415.4	443.4	143.3	142.5
November	429.0*	430.1	146.0*	139.5
December	443.4*	479.0	148.0*	155.3
Total	5,320.0*	5,306.5	1,773.1*	1,671.2

* Estimates only.

The upward trend in the production of mill textiles during the year under review was the result of more intensive utilisation of the mills' capacity and also of an increase in the proportion of new machinery to the total capacity. The daily average number of looms run in second and third shifts during the eight months ended August 1957, for instance, was 172,241 and 50,999, as against 163,717 and 37,317 respectively, in the same period of 1956. The first shift also accounted for a larger number of looms run, being 182,101, as against 179,736. Likewise, the daily average number of spindles run in the first, second and third shifts during the aforesaid period was higher at 10.91 million, 10.48 million and 4.90 million, which compares favourably with 10.49 million, 10.10 million and 4.80 million, respectively, a year before. Consequent on the rise in the spindles and looms worked, the daily average number of workers employed recorded an increase during the period (January-August 1957), such being 848,847 in composite mills and 101,409 in spinning mills; the corresponding figures for last year were 835,732 and 90,928.

Not Desirable

The continued intensive utilisation of the existing equipment of mills, though it is not desirable because of the speedy obsolescence of such equipment, has been resorted to by mills out of sheer necessity. For the Government of India has not allowed expansion in the weaving capacity of mills, except the installation of 18,000 automatic looms for the express purpose of producing 350 million yards for export. Even the installation of automatic looms has not made much progress, on account of the rigorous conditions laid down by the Government. According to a recent assessment,

it is calculated that 10,000 automatic looms and 7,500 plain looms are required for purposes of replacement, while as many as 24,000 automatic looms and 17,000 plain looms are needed for expansion during the second Plan period. It may be noted here that, in the case of several units, much of the equipment has outlived the period of efficient and economical service. If, therefore, the intensive utilisation of capacity continues unabated, there will be further considerable wear and tear to the equipment, and the arrears of plant rehabilitation and modernisation in the coming years will be of vast proportions.

Following the more intensive utilisation of mills' capacity, the consumption of cotton in mills was appreciably higher in 1957 as compared with the previous year. The quantity actually consumed in the first three quarters was 3,955,571 bales (of 392 lbs. net each) as against 3,696,069 bales in the corresponding period of 1956. The whole of this rise was accounted for by Indian cotton, the consumption of which increased from 3,224,727 bales to 3,539,695 bales, while that of foreign cotton declined from 471,340 bales to 415,876 bales. Reflecting the increase in consumption of Indian cotton was the substantial advance in the production of coarse varieties of cloth; during the first 10 months of 1957, about 967 million yards of these varieties were manufactured, as against 544 million yards a year before. The production of the other categories, however, suffered a setback. The output of medium, fine and superfine varieties were lower at 2,939 million yards, 319 million yards and 223 million yards, as against 3,184 million yards, 373 million yards and 296 million yards, respectively.

Heavy Incidence

The decline in the production of medium and fine varieties of cloth must be attributed to the heavy incidence of the enhanced excise duty with effect from 1st September 1956. Thus, the rate of excise duty (exclusive of the handloom cess of 2 nP per square yard) on medium cloth was raised from 6 nP to 12 nP, on fine counts from 11 nP to 19 nP and on superfine categories from 16 nP to 25 nP. As regards coarse goods, the excise duty on dhootis and saris was left unaltered at 3 nP, while the duty on 'others' was increased from 6 nP to 9 nP only. On the basis of these rates, the excise calculated on the mill price of a variety of representative qualities of cloth varies, according to classification, from 11.5 per cent. to 31.9 per cent. and averages 24.8 per cent.—an average increase of 11.2 per cent. over August 1956. In certain categories of superfine cloth, it is as high as 38.39 per cent.

On 13th December, the Government of India announced a reduction in excise duty on medium cloth from 12 nP to 9 nP per square yard, to be effective up to 31st March 1958, and the withdrawal, with effect from 1st January next, of the rebate of 3 nP per square yard allowed to mills which produced cloth in excess of their average or normal packed production. With effect from 14th December, the sales tax levied by States on mill-made piecegoods have been replaced by an excise duty. The rates of duty (per square yard) is 3 nP for coarse varieties, 4 nP for medium counts, 8 nP for fine categories and 13 nP

for superfine cloth. With the imposition of this additional levy, the total excise duty (exclusive of the handloom cess of 2 nP per square yard) on the different categories of mill-made cloth comes to 12 nP for other coarse counts, 13 nP for medium (after taking into account the reduction of 3 nP in excise duty to be effective up to the end of March 1958), 27 nP for fine and 38 nP for superfine varieties.

An idea of the different varieties of cloth (wearable) packed during the first nine months of 1957 and 1956, as also during the whole of 1956, can be had from the following table:

	(In million yards)	
	1957	1956
Longcloth, sheeting, leopard cloth and markin	1,284.57	1,207.21
Dhotis	450.99	421.51
Saris	488.08	402.41
Shirtings and suelas	423.60	437.50
Prints and chintz	368.99	335.29
Mulls, voiles and dories	243.95	261.82
Poplin, crepes, twills and haircords	221.84	232.37
Drills, jeans, satin drill and gaberdine	180.81	158.26
Coatings, tussore, corduroy and bedford	85.11	100.40
Madapalam, cambrics and lawns	19.55	23.74
Dupattas, khos, chois and uparans	6.65	5.72
Other items	132.07	149.45
Total	3,901.81	3,738.06

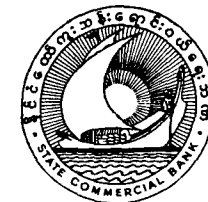
Supply Position

The cotton mills, as already stated, produced more cloth (5,320 million yards estimated on the basis of 11 months' production) during 1957 than in 1956 (5,306 million yards). The handlooms and powerlooms are also said to have woven a larger quantity of cloth, the estimated output of these sectors in 1957 being placed at 1,621 million yards and 299 million yards, respectively, as against 1,509 million yards and 278 million yards in 1956. The table below shows the supply position of cotton piecegoods during 1957 as compared with 1956:

	(In million yards)	
	1957*	1956
Production—		
Mill sector	5,320	5,306
Handlooms	1,621	1,509
Power looms	299	278
Imports	13	13
Total supply	7,253	7,106
Less—Exports	895	804
Deliveries for other purposes	26	27
Supply available for internal consumption	6,332	6,275
Per capita availability (in yards)	16.4 (387)	16.4 (383)

* Estimates.
Figures in brackets relate to population in millions.

It will be seen from the above table that, although exports of cloth recorded an improvement, the supply available for domestic consumption was larger in 1957 than in 1956. Thanks to the increase in supplies thus and to the stiff consumer resistance on account of the steeply enhanced excise duty, huge stocks of cloth accumulated with mills, leading to a drop in prices. The all-India average wholesale price index of cotton manufactures (Base: year ended August 1939=100) for the week ended 26th October 1957 stood at 419, as against 431 in August 1956. The fall in prices may appear to be small, but it must be borne in mind that the index of 419 relates to prices which include the enhanced excise duties, while the index for August 1956 relates to prices prevailing prior to the upward revision in excise duty. Making allowance for this difference, the decline in prices of cotton



STATE COMMERCIAL BANK

BURMA

(Incorporated under the State Commercial Bank Act 1954.)

Established August 1954.

The Largest Commercial Bank in Burma

Authorised Capital	- - -	K. 50,000,000
Paid-up Capital	- - -	K. 20,000,000
Reserve Fund	- - -	K. 4,000,000

As Bankers to the Government, State Trading Organisations, Joint Ventures and major Private Business in Burma the Bank is in a unique position to serve you in this country.

Head Office : RANGOON

Branches :

MANDALAY, MOULMEIN, BASSEIN, AKYAB, TAUNGGYI, PEGU, HENZADA, SHWEDO, MYINGYAN AND PROME

BUILDING INDIA'S SHIPPING POWER

THE FIRST FIVE-YEAR PLAN witnessed the addition of six ships to The Great Eastern Shipping Company's fleet. Of still more importance to the Indian shipping industry was Great Eastern's acquisition of m.t. "Jag Jyoti," the first Indian-owned commercial tanker, and m.v. "Jag Laxmi," the largest dry-cargo ship on the Indian Register.

Under the Second Plan also, Great Eastern have rededicated themselves to the task of further expanding and strengthening the national mercantile marine.

"JAG" SHIPS SERVE YOU ON THE SEVEN SEAS

THE GREAT EASTERN SHIPPING COMPANY, LIMITED

Managing Agents

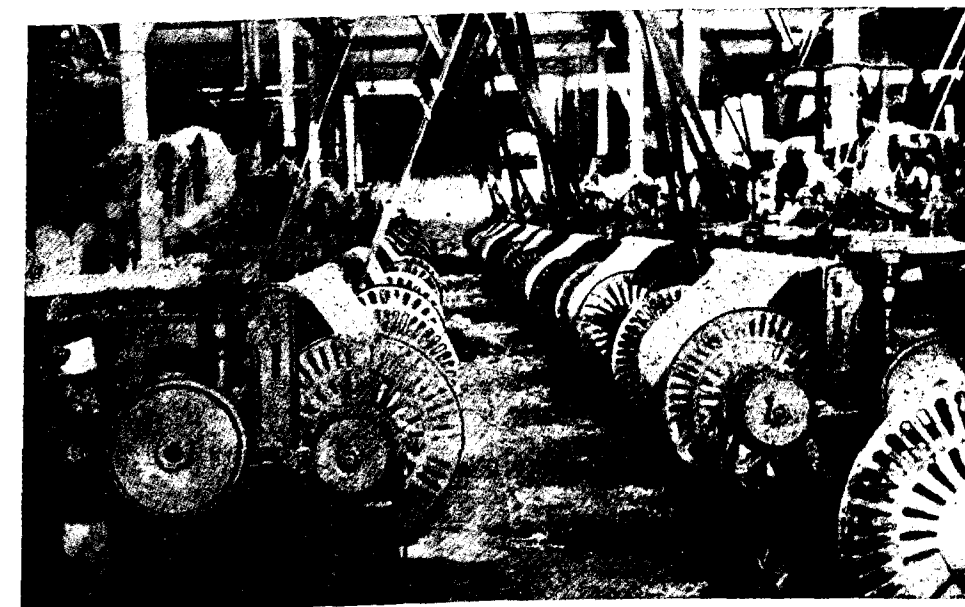
A. H. BHIWANDIWALLA & CO. (BOMBAY) PRIVATE LTD.

Head Office :

14, Jamshedji Tata Road, Churchgate Reclamation, Bombay I.
Gram : 'GREATSHIP' Phone : 37130, 37137-8-9, 36384

Branch :

5, Clive Row, Calcutta I.
Gram : 'GREATSHIP' Phone : 22-1034 & 35



IMC
Beam Flanges

PIONEER MANUFACTURERS OF MALLEABLE IRON PRODUCTS IN INDIA

INDIAN MALLEABLE CASTINGS LTD.

4, LYONS RANGE, CALCUTTA

Indian Jute and Cotton Mills are now using our Malleable Products.

BEAM FLANGES, LOOM SWORDS, BOX FRONTS, ROVING STEADIERS, DOG CASTINGS, RICE HULLER SCREENS, PIPE FITTINGS, CYCLES & CYCLE PARTS, CHAFF CUTTER BLADES AND TEA DRYING TRAYS etc., etc.

"MOHINI"

is a Hall-mark of Excellence

MILL No. 1
KUSHTIA (PAKISTAN)

MILL No. 2
BELGHARIA (INDIA)

THE MOHINI MILLS LTD.

- WELL KNOWN FOR THEIR QUALITY PRODUCTION
- SERVE THE NEED OF CLOTH OF BOTH INDIA AND PAKISTAN

MANAGING AGENTS

CHAKRAVARTI SONS & CO.

Registered Office

22, CANNING STREET CALCUTTA 1

HUKUMCHAND JUTE MILLS, LTD.

NAIHATI, (Dist: 24-Parganas)

West Bengal.

Manufacturers of:
HIGH CLASS HESSIAN,
SACKING, CANVAS,
TWINE, WEBBING,
ETC., ETC.

Managing Agents:

RAMDUTT RAMKISSENDASS,

9, BRABOURNE ROAD,

CALCUTTA - 1.

Telephone:
22-3195 (4 Lines)

Telegrams:
'JUTIFICIO' Cal.

Sulekha

FOUNTAIN PEN INK

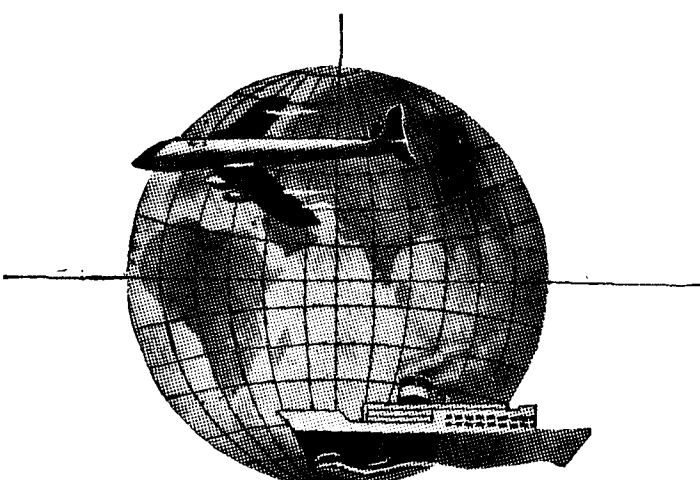
IS NOW THE
WORLD'S BEST
HOW & WHY?



- 1934: Sulekha Fountain Pen Ink was first introduced in the market and right from the beginning it entered into keen competition with foreign brands.
- 1938: Sulekha innovated attractive shade in the preliminary colours of Blue-Black Fountain Pen Ink.
- 1944: Sulekha invented, first in India, Ink-Solvent for Fountain Pen Ink.
- 1945: Sulekha as a result of sincere and faithful service during the war period, came in the lime-light and its reputation as quality product spread throughout the length and breadth of the country.
- 1946: Sulekha Special Fountain Pen Ink appeared in the market which threw a challenge to the foreign brands.
- 1948: Sulekha introduced a newer and a better Ink-Solvent, "S-100" (rather a combination of some rare solvents) which practically brought about a revolution in the progress of Fountain Pen Ink Industry.
- 1950: Sulekha with solvent "S-50" was introduced in Sulekha (General) Fountain Pen Ink in recognition of the needs of the student community using general fountain pens to mainly retard acid action on cheap metal nibs.
- 1954: Sulekha special Fountain Pen Ink with solvent "S-100" was awarded Gold Medals by the Management of the Bangalore Congress Exhibition and Mysore Dasarah Exhibition after rigid quality test by a committee of eminent scientists. It is the only ink-manufacturing concern in India to have received such prize.
- 1955: Sulekha is the only ink recognised for its best quality and displayed by the Indian Standard Institution in the Indian Industries Fair, amongst other quality indigenous products.
- 1956: Sulekha now commands the highest sale in India, and its sale is now more than the sales of any other brand including foreign.
- Sulekha Fountain Pen Ink is now available in eight different colours, e.g., Blue-Black, Royal-Blue, Red, Green, Violet, Scarlet, Brown and Black.
- 1957: Sulekha has, in order to meet the ever-increasing demand of quality fountain pen ink, taken a large tract of land at Sodepur, Eastern Railway, for its second factory, and, with this extension, the concern will be the biggest of its kind in the whole of Asia.

Thus, Sulekha has come to occupy the most coveted position in the Ink-world to-day, not by mere chance, but by dint of merit, result of more than two decades' continued research.

SULEKHA WORKS LIMITED
CALCUTTA DELHI BOMBAY MADRAS



MORE FOREIGN EXCHANGE FOR THE NATIONAL PLAN

Extensive international trade is essential for the development of national economy. A country's foreign trade largely depends on efficient banking service. With a network of correspondents at all important trade centres of the world the United Bank is equipped to render adequate service and give expert guidance in matters of foreign trade.



United Bank of India Ltd.

Head Office: 4, CLIVE GHAT STREET, CALCUTTA-1
Bombay Office: SIR PHEROZSHAH MEHTA ROAD
Ahmedabad Office: 13 RELIEF ROAD, KALUPUR

96 Branches all over India and Eastern Pakistan

LONDON BANKERS

Midland Bank Ltd.
Barclays Bank Ltd.
Westminster Bank Ltd.
Chase Manhattan Bank.

NEW YORK BANKERS

Chase Manhattan Bank
Irving Trust Co.

SYDNEY BANKERS

Bank of New South Wales

MONTREAL BANKERS

Bank of Montreal

ALSO AGENTS AND CORRESPONDENTS IN—
FRANCE, BELGIUM, NORWAY, SWEDEN, SWITZERLAND,
HOLLAND, ITALY, JAPAN, GERMANY, ETC.

manufactures over the year comes to not less than 10 per cent. The latest wholesale prices (exclusive of sales tax) of a few varieties of cloth in the Bombay market as compared with those obtaining before increase in excise duty are given below:

	Size	Per	28th Nov. 1957	23rd Aug. 1956 (before enhancement of excise duty)
<i>Dhotis</i>				
Kohinoor, grey	44" x 9 yds.	Pair	Rs. 6 12 0	Rs. 7 6 0
Sekaria, bleached	48" x 9 yds.	"	10 12 0	12 12 0
Longcloth (bleached)	40"	Yard	1 4 6	1 5 0
Kohinoor, medium	36"	"	1 4 9	1 6 6
Swadeshi, fine	36"	"	1 5 10	1 6 5
Finlay superfine	47"	"	0 11 0	0 11 5
Divijay, medium	44"	"	0 11 0	0 12 3
Shirting				
India, United, medium	26"	"	0 8 1	0 8 4
Standard, medium	26"	"	0 11 9	0 12 9
Markin (grey)	43"	"	0 11 0	0 12 3
Apollo, medium	43"	"	0 11 0	0 12 3
India, United, medium	43"	"	0 11 7	0 12 4

The unfavourable consequences of the decline in prices of cotton manufactures to the mills will be evident from the fact that the mills have had to pay enhanced prices for cotton during the year under review. The wholesale price index of cotton (Base: year ended August 1939=100), after declining from 492 in September 1956 to 463 in December 1956, steadily rose to 508 in July 1957 and stood at 506 in September 1956. The mills have also had to pay higher prices for their requirements of several other raw materials and stores. Similarly, the mills have been bearing a heavier wage bill, consequent on the payment of higher dearness allowance due to increase in cost of living. The amount of dearness allowance paid to a worker in the cotton mills of Bombay City during the month of September 1957, for instance, was Rs. 77, which compares unfavourably with the average of Rs. 68.77 for the whole of 1956 and Rs. 64.81 for 1955. In addition to the rise in dearness allowance, the mills have also been paying more by way of larger contribution to employees' health scheme and payment of gratuity.

The foregoing account will reveal that, in 1957, the cotton mills were caught between a decline in both demand and prices of cloth, on the one hand, and higher cost of manufacture, on the other. The financial results of mills which closed their accounts as at the end of June 1957 disclose a drastic fall in profits. They have been able to pay a dividend to their shareholders only by drawing on their reserves. When the mills publish their accounts for the calendar year 1957 or for the fiscal year 1957-58, they will show either a sizeable loss or only a small profit.

Exports Better

The improvement in the cloth supply position and the declining tendency of prices in internal markets together had a favourable effect on the export trade in textiles. During the first 10 months of 1957, nearly 697 million yards of mill-made piecegoods went out of India's shores, as against 604 million yards in the corresponding period of 1956. Taking the monthly average of 69.6 million yards, the exports for the whole of 1957 will work out to 835 million yards, which compares favourably with 744 million yards last year. In addition to mill cloth, about 60 million yards of handloom cloth (same as the quantity shipped in 1956) are believed to have been sold abroad in 1957, so that the aggregate exports of cotton piecegoods in 1957 work out to 895 million yards, a rise of more than 90 million yards as compared with 1956. The rise in mill cloth exports during 1957 was shared by all the varieties, except fine counts, the exports of

which suffered a setback, as will be seen from the following table:

	Coarse	Medium	Fine	Super-fine	Total
1956	14.75	44.99	0.67	0.67	61.08
January	13.43	44.72	1.00	0.90	60.05
February	17.00	48.08	1.61	1.55	68.24
March	13.44	54.31	1.21	1.64	70.60
April	13.78	40.61	1.47	2.28	58.14
May	16.70	52.64	0.62	2.10	72.06
June	10.37	32.64	2.86	1.78	47.65
July	17.88	36.19	1.87	1.63	57.57
August	14.14	31.00	1.18	1.51	47.83
September	16.00	39.42	3.20	1.73	60.41
October	20.86	53.81	2.85	1.63	79.15
November	17.08	41.26	1.93	1.18	61.45
December	17.08	41.26	1.93	1.18	61.45
Total	185.40	519.67	20.47	18.60	744.23

1957*	22.66	72.91	2.92	2.21	100.70
January	18.60	52.22	1.97	1.51	74.36
February	21.97	60.48	1.67	2.04	85.16
March	23.24	56.18	1.18	3.75	84.35
April	12.68	40.36	0.22	1.10	54.36
May	16.70	52.64	0.41	1.56	69.32
June	10.37	32.64	2.86	1.78	47.65
July	17.88	36.19	1.87	1.63	57.57
August	14.14	31.00	1.18	1.51	47.83
September	16.00	39.42	3.20	1.73	60.41
October	20.86	53.81	2.85	1.63	79.15
November	17.08	41.26	1.93	1.18	61.45
December	17.08	41.26	1.93	1.18	61.45
Total	185.40	519.67	20.47	18.60	744.23

* Projected figures based on exports from Bombay port.

With the exception of chintz and 'others,' all the different sorts of mill cloth exported from India recorded an improvement. The improvement was particularly marked in the case of sheetings, shirting, longcloth and domestics, as will be seen from the figures furnished below:

	January-October 1957	January-October 1956
Sheetings	307.56	276.59
Drill	73.92	71.77
Longcloth	79.24	58.63
Shirting	83.28	56.58
Voiles and mulls	44.17	38.14
Domestics	44.09	25.68
Costing	18.72	18.27
Others	9.81	7.22
Total	670.38	572.48

The largest buyer of Indian mill-made piecegoods continued to be the United Kingdom, the actual offtake of which during the first 10 months of 1957 was 103.78 million yards, as against 81.52 million yards in the same period of 1956 and 97.49 million yards during the whole of 1956. The bulk of this quantity, it must, however, be said, consisted of grey cloth which is processed in the U.K. mills and re-exported by that country. The other important buyers of Indian cloth are British West and East Africa, Sudan, Indonesia, Aden and Australia. The purchases made by all these countries during 1957 were larger than those in the preceding year. The destination-wise export trade in mill-made piecegoods during the January-October periods of 1957 and 1956, as well as in the whole of 1956, is shown in the following statement:

	1957	1956	1956
United Kingdom	103.78	81.52	97.49
Br. W. Africa	57.57	41.45	53.12
Br. E. Africa	61.48	56.90	72.48
Sudan	76.43	65.87	85.96
Indonesia	42.02	38.54	46.58
Aden	35.15	28.42	40.32
Malaya	24.89	25.37	48.32
Australia	38.79	33.59	40.77
Saudi Arabia	19.76	21.65	22.41
Ethiopia	24.31	22.15	24.15
Ceylon	11.60	16.93	23.46
Burma	36.60	11.16	15.83
Canada	15.62	14.60	17.55
Afghanistan	5.06	7.72	10.55
Pakistan	4.05	2.97	3.85

The improvement in cotton textile export trade witnessed during the year under review, though it is quite significant considering the marked setback suffered during 1956, must nevertheless not lead to a sense of complacency. It must not be forgotten that the increase in this country's exports is not appreciable, as compared with the excellent performance of Japan, the total exports of which in 1957 may well exceed 1,400 million square yards. In the nine months ended September 1957, exports of cotton cloth by Japan amounted to 1,062

million square yards, as against 933 million square yards in the corresponding period of 1956 and 1,262 million square yards for the whole of 1956. Further, the shrinkage in the volume of world textile trade continues unabated, due to development of indigenous industry in countries which were formerly importing cloth from outside. The competition for world markets is also becoming keener. The communist nations are emerging as suppliers of piecegoods to countries which were normally drawing supplies from the free world. Then, there is the competition from cheap rayon goods manufactured in Japan and other countries. Apart from the factors which have been affecting the world trade, in general, there are the unhelpful tariffs and other measures such as quotas taken by individual overseas countries. Particular mention must be made of (1) the withdrawal of preferential or privileged treatment hitherto enjoyed by India in certain territories; (2) the barter arrangements entered into by some of these territories with other countries whereby the latter are assured of fixed quotas which have worked to the detriment of India; and (3) the upward revision in export duties on goods of Indian origin in certain territories.

Energetic Steps Wanted

It is these developments which impart urgency to the need for adoption of energetic steps designed to enhance the competitive ability of the Indian cotton mill industry. The industry is suffering from compulsory cost inflation, due, among others, to the low efficiency of equipment, most of which is old and outmoded, as well as direct and indirect labour costs. If production of textiles is to be augmented and prices reduced, it is of the utmost importance that the industry should be encouraged to modernise equipment and rationalise methods of production. This aspect has been fully appreciated by the Export Promotion Committee (Chairman: Mr. V. L. D'Souza), as witness its clear warning that "there is no doubt that, unless our industry also benefits from the use of the latest machines and techniques, our cotton cloth will have to struggle hard to maintain the markets it now has, let alone increasing exports."

When such is the state of affairs, it is highly regrettable that the Government of India has not relaxed the stringent conditions attached to licences issued to mills for the installation of 18,000 automatic looms for the production for export of an additional 350 million yards of cloth every year. The conditions are so onerous that even the mills which have been regularly exporting large quantities have not been able to benefit from the scheme. The world textile market is governed by so many uncertain factors that "it is futile to pin down mills to the condition of maintaining 87½ per cent. of their exports in any of the preceding three years, besides exporting the full production of automatic looms." The Export Promotion Committee has done well to urge the Government to relax the conditions with a view to making the scheme more attractive to mills. It goes a step further and says:

"A sufficient number of automatic looms to permit the production for export purposes only of 1,000 million yards of cotton cloth a year should be installed by the industry by way of replacement of the existing plain looms. It would also help considerably, if, as an incentive for more exports, mills are allowed to import modern machinery and equipment up to a certain percentage of the value of the goods that may be exported by them in excess of their normal exports, say, about 50 to 75 per cent."

These are, indeed, very sound suggestions which merit the urgent consideration of the Government.

Equally sound are the four other suggestions of the Committee. First, there should be no restrictions such as those once imposed on exports of mineral khaki cloth. Secondly, stockists of cloth must be allowed to enter the export trade; a refund of excise duty already paid on cloth held in stock is recommended for this purpose. Thirdly, the processing factories should be accorded the facility of clearing cloth from mills without payment of excise duty which will be paid by the former in case the cloth is sold in India and not exported. Fourthly, the Government should remove controls on the manufacture by mills of certain varieties of cloth for purposes of export.

Efficiency—the Keynote

The need for improving the efficiency of the cotton mill industry so as to produce quality textiles at an economic price arises both from the necessity to weather the growing competition in the world textile trade and from the consideration that the apparel weaving capacity of the country is expanding at a fairly rapid pace with the steadily rising trend of population—at about 4.1 million per annum—and the improvement in the purchasing power as a result of the implementation of the second and subsequent Five-year Plans. Looked at from this angle, the cotton mill sector certainly deserves a more helpful official treatment free from ideological considerations. Indeed, the industry can legitimately claim such treatment as a matter of right. So vital is the role which the industry plays in the country's economy. It is the nation's biggest organised enterprise. It has a productive capital of Rs. 275 crores and provides direct employment to more than 800,000 persons, with total annual emoluments exceeding Rs. 100 crores. The industry produces every year Rs. 400 crores worth of products and contributes well over Rs. 100 crores to the Central and State Governments by way of taxes and levies. Besides clothing the country's millions, the cotton mill industry earns for the nation much precious foreign exchange, the average annual value of exports being Rs. 65-70 crores, which represents nearly 12 per cent. of the aggregate exports of Indian merchandise.

COAL AWARD AND ITS AFTERMATH

(Concluded from page 176)

is still some divergence of opinion over the Government's 'conservation' policy which, according to many sections of opinion in the industry, betrays an unnecessarily alarmist attitude towards India's coking coal reserves.

Productivity

The coal industry continues to provide large employment opportunities to skilled and unskilled labour. In June 1957, the average daily employment was 336,385, as against 333,390, being the average for 1956. Further, there has been a significant improvement in the total earnings of coal miners. Thus, in May 1957, the total weekly earnings of coal miners in Jharia and Raniganj coalfields were Rs. 20.42 and Rs. 18.78 respectively, as against Rs. 14.50 and Rs. 13.26 in May 1956. The level of productivity, however, has not shown any great improvement. In June 1957, the output per man-shift was estimated at 1.15 tons for miners and loaders, 0.60 ton for all workers underground and in open-workings and 0.40 ton for all persons employed, including surface workers; the 1956 (average) figures for output were respectively 1.12 tons, 0.59 ton and 0.38 ton. Clearly, there is both need and scope for greater attention to increasing the workers' productivity in the industry.

Raw Cotton Consumption at Record Level

Supply Position Continues to Remain Tight

THE steady upward trend in mill consumption of cotton, noted during the past six years in succession, gathered further momentum during the 1956-57 season ended 31st August 1957, which witnessed a new record in raw cotton consumption. At 5.23 million bales, comprising 4.66 million bales Indian and 570,000 bales foreign cotton, the season's consumption exceeded the previous year's figure by 260,000 bales. Impressive though this improvement is, it would have been more striking but for the setback in consumption during the last quarter of the season, thanks to the sluggish condition in the yarn and cloth markets brought about by the continued heavy incidence of taxation on consumption of cloth. In fact, the final consumption figure for the season under review fell short of the earlier expectation of an aggregate mill offtake of 4.7 million bales of Indian cotton. Nevertheless, the record is still creditable indicating that, provided there is the appropriate climate and adequate incentives, the mill industry could be confidently relied upon to deliver the goods.

The increase in mill consumption took place in the context of a reduced supply during the season which aggregated 7,878,000 bales, as compared with 8,000,000 bales during the previous season. The lower supply, despite the larger production of 4,835,000 bales (official estimate 4.72 million bales), during the season, as compared with 4.4 million bales in the 1955-56 season, is the result of lower stocks brought forward from the previous season. Thus, the opening stocks amounted to only 1,913,000 bales, as compared with 2,420,000 bales a year earlier. The following table gives the supply and distribution of cotton in the 1956-57 and 1955-56 seasons:

Supply and Distribution of Cotton
(In '000 bales of 392 lbs.)

	1956-57	1955-56
Supply		
Indian cotton (at beginning of season)	1,913	2,420
Stocks with trade and mills	243	242
Foreign cotton (at beginning of season)	4,835	4,404
Stocks with trade and mills	270	270
Cotton crop during season	617	604
Village consumption	7,878	8,000
Foreign cotton—estimated imports		
Total supply	7,878	8,000
Distribution		
Indian cotton	300	606
Estimated exports	270	270
Village consumption	4,666	4,385
Mills' consumption	567	603
Foreign cotton consumption	602	505
Indian cotton (at end of season)	1,120	1,408
Estimated trade stocks	71	38
Foreign cotton (at end of season)	222	205
Estimated trade stocks	7,818	8,000
	7,878	8,000

* Utilised by Khadi Board, surgical dressing manufacturers and destroyed by fire.

During the 1956-57 season also, mills continued to place greater and greater reliance on Indian cotton and the share of foreign growths in the aggregate consumption progressively declined. Out of the total consumption of 5.23 million bales in the 1956-57 season, Indian cotton accounted for a record high of 4.66 million bales and foreign cotton for a record low of 570,000 bales. This progressive displacement of foreign growths by indigenous varieties reflects, in part, the steady improvement in the quality of Indian cotton. But it is mainly due to the fact that Indian cotton continued to be cheaper than foreign cotton.

The following table gives the consumption of cotton (Indian and foreign) by mills, during each year of the decade ended 1956-57:

Trend of Consumption
(In million bales of 392 lbs. net)

	Indian cotton	Foreign cotton	Total
1947-48	2.86	1.35	4.21
1948-49	3.12	1.13	4.25
1949-50	2.54	1.14	3.68
1950-51	2.52	1.10	3.62
1951-52	2.99	1.08	4.07
1952-53	3.61	0.85	4.46
1953-54	3.89	0.72	4.61
1954-55	4.14	0.63	4.77
1955-56	4.37	0.60	4.97
1956-57	4.66	0.57	5.23

Rising mill consumption, in the context of reduced supply, once again pointed to the need for greater and more vigorous efforts to step up output. The acute shortage of foreign exchange, which was one of the dominant features of the country's economic situation during the season, also pointed to higher cotton production so as to make available a larger export surplus. The Indian Central Cotton Committee and the Departments of Agriculture of the various State Governments appear to be fully seized of the urgency of the problem. It may be noted in this connection, that the Committee had recommended an upward revision of the target for cotton production fixed for attainment at the end of the second Plan. It indicated that, in view of the increased target for textile production, and the need for higher exports of raw cotton and a comfortable carryover stock, the original target of 5.5 million bales, which was revised subsequently to 6.1 million bales by the Conference of States Ministries of Agriculture, held at Mussoorie in June 1956, should be further raised to 6.5 million bales. The State-wise breakdown of this revised target is as follows:

Second Plan Targets State-wise
Production (in '000 bales of 392 lbs.)

States (Reorganised)—		
Bombay	..	2,934
Punjab	..	1,250
Mysore	..	370
Madhya Pradesh	..	567
Madras	..	450
Rajasthan	..	290
Andhra Pradesh	..	165
Uttar Pradesh	..	110
Orissa	..	30
Other States	..	34
Total	..	6,500

The aforesaid recommendation, it may be noted, has been accepted by the Government of India and the Planning Commission.

While a higher target is quite in keeping with the improvement in cotton consumption and the probable rise in demand for cloth, it remains to be seen whether the target would be achieved by the end of the second Plan period. It is common knowledge that cotton production in India could not be increased to any significant extent, unless the yield per acre is improved. The question of increasing the yield per acre has always received top priority from the Indian Central Cotton Committee. Some of the measures recommended by the Committee are distribution of improved varieties of seed, application of manure, extension of irrigation facilities, adoption of improved cultural practices, intercropping, control of insect pests and plant diseases, etc. Despite the various measures taken by the Committee and the Departments of Agriculture of State Governments, the fact remains that there has been more talk and paper planning than vigorous action and hard work.

Consequently, cotton output in India continues to be determined, to a large extent, by climatic conditions and there are no indications that this state of affairs will change for the better in the near future.

Better Use of Fertilisers

Be that as it may, the vagaries of the monsoon have an undesirable effect on the attitude of the cultivator to better manuring, use of improved seed, etc. Past experience has shown that, even when manure and better seeds are made available, the agriculturists are averse to take advantage of them, because of their fear that, should the monsoon fail after the manure is applied, the plants will be scorched to death. This fear, not entirely unjustified, has been a major impediment in the way of cotton growers making greater use of manure. As a result of this reluctance to use manure, output, even in seasons when weather turns out to be normal, would be determined purely by the natural soil conditions. In other words, better manuring and use of improved seeds have yet to play their full part in increasing cotton output in this country. The effective solution to this problem is to step up irrigation facilities for cotton. But this is easily said than done, though it must be admitted that that should be aimed as the ultimate goal. In the meantime, other practicable remedies have to be tried. The Central Cotton Committee is conscious of this need. It has already undertaken studies of the pattern of rainfall in the past ten or fifteen years in certain selected tracts, with a view to estimating, on that basis, whether the shifting of the sowing time a few weeks behind or ahead of the usual schedule would help the plant to tide over unforeseen adverse changes in weather. Such studies, though highly beneficial, are costly and require a vast number of experts. But they are worth trying, in the opinion of experts.

Irrigation

As already stated, a reduction in the percentage of rain-fed area under cotton to the total acreage sown to the crop, or conversely, the increase in acreage under irrigated cotton, would certainly make the aggregate output less dependent on climatic conditions. The large irrigation projects under construction would bring larger area under irrigation and a part of this should be allotted to cotton. At present, out of the 20 million acres under cotton, only 1.9 million acres are irrigated. It has been estimated by the Indian Central Cotton Committee that though the total area that would be irrigated under the projects either recently completed or now under construction is as high as 16.7 million acres, only 1.3 million acres would be actually devoted to cotton, the rest being allotted to food and other crops. Even so, this would increase the area under irrigated cotton to 3.2 million acres. It is expected that a greater part of this area would be used to grow long and extra-long staple cottons which have been either evolved or are in the process of evolution. It is estimated that the production from the total irrigated area would increase from about 900,000 bales to 1.6 million bales. The extra production, at least in the States of Rajasthan, U.P., Madras, Punjab, Mysore and Kerala, could be of staple length 1" to 1.1/16" or even 1 1/8".

The quality of Indian cotton has been steadily improving. Thanks to

gradually increasing irrigation facilities and also as a result of the cotton improvement work being carried out by the Central Cotton Committee at the various regional research stations, this trend is likely to gain considerable momentum in future. The proportion of long-staple cotton (3/4" and above) to the total crop, which was only 17 per cent. in the 1945-50 period, improved to 41 per cent. in the 1956-57 season. The following table gives the staple-wise production of Indian cotton crop (based on official estimates) during the six years ended 1956-57, together with the corresponding average in the two five-year periods 1940-45 and 1945-50:

Quality-wise Breakdown of Crop
(In thousand bales of 392 lbs. each)

	A	B	C	Total
1940-45	619	1,461	1,528	3,608
(Average) ..	(17)	(41)	(42)	(100)
1945-50	853	1,148	721	2,722
(Average) ..	(17)	(51)	(32)	(100)
1951-52	918	1,223	992	3,133
(Average) ..	(20)	(39)	(32)	(100)
1952-53	905	1,395	891	3,191
(Average) ..	(20)	(44)	(37)	(100)
1953-54	1,430	1,002	583	3,015
(Average) ..	(36)	(42)	(22)	(100)
1954-55	1,587	1,896	825	4,308
(Average) ..	(37)	(44)	(19)	(100)
1955-56	1,577	1,781	662	4,020
(Average) ..	(39)	(44)	(17)	(100)
1956-57	1,904	2,007	728	4,639
(Average) ..	(41)	(42)	(17)	(100)

A—Long-staple (7/8" and above).
B—Medium-staple (below 7/8" and above 1 1/16")
C—Short-staple (1 1/16" and below).

Sea Island Cotton

Mention may be made, in this connection, of the successful experiment in the acclimatisation of Sea Island cotton in Kerala and Mysore. Of the three main varieties of Sea Island cotton tried, namely, St. Vincent, Montserrat and Andrews, the last mentioned proved to be the best of all. In the *modan* and *kumeri* lands of Malabar, Andrews yielded 1,614 lbs. of *kapas* per acre. The mean fibre length of the cotton was 1.36" and it lent itself to being spun up to 70 counts, indicating that it could be an effective substitute for commercial Karnak, the famous Egyptian variety. Given proper conditions of growth, manure and protection against pests and diseases by the use of pesticides, it was found that cultivation of this variety would yield a net return of about Rs. 500 per acre, to the grower, as compared with Rs. 15 to Rs. 90 from other crops. In view of these promising results and outstanding performance, an area of about 40,000 acres is expected to be brought under such cotton which would yield 40,000 bales of Sea Island cotton. Trials have also shown that such cotton could also be grown in the eastern parts of Mysore and Assam. The Government of India has sanctioned a co-ordinated Sea Island cotton scheme, for a period of five years, costing about Rs. 6 lakhs. The object of this scheme is to survey areas suitable for cultivation of Sea Island cotton in the States of Kerala, Mysore and Assam and promote their development. If the scheme is completed successfully, it is expected to produce extra-long-staple cotton worth about Rs. 13 crores.

Short Staples

While the improvement in the quality of cotton and the stepping up of output of long-staple cotton would help to reduce the dependence of the country on imports for spinning fine and superfine yarns, it has been rightly recognised by the State Governments and the Indian Central Cotton Committee that the cultivation of short and medium-staple varieties, too, deserves active encouragement, considering that

they constitute significant foreign exchange earners. Reference may be made, in this connection, to the recommendation of a sub-committee of the Indian Central Cotton Committee that the target for area and production of Comilla cotton (for achievement by 1960-61) should be fixed at 50,000 acres and 27,000 bales. This was felt necessary, because Comilla cotton was a good foreign exchange earner and it was wholly exported. Cultivators also stood to benefit, because it brought attractive prices. The Export Promotion Committee also has strongly urged that every effort must be made to step up the production of Bengal Deshi, so as to make available larger quantities for export.

Exports

As regards foreign trade in cotton, India, after having emerged as a net exporter of cotton during the 1955-56 season, again reverted, in the season under review, to its old position of a net importer. Total exports in the 1956-57 season were estimated at 300,000 bales, as against imports of 617,000 bales. During the 1955-56 season, India exported 606,000 bales of cotton and imported 604,000 bales. The fall in exports during the season was the result of tight supply position and increased domestic consumption, which compelled the Government to cancel, towards the end of March 1957, the export quota that had been announced earlier.

The total export quota granted during the season aggregated 400,000 bales. The first quota allowed in December 1956 was for 150,000 bales of 3/4" cotton and 50,000 bales of Bengal Deshi. The second quota, announced rather hastily in February, comprised 150,000 bales of 3/4"

cotton and 50,000 bales of Bengal Deshi. But in the face of sharply reduced crop estimates and rising mill consumption, the Government, as just mentioned, had to ban all exports towards the end of March. But shipments of Zoda and Yellow-pickings continued to be allowed freely even after the ban. Total exports during the season aggregated 320,000 bales, including Zoda and Yellow-pickings.

Prospects for Current Season

For the current (1957-58) season, the Government has so far released a quota of 50,000 bales of Bengal Deshi; the export duty has been left unchanged at Rs. 100 per bale. The duty on exports of Zoda and Yellow-pickings, which had been at the rate of Rs. 50 per bale or 30 per cent. *ad valorem*, whichever is lower, was, however, abolished on 22nd September 1957, as world market conditions were no longer favourable for its continuation. Quite unlike the experience in previous years, the response from overseas buyers has been rather lukewarm. This is mainly attributed to the shortage of foreign exchange with the traditional buyers and keen competition from Pakistan. It may be recalled that by this time (November) last year, 200,000 bales of cotton, comprising 50,000 bales of Bengal Deshi and 150,000 bales of other exportable varieties of short-staple cotton of 3/4" staple and below had been released for export. So great was the demand for Indian short-staple cotton then that the export duty of Rs. 50 per bale was put up to Rs. 100 per bale. In contrast to this development, there is, at the time of writing, an insistent demand from exporters that the duty of Rs. 100 per bale of Bengals should

be lowered, if not abolished, in order to dispose of even the smaller quantum of cotton now permitted for export.

Some space may now be devoted to a brief discussion of the prospects for the current (1957-58) season. The indications at present are that the supply position will continue to be very tight, unless, of course, cloth production suffers a marked setback. The general expectation is that, assuming no unexpected changes in weather, a commercial crop of about five million bales could be harvested this season. Barring a wet spell in the Gaorani tracts of Hyderabad, the weather was favourable in August. Lack of rain in September and October, however, adversely affected the crop in Saurashtra, Broach, Surat and, to a lesser extent, in Madhya Bharat. In the South, crop development has so far been normal.

Taking the current season's crop to be about five million bales, total supply of Indian cotton, exclusive of village consumption, would be 6.7 million bales, including a carryover stock of 1.7 million bales. At this level, aggregate supply will be no more than last season's 6.7 million bales, comprising a crop of 4.8 million bales and a carryover of 1.9 million bales. Mill consumption during the season, it is believed, may be maintained at the last season's level of 4.6 million bales. The improved hand-spinning wheel is expected to utilise about 100,000 bales. Assuming that imports will be of the same order as in the 1956-57 season and allowing for a carryover stock of 1.7 million bales (that is the same as the level of stocks at the beginning of the season), there will be a surplus of

barely 300,000 bales for export. But if, owing to unexpected change in weather conditions, the crop prospects deteriorate, as was the case in the last season, the surplus available for export may be less or even wiped out. The framing of a firm export policy has, therefore, necessarily to await the emergence of a clearer picture of the crop. In fine, the position is such as to keep the prices of cotton very near the ceilings fixed by the Government. The cotton grower is thus assured of good value for his crop in the current season as well.

SECOND ESTIMATE OF COTTON

The All-India second estimate of cotton for the current (1957-58) season puts the acreage under cotton at 16,211,000 acres, as against the corresponding adjusted estimate of 16,018,000 acres for the previous season. This represents an increase of 193,000 acres or 1.2 per cent. in area during the current, as compared with the last season.

The increase in area has been shared mainly by Bombay and Punjab and is attributed to favourable weather conditions at the sowing time. The increase has, however, been offset to some extent by decreases mainly in Madhya Pradesh and Mysore State.

Variety-wise, the increase in area has occurred mostly in Dholleras, Broach-Vijay and Surti-Suyog. A considerable decrease in acreage has occurred in Jarilla, Oomras, Hyderabad-Gaorani, and Malvi varieties. Staple length-wise, acreage under medium-staple cotton has increased while long and short-staple cotton registered a decline in area.

This estimate covers the period up to the end of September. The condition of the crop till then was satisfactory. Past experience has shown that area at the second estimate stage forms roughly 75 per cent. of the area under the crop finally reported.

ANDERSON WRIGHT, LTD.

ANDERSON WRIGHT & CO.
(Established 1872)
ANDERSON WRIGHT
(Rangarh) Private Ltd.

7, WELLESLEY PLACE, CALCUTTA • POST BOX 140
TELEGRAMS "AMASIS" • TELEPHONE : 23-2572 (4 Lines)

MERCHANTS & AGENTS:



JUTE MILLS:
KHARAND CO., LTD.



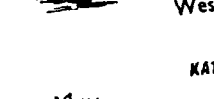
STEAMER AGENCIES:
INDIA-NATAL LINE



COLLIERY COMPANIES:



PIECEGOODS:
NORROCKS CREWSDON (SALES) LTD.



SUGAR FACTORY:
RAMNUGGER CANE & SUGAR CO., LTD.



PAINTS:
STARLINE VARNISH & ENAMEL CO., LTD.



INSURANCE:
COMMERCIAL UNION ASSURANCE CO., LTD.
UNION ASSURANCE SOCIETY LTD.



EXPORTS:
JUTE GOODS, PRODUCE, VEGETABLE OILS.

Simpson's

STEAL THE THUNDER!

THE FIRST Indian Firm to manufacture the World Famous

Perkins P6V

THE FIRST Automotive Diesel Engine to be manufactured in India

THE FIRST Automotive Diesel Engine that outnumbers all others in India

INDIA'S FIRST IS YOUR MUST



Branches:
Bangalore — Ootacamund — Tiruchirapalli — Secunderabad

THE K. C. P. LIMITED

MANUFACTURERS OF:
WHITE CRYSTAL SUGAR, SPIRITS, CONFECTIONERY,
HARD BOARD, CANE WAX, CEMENT AND HEAVY
MACHINERIES

Telegrams: "KECEPE," Madras.
"KRUSHNA," Vuyyuru.
"SUGARS," Vijayavada.
Telephones: 86030 Office, Madras.
84277 Personal, Madras.
64 Office, Vuyyuru.
73 Secretary, Vuyyuru.
15 Branch, Vijayavada.

Registered Office:

"Ramakrishna Buildings," 38, Mount Road, MADRAS-6

Branch Office:

VIJAYAVADA, Krishna District (Andhra Pradesh)

Business Office:

VUYYURU P. O., Krishna District (Andhra Pradesh)

Authorised Capital - - - Rs. 22,00,000
Called and Paid-up Capital - - - Rs. 16,68,090

DIRECTORS:

1. Sri V. RAMAKRISHNA, M.A., C.I.E., I.C.S. (Retd.), (Chairman).
2. "A. V. RAGHAYARAO, M.Sc., B.E., Director.
3. "M. A. KRISHNAMACHARI, B.A., B.L., Director
4. "S. V. R. APPARAO BAHADUR, Director.
5. "KAZA UMAMAHESWARA RAO, Director
6. "KOLLIPARA SREERAMULU, Director.
7. "KOGANTI VENKATRAMAYYA, Director.
8. "A. VISWESWARA RAO, Director.
9. "C. RAMANADHA BABU, Director.
10. "C. A. SUBRAHMANYAM, Director.
11. "V. M. RAO, B.E., M.Sc., (M.I.T.), Director.

Managing Agents:

Messrs. V. RAMAKRISHNA SONS (PRIVATE) LIMITED, MADRAS.

Secretary: Sri M. SITHARAMARAO, M.A.

Bankers: THE CENTRAL BANK OF INDIA LIMITED.

Sugar Factory:

Vuyyuru P. O.
Bezavada R.S.
Krishna Dt.,
Andhra Pradesh

Central Workshops:

Tiruvottiyur, Madras-19
Phone: 55539
Grams: "Fabrikater"

Cement Factory:

Ramakrishna Cements
Macherla,
Guntur District
Grams: "Krushna"

THE SOUTH INDIAN BANK LIMITED

(Established 1929)

Head Office: TRICHUR

A SCHEDULED BANK

AUTHORISED CAPITAL Rs. 50,00,000
SUBSCRIBED CAPITAL Rs. 25,00,000
PAID-UP CAPITAL EXCEEDS Rs. 10,00,000
RESERVE AND OTHER FUNDS.. .. Rs. 6,48,000
DEPOSITS EXCEED Rs. 3,50,00,000

DEPOSITS

CURRENT - 1% For Charitable Institutions, Clubs, etc:
1½% p.a.
SAVINGS - 3% without limit. Withdrawals upto Rs. 1,000
per week by Cheques.
FIXED - 6 Months 3½%, 12 Months 4%, 24 Months 4½%.

CALL DEPOSITS also accepted at attractive rates. Write for
further details to Head Office or Branches.

ADVANCES

granted on Merchandise, Government Securities, Gold Bullion and
Ornaments, Shares of Joint Stock Companies, Piecegoods and other
Approved Commodities.

BRANCHES

ALLEPPEY
ALWAYE
BHAYANI
COCHIN
COIMBATORE
ERNAKULAM
GOBICHETTI-
PALAYAM
IRINJALAKUDA
KUNNAMKULAM
KOZHIKODE
KOLLENGODE
MADRAS
MANJERI
MANNARGHAT
NILAMBUR
OTTAPALAM
PALGHAT
POLLACHI
PONANI
SALEM
TIRUPPUR
TRICHUR
WADAKANCHERI

ALL KINDS OF BANKING BUSINESS TRANSACTED

Another Year of Struggle for Jute Industry Production Falls—Raw Jute Costs More

JUTE goods were once used to pack the bulk of the world's agricultural produce. Though they still remain the main packaging material, they no longer hold the same pride of place. It is computed that, if they had kept their place in the expanded world economy, the demand for them would have been 25 per cent. more than it was before the war. It is, on the contrary, 11 per cent. less. Such is the inroads which substitutes have made into the packaging industry. The jute industry can, however, regain, to a large extent, its lost ground provided raw jute is made cheaper and is available in plenty, and new lines of production are undertaken.

The main victim of this competition from substitutes has been the Indian jute industry, which is the largest foreign exchange earner for the country. Besides competition from substitutes, the Indian jute industry has in recent years been affected by the growing competition from Pakistan, which has made vast strides since the Partition, thanks to the abundant supply of superior quality raw jute, cheap labour and installation of modern machinery in all its mills, all of which are only six to seven years old. The story of Indian jute industry during the last few years has, therefore, been one of struggle for existence. It has been fighting the battle in two ways, namely, by increasing the domestic output of raw jute, with a view to achieving self-sufficiency and doing away with its dependence on Pakistani jute, and by modernising its machinery. In either direction progress has not been upto expectations, though the position appears to be better than it was a few years ago.

Not a Prosperous Year

If the year 1956 had been one of worry for the industry, the current year (1957) has brought no relief to it. In the past year, the mills were faced with accumulating stocks, thanks to the larger production forced on it by the Government, falling prices of manufactured goods, and rise in raw material prices and other production costs. Consequently, they sustained heavy financial losses. The current year, too, has proved to be no more prosperous for them. For the year was one of still higher prices for raw jute and lower production of jute goods. Though the rise in raw jute prices was compensated, to some extent, by the increase in the prices of hessian and sacking, the recovery has not been of sufficient magnitude to make good the previous year's losses.

The bitter experience of the previous year, brought about by the unsealing of 7½ per cent. of the looms leading to a glut of stocks with mills, made the Government a little wiser in not meddling with the loomage during the year under review, despite a sharp fall in stocks. Following the re-sealing of the looms by the middle of September 1956, the industry worked throughout the current year with 12½ per cent. of the looms sealed. Consequent on the reduction in loomage, the production of gunnies also declined, the output for the 10 months of the year being 845,200 tons, as compared with 924,100 tons in the corresponding period of 1956. On the basis of the 10 months' figure, the total output for the whole year can be expected to reach about 1,015,000 tons, as against 1,092,800 tons produced in 1956, thus reversing the upward trend noted since 1953.

Of the output for 10 months, the share of hessian was a fraction higher at 348,800 tons, as against 340,700 tons in the corresponding period of the previous year, but that of sacking declined from 522,400 tons to 440,800 tons and so also that of "other manufactures" from 61,000 tons to 55,600 tons. Thus, the fall in total production during the year so far has been brought about by sacking and "other manufactures." The following table shows the month-wise production of the three main varieties of jute goods:

(In 000 tons)				
Month	Hessian	Sacking	Others	Total
January	38.8	43.5	6.5	88.8
February	35.0	39.6	5.6	80.2
March	36.0	43.1	5.8	84.7
April	36.2	44.8	5.8	86.8
May	35.6	45.0	6.7	87.3
June	32.3	42.3	5.5	80.1
July	32.6	45.0	5.3	82.9
August	33.9	43.1	4.9	81.9
September	33.7	47.1	5.0	85.8
October	31.1	47.1	4.7	83.5
Total	348.8	440.8	55.6	845.2
Jan.-Oct., 1956 total	340.7	522.4	61.0	924.1

It will be noted that the ratio of hessian to total output is 41.2 per cent., as against 38 per cent. in 1956, thus reversing the downward trend noted in the previous three years, when it fell from about 45 per cent. in 1953. In the case of sacking, the share declined to 52.1 per cent. from 55.4 per cent. in 1956, to which level it had risen from 52 per cent. in 1953. This is mainly due to the fact that, following the accumulation of stocks of sacking in 1956, mills switched over their looms to production of hessian as far as possible. In response to the criticism that the Indian jute mills had paid very little attention to manufacturing special varieties of goods and thus attracting more foreign buyers, the mills raised the production of "other manufactures" from 29,800 tons in 1953 to 72,100 tons in 1956, but the trend was again reversed during the year under review. Thanks to the gradual modernisation of machinery in recent years, presumably, the mills were able to enlarge their output of "other varieties."

Despatches

The overall despatches of gunnies during the year so far have suffered a slight decline; this seems to be due to a sharp shrinkage in internal consumption, as will be seen from the table at the foot of this column.

The setback in domestic offtake of gunnies is in contrast to the sharp upward trend noted in 1955 and 1956, when domestic consumption contributed a good deal to the rise in total offtake from mills. Thus, despatches of gunnies for internal consumption rose from 109,800 tons in 1954 to 193,400 tons in 1956, a record since 1945. In view of the keen competition in international markets from other producing countries, increasing importance is being attach-

ed to domestic consumption, which is expected to grow with the expansion in industrial and agricultural production in the country. In the circumstances, the setback in internal consumption during the current year, when the production of sugar, fertilisers, cement, foodgrains, etc., recorded a rise, cannot but be viewed with concern. This is presumably due to the higher prices of jute goods.

To a large extent, the fall in domestic offtake was, however, made good by some improvement in exports, as indicated by the rise in despatches from mills for export purposes. In the first nine months of the current year, the despatches for export purposes, as will be seen from the above table, aggregated 648,400 tons, as compared with 633,800 tons in the corresponding period of 1956. If this rate of despatches is maintained during the rest of 1957 the total for the year may well exceed 900,000 tons, which will be a record for the last nine years. There is every reason to believe that this would happen, because stocks of hessian in the U.S. are low—the total stocks in that country at the end of September were only 227 million yards, as compared with 258 million yards a year before—and the trend of consumption there has also been upward during the last two months.

U.S. Burlap Imports

The import of burlap into the U.S. during the first seven months of the year aggregated 137,500 tons, as compared with 130,600 tons in the corresponding period of 1956 and 235,200 tons in the whole of 1956. Of this, India's share was 113,500 tons (or 86.2 per cent. of the total), having gone up from 108,800 tons (or 82.9 per cent.) in the first seven months of 1956. The share of other countries declined from 22,300 tons to 19,000 tons. It will thus be seen that India is gradually regaining its market in America and can reasonably hope to enlarge it, provided its goods are competitive both in quality and price.

The lower production during the year has been mainly responsible for the sharp fall in stocks to 76,200 tons as at the end of October 1957, as compared with 116,700 tons a year before. The month-wise trend of stocks is given in the following table:

(In 000 tons)				
At the end of	Hessian	Sacking	Others	Total
January 1957	23.8	67.7	11.7	103.2
February ..	25.2	61.6	10.6	97.4
March ..	29.5	56.5	11.4	97.7
April ..	35.1	58.3	10.8	104.2
May ..	40.4	58.0	11.0	109.4
June ..	42.4	64.8	8.8	116.0
July ..	38.3	63.5	6.6	108.4
August ..	34.8	61.1	6.8	102.5
September ..	30.3	59.1	7.6	97.0
October ..	29.4	57.8	9.0	96.2
October 1956	30.8	77.3	8.6	116.7

The stocks of gunnies rose to a peak of 116,000 tons at the end of June, as against a high of 137,900

Despatches of Gummies

(In 000 tons)						
Month	1957			1956		
	Export	Internal consumption	Total	Export	Internal consumption	Total
January ..	64.1	14.7	78.8	55.9	17.0	72.9
February ..	60.6	19.4	80.0	60.6	19.4	80.0
March ..	71.5	14.5	86.0	72.4	20.4	92.8
April ..	68.8	15.2	84.0	62.6	18.7	81.3
May ..	65.0	16.8	81.8	62.7	18.9	81.6
June ..	63.0	10.2	73.2	77.4	13.3	90.7
July ..	80.6	12.1	92.7	70.9	13.3	84.2
August ..	87.6	10.5	98.1	72.1	13.5	105.6
September ..	86.2	14.6	100.8	68.2	13.7	81.9
Total ..	648.4	126.9	775.3	633.8	144.6	778.4

POWER TRANSFORMERS

Upto 150 KV 40 MVA

with or without on-load tap-changing gear.

Manufactured by

DOMINITWERKE HOPPECKE

(Germany)

Particulars from:

SOLE AGENTS

K. R. KOTHANDARAMAN AND CO. (Private) LTD.

INDIAN CHAMBER BUILDINGS, ESPLANADE

P. B. No. 1555

MADRAS 1

Phone: 3684

Grams: KORAMAN

FOUNDED 1805 The Oldest Scottish Insurance Office CALEDONIAN INSURANCE COMPANY

Incorporated in the United Kingdom by Special Acts of Parliament
The Liability of Shareholders is Limited

ALL CLASSES OF GENERAL INSURANCE

Bombay Branch:

Commissariat Building, Dr. D. Naoroji Road, Fort

B-3, Gillander House
CALCUTTA
Improvement Trust Building
LUCKNOW
50, Janpath
NEW DELHI
Neemchowri
CUTTACK
Rehabari
GAUHATI
9, Sembados Street
MADRAS

Laxmi Bhavan, Ambapeth
AMRAVATI

THE CENTURY INSURANCE COMPANY LIMITED

Incorporated in the United Kingdom
The Liability of the Shareholders is Limited

ALL CLASSES OF GENERAL INSURANCE

Bombay Branch:

Commissariat Building, Dr. D. Naoroji Road, Fort

B-3, Gillander House
CALCUTTA
Improvement Trust Building
LUCKNOW
50, Janpath
NEW DELHI
Neemchowri
CUTTACK
Rehabari
GAUHATI
9, Sembados Street
MADRAS

it can most profitably be grown, to study the question of price support policy, etc. The Government of India also constituted a central supervisory body to review periodically the progress made in jute production towards achieving the target of 5.54 million bales.

The output of raw jute during 1956-57 was 4.22 million bales, and of mesta over 1.47 million bales, as against 4.20 million bales and 1.16 million bales, respectively, in the previous season. Thus, the total internal production aggregated 5.69 million bales, as compared with 5.36 million bales in the previous year. Together with the opening stock with mills of 1.09 million bales, the total internal supplies aggregated 6.78 million bales, the corresponding figure for 1955-56 being 6.40 million bales. Imports from Pakistan amounted to 646,000 bales, bringing the total supplies to 7.43 million bales, as against the estimated consumption of 6.23 million bales, the corresponding figures for 1955-56 being 7.87 million bales and 6.43 million bales, respectively.

1957-58 Crop

So far as the 1957-58 crop is concerned, on account of the drought conditions during the sowing season in the jute growing areas, it is feared that the sowing of raw jute might have been seriously affected. While it is apprehended that there may be some reduction in the total acreage under jute in 1957-58, the yield rate is expected to be a little higher than last year, particularly due to the favourable weather during the growth period of the crop and to the beneficial effect of the fertiliser distributed extensively this year under the Government of India's scheme for the promotion of jute cultivation. On balance, the output of raw jute in 1957-58—the second year of the second Plan period—is expected to be of the same order as in the past year. Mesta, being a late crop, is believed to have escaped much of the adverse effects of the dry spell and there is likely to be a larger production of mesta in 1957-58 than the previous season's output of 1.47 million bales. By and large, the total output of jute and mesta may show some increase over the 1956-57 crop.

Sen Committee's Findings

In the light of the past experience in respect of raw jute production, it will be too much to expect the country to become self-sufficient, by the end of 1960-61, even if the target of raw jute output, namely, 5.54 million bales, were to be achieved by then. These fears are confirmed by the Sen Committee, according to which the country will be short of raw jute and mesta at the end of 1960-61 to the extent of 640,000 bales. This estimate has been arrived at on the basis of the target of 5.54 million bales fixed for raw jute under the second Plan and the estimated output of 2 million bales of mesta (no target for mesta output has been fixed under the Plan), as against the total requirements of mills to the tune of 8.18 million bales (allowing for stock variations). The shortage in supply on the basis of consumption requirements alone is estimated at 440,000 bales, made up of 120,000 bales of white jute and 320,000 bales of tossa jute and cuttings. In estimating this deficiency in internal supplies at the end of 1960-61, the Sen Committee has assumed the following year-wise targets of raw jute and mesta output and of consumption:

Year	Output		Consumption	
	Raw jute	Mesta	Raw jute	Mesta
1956-57	4.22	1.47	5.20	1.73
1957-58	4.40	1.60	5.38	1.80
1958-59	4.80	1.75	5.55	1.88
1959-60	5.15	1.90	5.78	1.92
1960-61	5.54	2.00	5.98	2.00

The Committee does not consider that there is scope for the present target of 5.54 million bales being revised upward. India, in its opinion, must look mainly to the substitute for jute, namely, mesta. The Committee is convinced that the jute goods produced out of good quality jute are always preferred to mesta mixed goods and that, therefore, every effort should be made towards growing more and more of good quality jute. As there are, however, limitations to raising the production of superior varieties of raw jute, at any rate during the second Plan period, the Committee feels that the production of mesta in suitable areas and the admixture of mesta in proper proportions may not, at least in the short run, affect India's competitive position in the world markets. Once this is accepted, then the question of regulating mesta production, the Committee adds, is automatically answered. In view of the fact that the country has to rely for self-sufficiency on the production of mesta, the Committee does not favour any curtailment or regulation of mesta production, in general, at this stage. The Committee, at the same time, emphasises that, as large a proportion of the production target of 5.54 million bales of raw jute as possible should be of quality jute, especially white jute of superior grades. The Committee feels that the problem of jute prices is fundamental to the question of increasing output and improving the quality of raw jute. Accordingly, it has recommended (two members of the Committee are opposed to it) the fixation of minimum price to be guaranteed to the grower after taking into account the cost of production, the parity between the prices of jute and paddy, the relationship between the prices of raw jute and jute goods and the cost of transport from the growing centres to Calcutta. It also recommends several other

measures for raising the quality of the fibre.

Raw Jute Prices

While efforts are being made to raise output of jute within the country and to make it cheaper, the jute mills are, in the meantime, faced with the problem of higher raw jute prices. During the current year, despite the slightly higher production of raw jute and lower consumption, the prices of raw jute ruled higher than last year, as will be seen from the following table giving the monthly average prices of three principal varieties of jute:

Average for the month of	Assam Mid.		Pak. Jut. Mid.		Mill Firsts (Indian)	
	1957	1956	1957	1956	1957	1956
	(Rs. per maund)		(Rs. per maund)		(Rs. per bale)	
January	34.81	31.88	43.56	33.81	220.00	194.00
February	31.56	33.12	37.88	36.75	216.25	202.60
March	31.00	32.36	36.62	36.12	215.00	197.50
April	31.20	30.69	38.50	34.00	215.00	188.00
May	33.38	29.75	40.88	32.75	232.50	185.00
June	34.25	30.00	40.88	32.25	240.00	185.00
July	33.50	30.31	40.30	34.00	231.00	184.00
August	31.37	31.00	36.75	34.25	215.00	187.50
September	31.75	31.02	35.00	35.82	220.00	198.75

The uneconomic working of many mills is reflected in the closure of six of them during the current year; the latest one to be closed is the Reliance Jute Mill. While the five mills which were closed earlier in the year were small units with no more than 600 to 700 looms, the Reliance is equipped with 1,276 looms. Moreover, the Reliance Jute Mill has in recent years spent considerable sums of money on rehabilitation and modernisation of its equipment and is considered to be one of the more efficient units in the industry. However, under the I.J.M.A. Working Time Agreement, the loom hours of the closed mills have been taken over by other mills, so that production will not suffer.

In the case of the Reliance Jute Mill, the workers have been distributed among the three other units under its own management. But such transfer of workers may not prove economic for the units taking them over. If they are not absorbed by other units, it may lead to serious labour unrest with all its political implications, what with the Communists only waiting to make capital out of such situations.

Fearing such a prospect, the West Bengal Government recently appointed an ad hoc committee to conduct tripartite negotiations on the

question of rationalisation of mills. The main problem which the Committee has been asked to tackle is how a programme of rationalisation could be implemented without retrenchment. It has also been asked to suggest how this programme could be suitably phased. The Committee has not yet submitted its report.

Modernisation

Meanwhile, the industry has gone considerably ahead with its programme of modernisation, thus improving its efficiency. Further progress towards full implementation of the programme of modernisation depends on the availability of resources. So far, the mills have been able to meet the cost from their own internal resources and by raising debenture capital. As regards further requirements, the National Industrial Development Corporation has agreed to advance loans to mills for large amounts. The Corporation has so far sanctioned loans amounting to over Rs. 50 lakhs to two jute mills and applications from 14 mills are still under consideration.

If the programmes of modernisation and rationalisation are carried out successfully and expeditiously, the industry can reduce its cost of manufacture and face the competition from manufacturers in other countries. This competition will become tougher than it is now, if and when the Free Trade Area and the Common Market schemes for Europe come into force. It is, therefore, the duty of all concerned to facilitate the speedy completion of the programme for equipping the mills with the most up-to-date machinery of high productivity. The Central and State Governments, as well as labour leaders, hold the key to the prosperity of the jute industry. The Governments can help the industry to go ahead by extending financial facilities and tax concessions and labour leaders by adopting a more reasonable attitude towards such issues as redundant labour and higher work-load. The State Governments have a special responsibility in regard to provision of transport for bringing raw materials to the mills, an aspect which has not received adequate recognition. The manufacturers also have their own duty to discharge. They must become more efficient and try to increase their profits through bigger and bigger turnover and not through restrictive practices and speculation in the futka market.

THE BANK OF MAHARASHTRA LIMITED

ESTD. 1935 : SCHEDULED BANK

Called and Paid-up Capital exceeds - Rs. 21,00,000
Reserves - - - - - Rs. 10,00,000
Working Funds exceed - - - Rs. 8,75,00,000

DIVIDENDS DECLARED :

1944 to 1955 : 5 per cent. per annum tax-free.
For 1956 : 6 per cent. per annum tax-free.

BOARD OF DIRECTORS :

Shri V. P. VARDE (Chairman) Shri N. G. PAWAR (Vice-Chairman)
Shri D. K. SATHE Shri M. V. SHAH
Shri F. D. PUDUMJEE Shri B. M. GUPTA
Shri M. B. JAMBHEKAR Shri M. S. PARAKHE

BRANCHES :

AHMEDNAGAR, AKOLA, AMRAOTI, AURANGABAD, BELGAUM, BOMBAY (Fort, Girgaon, Dadar, Sion, Zaveri Bazar), and BHIWANDI, CHALISGAON, DHULIA, HARIHAR, HINGOLI, HUBLI, HYDERABAD (Dn.), JALGAON, JALNA, KALYAN, KIRLOSKARWADI, KOLHAPUR, KOPARGAON, LATUR, MOMINABAD, NAGPUR, NANDED, NASIK, PANVEL, POONA (Bhawani Peth, Deccan Gymkhana and Kirkee), RATNAGIRI, SANGLI, SHOLAPUR (Phaltan Galli and Morarji Peth), SHRIRAMPUR and THANA.

All sorts of Banking business transacted

Safe Deposit Vault equipment at Head Office, Deccan Gymkhana (Poona), Sholapur (Phaltan Galli Branch), Nasik, Ahmednagar, Shrirampur, Kirloskarwadi, Panvel and Thana.

Head Office: Bajirao Road, POONA 2.
C. V. JOAG, B.Com., F.I.B. (London) Manager.

L. PALAZZINI

298, Bazargate Street
City Ice Building, Fort
BOMBAY-1

Telegrams : RAPCREDIT
Phone : 253056
Post Box No. : 1959

Representative of the

CREDITO ITALIANO

one of the leading banks in Italy

established 1870

Head Office: MILAN, ITALY

262 Branches throughout Italy

Representatives also in :

Buenos Aires, Frankfurt a/M, London,
New York, Paris, Sao Paulo, Zurich.

Good News for Textile Mills!

"BRACKER" Swiss make Ring Travellers, the best available at present in the market, manufactured by a firm who have an experience of more than 123 years.

FRESH STOCKS ARRIVED

For your requirements, please contact their Sole Selling Agents in India:

KESERISHI VALLABHDAS

DEALERS IN ALL KINDS OF TEXTILE MILL STORES

11/43, Ramachandra Road,
Rathnasabapathipuram, P. O.
COIMBATORE

Phone: 432

Grams : KAMADHENU

P. B. No. 702

Remember always "BRACKER" Ring Travellers for quality

Many Textile Mills in India use at present only
"BRACKER" Ring Travellers.

We wish our Patrons

A MERRY XMAS
&
A PROSPEROUS NEW YEAR

Since 1890

SERVING INDIAN INDUSTRIES

- EFFICIENTLY
- ECONOMICALLY

REDUCE YOUR MANUFACTURING COST BY USING OUR MANUFACTURED QUALITY PRECISION SPARE PARTS of

- TEXTILE MACHINERIES.
- SUGAR MILLS.
- COTTON GIN FACTORIES
- OTHER INDUSTRIES.

REAL FACTS

- Ours is India's up-to-date Factory.
- All work is done under the direct supervision of trained expert personnel.
- Best quality materials are used by us.
- Best materials are offered for sale after due regard to quality.
- Our technical department is able to solve all Engineering problems.
- Our precision spare parts are approved & used by all leading Indian industries.

DISTRIBUTORS FOR

Robson

HORIZONTAL CRUDE OIL ENGINES & SPARE PARTS FROM 10 H.P. TO 210 H.P.

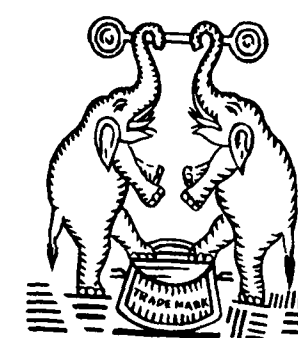
VITHAL PURSHOTUM & SONS PRIVATE LTD.

IMPORTERS, ENGINEERS, FOUNDERS
2nd KHEWADI LANE, SANDHURST ROAD, BOMBAY-4.
Phone: 75744 Gram: "CALIBRE"

R. C. Adv.

for Quality
and Durability

THE PODAR MILLS LIMITED BOMBAY



MANUFACTURERS OF.

GREY DRILLS, SHEETING, DHOTIES, LONGCLOTHS, LEOPARDS, ETC., ETC.

MANAGING AGENTS:

PODAR SONS PRIVATE LIMITED

Podar Chambers

109, Parsee Bazar Street, Fort, BOMBAY-1

Telegrams :
"PODARGIRNI"

Telephones:
Office: 25-9261 (6 Lines) Mills: 40149

THE HIND BANK LIMITED

A SOUND INSTITUTION FOR SECURITY AND SERVICE

Offers

complete Local and Foreign Banking Service including opening of Import Letters of Credit and negotiation of Export Bills, Cables and Mail Transfers on principal centres of the world executed.

Agencies at all principal centres of the world

Paid-up Capital - - - Rs. 50,00,000
Reserve Fund - - - Rs. 26,00,000

BOARD OF DIRECTORS:

K. P. GOENKA, Esq. (Chairman)
B. L. JALAN, Esq. N. D. BANGUR, Esq.
B. KUMAR BIRLA, Esq. N. L. KANORIA, Esq.
B. V. JACOB, Esq.
S. P. HUTHEESING, Esq.

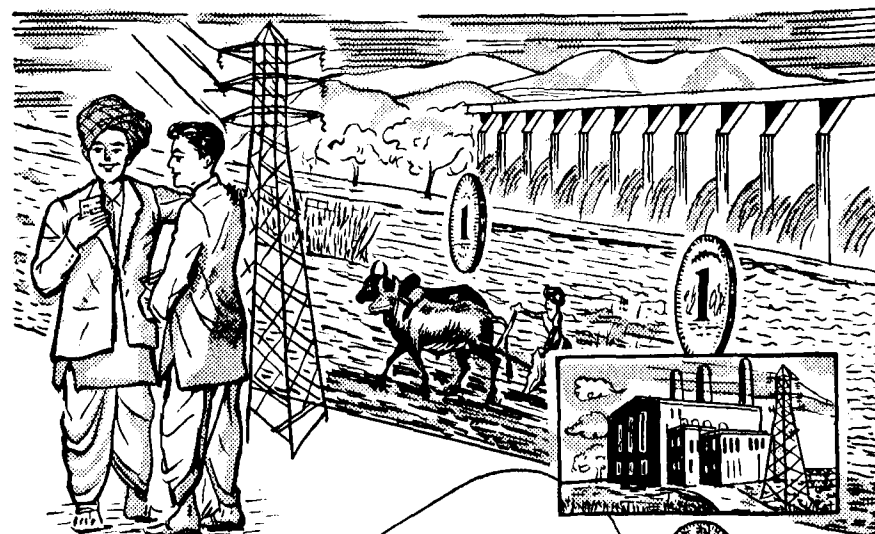
General Manager: S. D. PARDIWALLA

Head Office: CALCUTTA

Bombay Office:

LAXMI BUILDING, SIR PHEROZSHAH MEHTA ROAD
FORT, BOMBAY

S. L. MEHTA, Manager.



YOUR INVESTMENT IN SMALL SAVINGS SCHEME MEANS HELP TO NATION AND A SECURED FUTURE

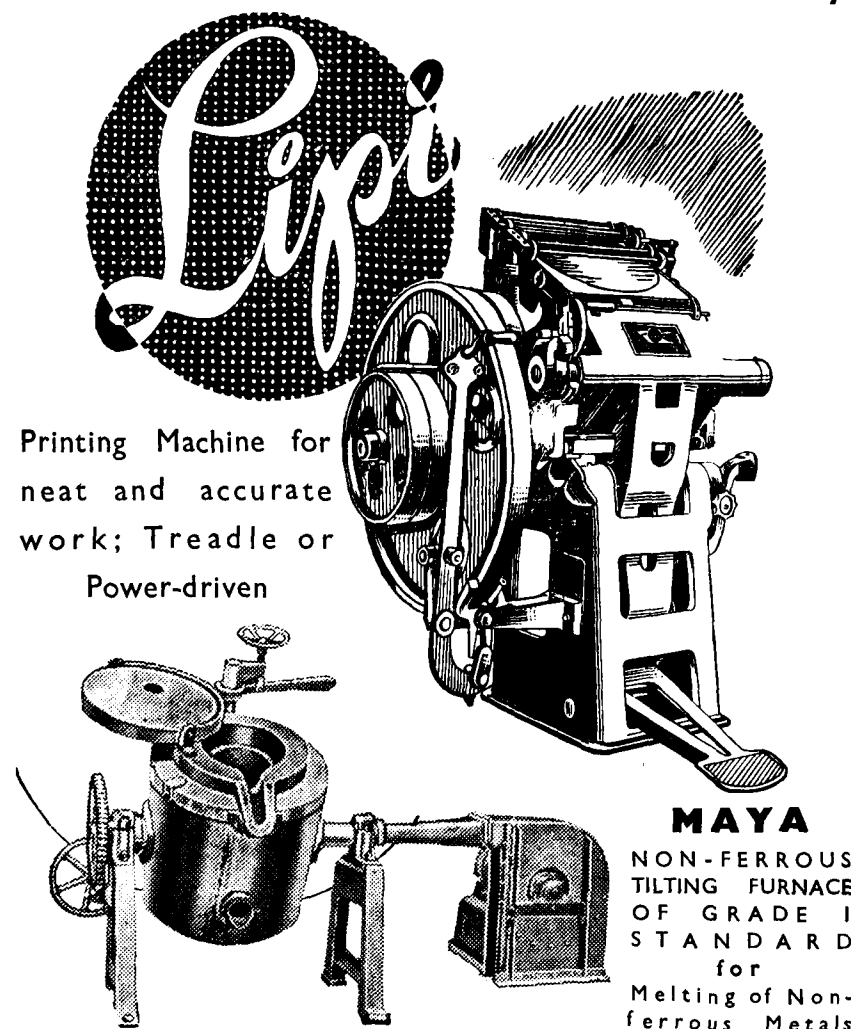
The Small Savings Scheme is meant to reach almost everybody and everyone who contributes to it not only invests his money in a Government security but becomes a partner in the building of a new India. The pace of India's progress will depend not on a few individuals but on the mass of our people who, by their labour and their savings, contribute to this great work. It should be an honour and a privilege for all of us to be partners and sharers in this tremendous undertaking of building a new India.



For details contact your nearest Post Office, The District Ayal Karkun dealing with the subject, or any official of the Regional Savings Office of your area.

INVEST IN SMALL SAVINGS SCHEME
Issued by THE DIRECTORATE OF PUBLICITY, GOVERNMENT OF BOMBAY

modernize & economise with MAYA machinery



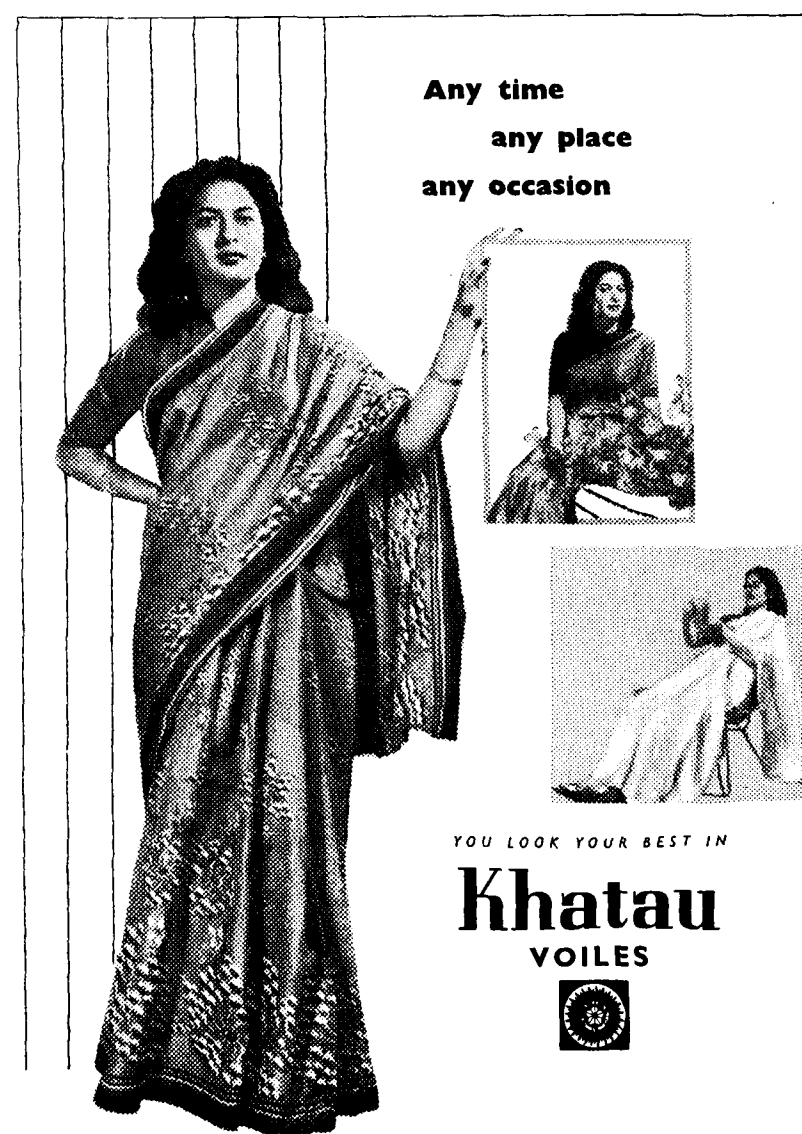
Printing Machine for neat and accurate work; Treadle or Power-driven

MAYA
NON-FERROUS
TILTING FURNACE
OF GRADE I
STANDARD
for
Melting of Non-ferrous Metals

Also Available:
CENTRIPETAL DOMESTIC PUMPS; HAND PUMPS;
PRECISION PILLAR DRILLING MACHINES, Etc.

For Particulars Please Contact:

MAYA ENGINEERING WORKS PRIVATE LTD.
200-A, SHYAMAPRASAD MOOKERJEE ROAD, CALCUTTA-26



Any time
any place
any occasion

YOU LOOK YOUR BEST IN
Khatau
VOILES

THE KHATAU MAKANJI SPC. & WVG. CO. LTD. Mills: Bhyuli, Bombay. Office: Laxmi Bldg., Balfour Estate Bombay I

Shop with a smile at our new air-conditioned shop in

Hashim Building, Veer Nariman Road, Bombay-I

SUGAR INDUSTRY FARES ADMIRABLY WELL

Production Adequate to Meet Domestic Demand

THE sugar industry fared admirably well in the past season, that is, 1956-57, the first year of the second Five-year Plan. Not only was the industry in a position to meet the increased domestic requirements fully but was even able to spare something for export. The aggregate quantity of sugar that actually came off the crushing plants of mills during 1956-57 was over two million tons—2,026,000 tons, to be precise—a level which had never been touched before in the history of the Indian sugar industry. As compared with the previous peak of 1,859,000 tons in 1955-56, the output was higher by 167,000 tons. It was less than the production target of 2.25 million tons fixed for 1960-61 by only 224,000 tons.

The high level of sugar production—2,026,000 tons—together with the previous season's carryover of 553,000 tons, gave a total supply of 2,579,000 tons in 1956-57, as against 2,475,000 tons in 1955-56. In view of the comfortable sugar supply position thus and prompted by the urgency of earning foreign exchange, the Government of India decided, early in 1957, to allow exports of sugar to the extent of 50,000 tons. The quantity was subsequently raised to 100,000 tons and still further to 200,000 tons later, when it was found that prices in world markets were sufficiently attractive even for our high-cost sugar.

The notable increase in sugar output during the season under review was brought about by a number of favourable factors. There was, for instance, an appreciable expansion in the rated capacity of the industry which aggregated 1.96 million tons, as against 1.74 million tons in the previous year; the capacity is calculated on the basis of an average working season of 120 days and sugar recovery of 10 per cent. The increase in capacity was brought about partly by establishment of new units—the number of factories existing rose from 160 in 1955-56 to 168 in 1956-57—and partly by expansion of the existing units; the average rated capacity of a factory went up from 10,875 tons to 11,666 tons. The number of factories working during 1956-57 was higher at 149, as against 143 in 1955-56.

Cane Supply Plentiful

The production of sugarcane also registered a substantial rise—from 59.32 million tons in 1955-56 to as much as 66.89 million tons. Owing to such plentiful cane supply, the production of gur increased and, consequently, there was a marked fall in gur prices in the early part of the season. In distinct contrast to this trend, sugar prices tended to look up, as there was a bullish fervour in all markets and as it was widely felt that consumption of white sugar within the country was growing apace. The higher prices for sugar elsewhere in the world also strengthened the bullish feeling, more especially after the Government allowed exports. During the first six months of 1956-57 (before the doubling of the Union excise duty on sugar), the wholesale prices of gur fell by 14 per cent. in contrast to the 3 per cent. rise in sugar prices. The low gur prices led to the diversion of a larger quantity of the cultivators' cane crop to the sugar mills than in the previous season. Consequently, the total quantity of cane crushed in mills during the season was substantially higher at 20.70 million tons, the figure for the previous season being 18.94 million tons. The rise in sugar production would have been higher still but for the slight setback in the recovery of sugar in

cane which for 1956-57 was 9.76 per cent., as against 9.83 per cent. for 1955-56.

Another important factor which contributed to the increase in sugar production during 1956-57 was the inducement provided by the Government's decision to allow sugar exports. This decision coincided with the continued high level of prices in world sugar markets for several months in the season, thanks to the Suez Canal crisis.

Following abundant supplies of sugarcane, the duration of the crushing season was quite long, the average number of working days being 143, as against 144; this figure is much higher than that for 1954-55, namely, 129 days. The duration of the crushing season ranged from 150 to 220 days and over in the case of 71 sugar mills, as against 63 units in 1955-56. Again, the number of factories which worked for less than 100 days was only 11, as against 26. Crushing continued till the end of June; some mills in West Uttar Pradesh were reported to be working even in the beginning of June.

Main Trends

The statement at the foot of the page highlights the main trends in sugar industry in the past season as compared with 1955-56. It will be seen from the statement that the improvement in sugar production during 1956-57 was shared by all the States, with the exception of Mysore, Bihar, Andhra and West Bengal. The improvement was particularly marked in the States of Uttar Pradesh and Bombay, the actual increase being of the order of 80,000 tons and 53,000 tons, respectively. Sugar production was higher by 34,000 tons in the Punjab and by 12,000 tons in Madhya Pradesh. U.P. accounted for more than 52.8 per cent. of the country's total sugar output, followed by Bihar and Bombay; the percentage share of the former was 15.2 and of the latter 12.1.

Incidentally, it may be recalled that, in view of the heavy sugarcane crop, the Central Government announced a concession designed to induce the sugar mills in Uttar Pradesh to start crushing operations earlier than usual. All mills which commenced crushing by 4th November were given a rebate of Rs. 4 per maund of cane crushed up to 12th November. The cost of the concession was shared equally by the Central and State Governments. In addition, a reduction of one anna per maund was allowed in the minimum price of Re. 1.7 per maund for gate delivery and Re. 1.5 for delivery at rail centres on the cane crushed during the period of the concession, as the cane harvested during this period was not fully ripe and, therefore, yielded a smaller percentage of sugar.

Judged by the recovery of sugar, it would appear that the quality of

sugarcane supplied to the mills during the season under review was relatively poor. It is, however, necessary to qualify this statement to some extent, because the crushing of cane was commenced a little earlier and was continued right into the hot months. As is well known, the recovery of sugar in premature and late crushings is generally lower and this might have been responsible, to a considerable extent, for the fall in average yield of sugar per ton of cane. The all-India average, as already stated, amounted to 9.76 per cent. as against 9.83 in 1955-56. The recovery of sugar fell in all the States, barring Madras, the Punjab and Madhya Pradesh which reported some improvement. The decline was very steep in West Bengal and Orissa—from 10.46 and 9.05 to 9.00 and 8.00, respectively. Bombay accounted for the highest percentage recovery, the average being 11.41, followed by Mysore with 9.99.

Sugar Supply Position

A comparison of the sugar supply position in the past three seasons is furnished below:

	1956-57	1955-56	1954-55
Opening stocks	553	561	68
Production	2,026	1,859	1,590
Imports	Nil	55	600
Total supplies	2,579	2,475	2,258
Despatches	2,121	1,922	1,697
For export	170	Nil	Nil
For domestic consumption	1,951	1,922	1,697
Per capita consumption (in lbs.)	11.21	11.24	10.08
Closing stocks (as on 31st October)	458	553	561

As will be seen from the foregoing table, the estimated consumption of sugar during the season 1956-57 was higher by only 29,000 tons, as against a rise of 225,000 tons noted in the previous season. Even this small increase is fictitious, considering the addition of over four million to the country's population during the year. In other words, there was, in fact, a fall in the rate of sugar consumption, the per capita figure for 1956-57 being 11.21 lbs. which compares unfavourably with 11.24 lbs. for 1955-56. The tendency for consumption to decline must be attributed to the distinctly upward movement of sugar prices during most part of the season. Over the ten-month period November 1956 to August 1957, the index number of wholesale prices of sugar (base: year ended August 1939=100) advanced by 54 points or nearly 21 per cent.—from 260 to 314.

Excise Duty Doubled

The advance in sugar prices was due mainly to the straight increase of 100 per cent. in the excise duty on sugar—from Rs. 5.62 to Rs. 11.25 per cwt.—provided for in the Central Government budget presented on 15th May 1957.* In terms of retail price, the upward revision in excise duty works out to about 5 NP

Sugar at A Glance

State	No. of factories working		No. of working days (average)		Cane crushed (thousand tons)		Sugar produced (thousand tons)		Recovery per cent. of sugar	
	1956-57	1955-56	1956-57	1955-56	1956-57	1955-56	1956-57	1955-56	1956-57	1955-56
Uttar Pradesh	68	68	153	147	11,037	10,187	1,068	988	9.67	9.71
Bihar	28	28	130	134	8,218	2,369	309	318	9.58	9.76
Bombay	19	15	126	142	2,156	1,673	247	194	11.41	11.67
Andhra	9	9	149	165	1,473	1,457	137	138	9.35	9.47
Punjab	7	4	112	121	775	426	72	38	9.18	8.88
Madhya Pradesh	6	5	148	119	489	381	48	36	9.57	9.50
Mysore	4	4	136	170	451	566	45	27	9.99	10.17
Madras	4	4	182	164	658	608	79	54	8.97	8.86
Rajasthan	2	2	149	127	185	145	12	14	9.38	9.44
Kerala	1	1	175	136	134	87	12	8	9.87	9.07
Orissa	1	1	109	163	45	44	4	4	8.00	9.05
West Bengal	1	1	145	140	103	96	9	10	9.00	10.46
All-India	149	143	143	144	20,701	18,939	2,026	1,859	9.76	9.83

N.B.—The data for 1956-57 are based upon figures available only upto 30th April 1957.

(or nearly an anna) per lb. The high excise duty (Rs. 8.18 per maund), coupled with the sales tax (average of about Rs. 2.27 per maund), the case cess (Rs. 1.87 per maund) and the town duty (of 55 naye paise per maund), brings the total of taxes to Rs. 12.87 per maund of sugar, accounting for as much as 34 per cent. of the selling price. Nowhere in the world is such an energy food subjected to so heavy a tax impost as in this country. The rise in sugar prices was also due to the following factors:

(1) Government's decision to allow exports of sugar which opened up a channel through which the trend of higher prices in world markets made itself felt on the internal markets; (2) a certain amount of speculative hoarding of sugar in expectation of a stiff increase in the excise duty; (3) controlled releases by the Government which neutralised, to some extent, the effect which increased output would have otherwise had on prices; and (4) upward revision in the surcharge on railway freight from 6½ per cent. to 12½ per cent., entailing an average increase of over 8 naye paise (or nearly 1½ annas) per maund of sugar in railway freight.

In the closing months of the season, a good part of the earlier rise in sugar prices occasioned by speculative and other factors was lost, as a bearish view came to prevail in the market, with the result that the net increase in prices over the year was equal to only the increase in excise duty. The following table indicates the behaviour of sugar prices (wholesale) in certain important markets in the past season:

	(In Rs. per maund)	Week ended			
	Latest avail- able	31st Aug. 1957	29th June 1957	29th Dec. 1956	25th Aug. 1956
Bombay	381	391	371	321	321
Calcutta	371	381	361	311	311
Madras	331	341	361	301	301
Kanpur	361	361	361	301	311
Nagpur	401	401	401	331	321
Patna	361	351	341	311	311
Jullundur	361	361	361	291	291
Hapur	361	361	361	301	301

Prices touched the highest levels in Bombay early in August, 1957, when the medium and large grains saw a peak of Rs. 39½ and Rs. 41½, respectively.

The continued high level of sugar prices, despite the rise in production, is certainly disquieting. Far too long has the consumer nursed the industry by paying more in the name of protection, so that it is now time that he was enabled to enjoy the benefit of an expanding industry. Sugar prices can be lowered greatly if the burden of taxation—direct and indirect—on the industry is reduced. Also, the incidence of heavy cane price must be lowered through the adoption of a more rational system of fixing the price for cane, in the place of the present system of paying for cane only on the basis of weight irrespective of quality considerations.

Linking Cane Price to Quality

Viewed thus, it is, indeed, gratifying that the Government of India has at long last accepted, in principle, a scheme for linking the cane price to its quality, instead of to weight alone. The decision was a sequel to the unanimous recommendation made by the Joint Committee of the Development Council for Sugar Industry and the Indian Central Sugarcane Committee. The translation of this principle into actual practice is yet to be carried out, as the scheme bristles with a number of practical difficulties. Under the scheme, the total price payable by the sugar factories will be divided *inter se* between the growers on the basis of quality. The growers or groups of growers who supply cane with higher sugar-con-

*Since writing this article, the States' sales tax on sugar has been replaced by an additional Central excise duty of Rs. 3.31 per cwt.

tent will be entitled to a premium, while others will get a proportionately lower price. The salient features of the scheme as evolved by the Development Council are given below:

Individual testing of the quality of cane in the case of large growers and in groups in respect of small growers; voluntary nature of the adoption of the scheme by cane growers; those who are not confident of their cane being of good quality, pool their cane in the "remainder supply";

testing of cane in sizable lots of 8-10 minutes' crush;

determination of cane price on the basis of sugar-content of cane and not on that of recovery;

recovery of sugar to be obtained by analysing the first expressed juice and multiplying the Pol. per cent. first expressed juice by the Java ratio which should be checked periodically;

confining payment to cultivators on quality basis to, *inter se*, division of the total price of cane supplied during the week;

adoption of the Australian selective percentage system for payment to individual cultivators; cane having the average sugar-content will receive the minimum price, that having a higher sugar-content will receive a higher price than the average and that having a lower sugar-content will receive a lower price.

Before applying the system to the whole of India, the Government decided to try the system, as suggested by the Joint Committee, on an experimental basis in nine factories situated in different regions so as to gain experience of the working details without making any actual payment on quality basis during the trial period. The scheme was started in the last week of September 1956 and continued up to the last week of May 1957.

Many difficulties were experienced in the working of the scheme. These are referred to in the interim report of the National Sugar Institute's Director. In view of these difficulties, it was decided that cane supplies should be obtained and tested on zone-wise or village-wise basis. But, if sufficient cane supplies could be obtained from industrial growers or a group of two or three growers at a time for test purposes, they should be obtained and tested accordingly.

The experiments relating to payment for sugarcane on the basis of quality came up for discussion at the meeting of the Development Council held at New Delhi on 30th July 1957. There was general agreement on the point that it was worthwhile to continue the experiments in order to overcome the difficulties experienced and make the system perfect. The Council recommended the continuance of the scheme during the next four years, so as to co-terminate with the second Plan, in six sugar factories—four in the North and two in the South. This recommendation is under the consideration of the Union Government.

Sugar Exports

The Government of India, as already stated, allowed exports of sugar to the tune of 200,000 tons. Of this quantity, 170,000 tons were sold and actual exports at the time of writing aggregated about 150,000 tons. The failure to hit the export target was due to the persistent weakness in world sugar markets during the second half of the season. Cuban raw sugar in the New York market which was quoted at 6.75 cents per lb. (f.o.b. Cuba) in April 1957 moved downwards and touched 3.63 cents at the end of October 1957. The export business in sugar was directly handled by the Indian Sugar Mills Association on a monopoly basis. The entire profits earned by the Association from exports were pooled in a special fund, the object being to subsidise sugar exports if and when world prices fall and Indian sugar becomes uncompetitive. Meanwhile, the Export Promotion Committee has "strongly recommended that

400,000 tons (of sugar) be allowed for export." The export of this quantity, it says, will not lead to any great scarcity in the country, especially as the high excise duty is curbing domestic consumption to some extent.

The Export Promotion Committee's target of 400,000 tons of sugar is open to question. The stocks of sugar as at the beginning of the current (1957-58) season were 458,000 tons. The production in the season is expected to be about 2.20 million tons. Thus, the total supply will amount to 2.7 million tons. Assuming that the domestic consumption requirements are 2.0 million tons, the surplus will be 700,000 tons. A section of the sugar industry feels that three months' consumption should be kept in reserve; on this basis, 500,000 tons will be required as stocks. Thus, the surplus available for export is placed at no more than 200,000 tons.

Other Developments

Some politicians continued to urge nationalisation of the sugar industry. They were not confined to the purely leftist parties, but included also a few Congress men, including Mr. N. V. Gadgil, Vice-Chairman of the

State Bank of India. Actually, one of the opposition members introduced in the Lok Sabha in September last a resolution urging immediate nationalisation of the sugar industry. The House, however, rejected the resolution by a clear majority.

The Union Ministry of Labour decided to constitute a Wage Board for the sugar industry. Although the decision was taken many months ago, the appointment has still not been announced.

The National Sugar Institute, Kanpur, developed a method of cane juice clarification, the adoption of which, it was claimed, would not only raise the yield of white sugar from cane but also make a considerable difference in its quality.

The Government of India turned down the recommendation of the Forward Markets Commission that futures trading in sugar might be resumed.

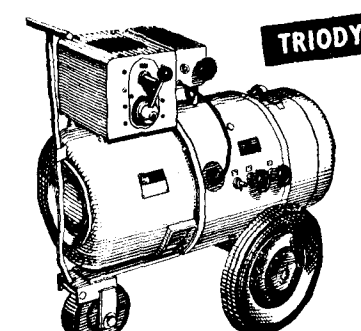
Outlook for 1957-58

The Development Council for Sugar Industry has fixed the production target for the 1957-58 season at 2.16 million tons, that is, about 139,000 tons more than what was produced in 1956-57. It would appear that this target will be easily

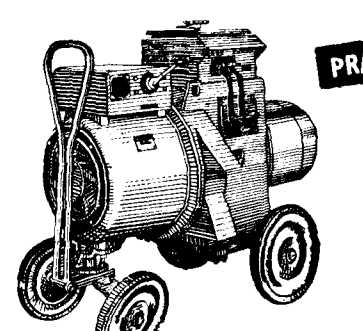
reached. Twenty-two new sugar factories are expected to go into production and seventeen existing units are expected to complete their expansion plans and work with expanded capacity. Moreover, the recovery per cent. of sugar in cane, it is said, will be higher in the current season as compared with 1956-57, following the renovation of plants in several mills and rise in the quality of cane grown in a large part of the factory areas, as a result of introduction of new varieties with richer sucrose-content under the programme of intensive development of cane. Further, a larger area is said to have been devoted to sugarcane growing this season. The all-India first estimate of sugarcane for the season places the aggregate area at 5,022,000 acres, as against the adjusted first estimate of 4,723,000 acres and the final estimate of 5,019,000 acres for 1956-57. The sugar mills in the Bombay-Deccan are assured of continued large supply of cane from private cultivators, on account of the incentive given by way of a higher minimum price fixed by the Government of Bombay. The revised price is Rs. 46 per ton, as against Rs. 45 in 1955-56 and Rs. 44 in 1954-55.

**The Famous
CZECHOSLOVAKIAN WELDING SETS!**

MOTOR GENERATOR ARC WELDING SETS

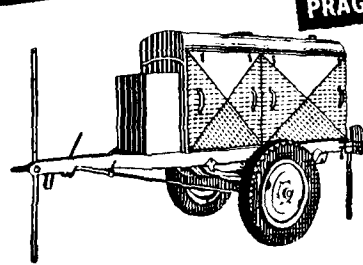


TRIODYN K320



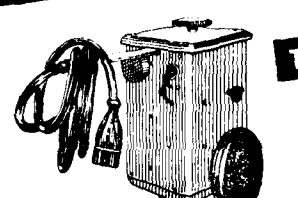
PRAGA 500

DIESEL ELECTRIC WELDING PLANTS

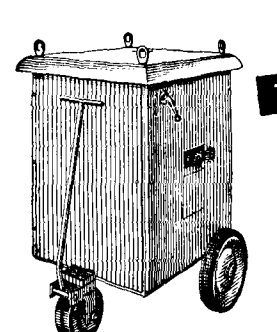


PRAGA DG 320

TRANSFORMER WELDING SETS

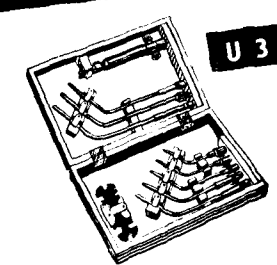


TR 260



TS 350

GAS WELDING & CUTTING EQUIPMENT



U 3

**EXPORTED BY
STROJEXPORT
PRAHA - CZECHOSLOVAKIA**

• ECONOMICAL • DEPENDABLE

Agents in India excluding Madras, Kerala, Mysore and Andhra
J.B. ADVANI & CO. PRIVATE LTD.

Sales & Service

P-38, MISSION ROW EXT.,
POST BOX 87,
CALCUTTA-3.
'PHONE: 23-6164

ADVANI CHAMBERS,
SIR P. MEHTA ROAD,
BOMBAY-1.
'PHONE: 264237

CHAWRI BAZAR
DELHI.
'PHONE: 26736

FULL PARTICULARS AND LITERATURE ON REQUEST

ESTD 1907

THE INDIAN BANK LIMITED

Head Office: Madras

BRANCHES THROUGHOUT THE SOUTH AND IN THE
MAJOR CITIES OF INDIA, CEYLON AND MALAYA.

CAPITAL

AUTHORISED CAPITAL	Rs. 1,00,00,000
SUBSCRIBED CAPITAL	72,00,000
CALLED AND PAID-UP CAPITAL	65,85,415
SHARE PREMIUM	31,17,300
RESERVE FUNDS	90,50,000
DEPOSITS	33.86 Crores

BOARD OF DIRECTORS

L. ALACUSUNDARAM CHETTIAR, Mill Owner, Chockikulam, Madurai.
P. V. R. KULANDAYAN CHETTIAR, Banker, Rayavaram.
K. BALASUBRAMANIAM IYER, Advocate, Mylapore, Madras.
RAO SAREE E. M. MUTHAPPAN CHETTIAR, Banker, Pudukkottai.
KUMARARAJAN M. A. M. MUTHIAN CHETTIAR of Chettinad,
Chettinad House, Rajah Annamalaiapuram, Madras.
R. K. VENKATACHALAN, Merchant, Coimbatore.
R. SUNDARAM IYER, Merchant, Basavangudi, Bangalore City.
RAO BHADUR T. S. KACHAPIKESA MUDALIAR, Kilpaik, Madras.
O. M. SP. L. M. MEYAPPAN CHETTIAR, Banker, Devakottai.
DR. RAJAH SIR M. A. MUTHIAN CHETTIAR, of Chettinad,
Chettinad House, Rajah Annamalaiapuram, Madras.
RAO BHADUR DR. M. R. GURUSWAMI MUDALIAR, Kilpaik, Madras.
C. KRISHNAMOORTHY MUDALIAR, Landlord, Shiyali.

LONDON AGENTS
WESTMINSTER BANK LTD.

NEW YORK AGENTS
FIRST NATIONAL CITY BANK OF NEW YORK.

All kinds of banking business including foreign Exchange business transacted.

D. P. Parthasarathy
Secretary

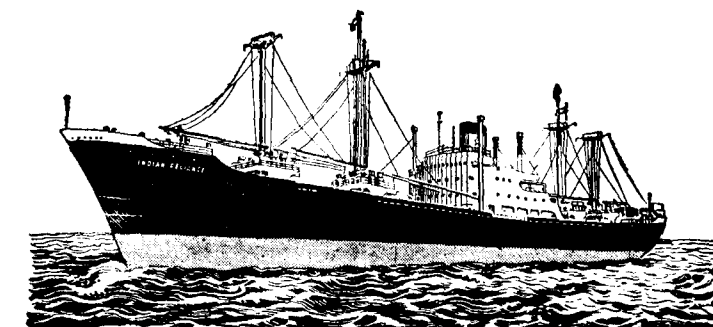
for luxury
on
wheels

**RALEIGH
RUDGE
ROBIN HOOD
HUMBER**

made by
*Sen-Raleigh
Industries of India Limited*

INDIA STEAMSHIP CO., LTD.

Takes Better Care of Your Cargo



Regular Cargo Service between

INDIA-U.K.-CONTINENT

CALLING AT

Port Sudan, Port Said, Alexandria, London, Liverpool, Dundee, Antwerp, Rotterdam, Hamburg and Bremen.

Also accepting THROUGH CARGO for Famagusta, Limassol, Beyrouth, Lattakia, Piraeus, Izmir, Istanbul, Scandinavian and West African Ports.

ALSO INDIAN COASTAL SERVICE

FLEET

S. S. INDIAN TRADER	S. S. INDIAN NAVIGATOR
S. S. INDIAN PIONEER	S. S. INDIAN MERCHANT
S. S. INDIAN SHIPPER	S. S. INDIAN RELIANCE
S. S. INDIAN EXPORTER	S. S. INDIAN RENOWN
S. S. INDIAN ENDEAVOUR	S. S. INDIAN RESOURCE
S. S. INDIAN COMMERCE	S. S. INDIAN RESOLVE
S. S. INDIAN SPLENDOR	

Managing Agents

LIONEL EDWARDS (PRIVATE) LTD.

"INDIA STEAMSHIP HOUSE"
21, OLD COURT HOUSE STREET
CALCUTTA-1

BRANCHES & AGENCIES AT PRINCIPAL PORTS

What's
behind the
screen?

There's nothing hush-hush
about the way we make blocks.
Laying the right screen,
making a block with
properly etched screen... all that is
a matter of experience and skill. And
it's our experience that makes
better blocks.

**EXPRESS BLOCK
& ENGRAVING STUDIOS
PRIVATE LTD.**
Mustafa Building, Sir P. M. Road, Bombay 1.
Grams: "EXPRESSBLOK"
Phone: 253519

Higher Costs And Smaller Profits In Plantations

Indian Tea Exports Losing Ground

THE Indian tea crop of 1957 is likely to be of the order of 652 million lbs., that is, some 12 million lbs. below that of 1956, according to estimates available at the beginning of December 1957. This is accounted for by a shortfall of 29 million lbs. anticipated in North-East India and an excess of 17 million lbs. expected in South India. While the Indian tea production of 1957 is thus somewhat behind that of 1956, Ceylon—the world's second largest producer—is reported to have produced about 33 million lbs. in excess of its previous year's crop of 376 million lbs., that is, 409 million lbs. Among the other major producers, Pakistan, like India, has produced a crop of a few million lbs. below the 1956 level. Indonesia, on the other hand, has made up the loss of production in Pakistan. On the whole, it now appears that world production during 1957 may be at about 1,435 million lbs., that is, some 10 million lbs. above the 1956 level. While this surplus cannot be considered large enough to produce any visible depression by itself, there is no doubt that, in concert with other unfavourable factors, it can exert some influence in keeping world prices down. In fact, world tea prices during the last three months of this year are an indication that a slump is beginning to be felt, and the excess crop is most likely to be an important factor for this state of affairs.

Tea Exports Fall

Exports of tea from India to the principal importing countries like the United Kingdom, Canada and Australia this year have been much less than the exports in 1956. Total exports of North Indian tea during the first 10 months of this year only amounted to 265.35 million lbs., as against 333.49 million lbs. during the same period of 1956; corresponding figures for South Indian tea were 69 million lbs. and 68.5 million lbs. respectively. It is significant, however, that total imports of tea into the United Kingdom—the largest importer of tea in the world—were 449.8 million lbs. during the first 10 months of 1957 as compared with 390.4 million lbs. during the same period of 1956. Ceylon took the benefit of most of the additional exports to the United Kingdom. This should be taken as some definite evidence of Indian tea encountering serious competition with other teas in the principal market. London auction average prices for both North and South Indian tea this year registered a decline by comparison with the average prices realised in 1956. The average price realised by North Indian tea in London during the first 11 months of 1957 was Rs. 8.56d. only, as compared to Rs. 11.48d. realised during the same period of 1956; corresponding figures for South India were Rs. 14.6d. and Rs. 9.36d., respectively. Internal sale prices also have registered a sharp fall from the 1956 levels. Over the year, there has been unmistakable evidence that tea prices have generally firmly stabilised at prices well below previous levels. The lower prices, accompanied by more taxation and increased demands from labour for wages and bonus, have produced a feeling of disquiet, if not deep concern, among the growers of tea all over the world, and particularly of India.

Quality Control

There have been allegations both from foreign and local markets, lately, about some deterioration in the quality of Indian teas. While producers have striven very hard to produce quality teas in order to enter the competitive markets of the world, circumstances have arisen when the maintenance of quality got beyond the control of the producers. Adherence to quality is possible only by insisting on fine plucking and efficient manufacture. But these are achieved only at the expense of quantity. With such a rigid cost structure as there exists in the tea industry today, and with prices definitely in the downward trend, it is doubtful whether gardens can adopt a steady policy of producing

teas of high quality only. The obvious need is to synchronise production of quality teas with fair and reasonable prices. So long as no one can guarantee fair and reasonable prices, it must be assumed that the production of quality teas is economically not always feasible.

"Common Teas" in Trouble

The problem of the year, in fact, was how to cope with the abnormally large proportion of "common" or "sub-standard" teas produced during the year in both North and South India. Soil conditions and geographical factors were mainly responsible for the production of such inferior teas, but there were other causes too. Countries like Africa had begun to produce and export considerably more quantities of the common and medium varieties and because of the fact that these could be sold at prices of Indian common teas, the latter found themselves in a very disadvantageous position. A slight adjustment in the scale of the Indian export duty so that common teas may not attract the same rates of duty as better quality teas would have eased the situation, but, unfortunately, the Government could not see its way to accept any such adjustment.

Higher Costs and Smaller Profits

The cost of production of Indian tea continued to rise during the year, primarily owing to the better scales of pay and wages, as well as bonus, awarded to the employees in most of the tea districts and by the increase in freight charges, packing materials and other items of cost. Labour indiscipline, resulting in the employment of go-slow tactics, also contributed to the increase in costs. The problem of increased costs, on the one hand, and lower prices, on the other, has become a source of worry to growers, both large and small, and it is no longer possible to feel assured that profit-margins, small as they are, will not soon convert themselves into losses. It is against this background that one should take into consideration the impact of the recent increases in taxation, both Central and State. The recent adjustments in the Union income-tax rates and the additions to agricultural income-tax in Madras, Kerala and West Bengal threaten to take away a large part of the slender profits now being earned by tea gardens. To what extent a State Government can impose a burden on the plantation industry—which is essentially a centrally-controlled industry—can be seen quite clearly from the recent action of the Kerala Government which has enhanced the rate of agricultural income-tax on tea gardens in the State. Not only have the rates been steeply increased, but a new system of slab-rates of income-tax has been introduced, seeking to mop up the major part of the profits of tea companies. This policy of unrestricted taxation will inevitably make investment in the tea industry a most unattractive proposition, if, indeed, it has not already done so.

Tea 'Monopoly' Almost at End

What is really overlooked is the fact that India is already beginning to lose the practical monopoly of certain tea markets which she has held over many years and this loss may soon be complete if we persist in adopting a policy which makes investment a totally worthless proposition in this industry. The Governments concerned should look into this aspect objectively and with a special sense of urgency. Only then will it be possible to discover a way to regain and develop this industry which is a source of employment to many thousands of our people and a means of earning huge revenues to our exchequer.

P.I.C. Report

The Union Government's resolution on the Plantation Inquiry Commission's Report on Tea was published this year and it has fortunately put an end to many an impractical and unnecessary recommendation contained in that report. Most of these recommendations had emanated mainly out of an incorrect appraisal of the facts concerning the industry and their implementation in any form would have caused some retrogression, and not progress, in the industry.

There is one other important recommendation of the Commission in respect of which the Union Government has not yet announced its decision. This is the proposal that the

tea growers should uniformly contribute an annual payment calculated at Rs. 50 per acre on their holdings in order to create a central pool, out of which the cost of replanting of the plantations should be met. Apart from the fact that the whole idea is born of a completely incorrect picture of so-called "arrears" of replanting, the suggestion bristles with absurdities and difficulties and the growers have rightly objected to it with very cogent arguments. No grower could afford to neglect his estate in the manner in which the Commission has alleged in its report. But, if there is any grower guilty of such neglect, surely that is no reason to regard the industry itself as suspect. The simple fact that the industry is showing systematic development in total yield as well as yield per acre, would clearly disprove the allegation that any grower is allowing his estate to go into decay.

Shortage of Fertilisers

The tea industry has been able to maintain its high level of production mainly by reason of a regular and adequate supply of fertilisers like sulphate of ammonia and other fertilisers rich in nitrogen. A serious threat to production has recently emanated from the recent report that the Government of India expects to be able to meet only 55 per cent. of gardens' requirements of nitrogenous fertilisers during 1958. It is suggested that the remainder may be met partly by using other organic fertilisers like oilcake, bonemeal, etc. The use of organic fertilisers in quantities considerably in excess of nitrogenous fertilisers and by paying more freight charges is not an easy proposition for the tea industry. If it is recognised that the tea industry is our top foreign-exchange earner and production should not suffer under any circumstances, we should also realise the need for keeping up the production by sufficient supplies of fertilisers. It would be wise to use some of the foreign exchange available for importing the fertilisers so that we may earn more exchange by exporting the tea.

Huge Coffee Crop Harvested

Indian coffee has had a "wonderful" year, in that production touched the massive all-time total of over 42,000 tons. Considering that local consumption is still not much more than half this figure, the need for maintaining and improving the export level will be clearly understood. For some years now, the coffee crop has risen year after year, mainly due to the fact that the areas recently planted are coming into production. Weather also has been favourable for increased crops. The emphasis should now definitely switch over to exports. Unfortunately, world coffee prices are now not much more than the Indian price, but this is the time, with our crops so large, to maintain supplies to our old markets and to explore new markets. Supplies to the internal market also should be maintained and all possible efforts taken to increase local consumption.

The cost of production of Indian coffee, like that of tea, also rose during the year for precisely the same reasons. The basic price which is fixed in relation to cost of production also needs to be revised to allow for the increase in costs. It is nevertheless important to ensure that, while allowing the grower a fair margin of profit, the price of coffee to the consumer should be kept within reasonable limits as a continually expanding internal market is an essential part of the present coffee control system.

The vexed question of Union income-tax on coffee is still not decided finally, though it is stated that the High Court of Mysore recently gave a decision upholding the order of an Income-tax Appellate Tribunal to the effect that coffee income is entirely agricultural and not assessable to Union income-tax. Until this question is finally decided and the decision applied to the whole industry, there will be no peace in the minds of growers some of whom were recently threatened with retrospective assessment.

Rubber Production Satisfactory

The rubber crop of 1957 is not expected to be more than that of last year. Manufacturers of rubber goods expected that their total consumption for the year would exceed 35,000 tons, or an increase of 11 per cent. over the previous year. The increased consumption was met by the import of

large quantities of natural and synthetic rubber, to augment the local production. The implementation of the development scheme, already begun, will, it is hoped, meet the major part of the manufacturing industry's requirements in due course. The price of rubber continued to operate under the schedule fixed by the Government, on the basis of cost of production and a return to the grower. World rubber prices dropped considerably during the year, particularly in November-December.

Wage Boards

A proposal to institute wage boards for the plantation industry was made at the State Labour Ministers' Conference in October this year and is coming up for consideration at the eighth session of the Industrial Committee on Plantations to be held in Shillong on 21st January 1958. Owing to the fact that the industry in the South consists of tea, coffee and rubber plantations, as against tea only in North-East India, and the conditions of work vary very much among the plantations in both regions, it has been suggested that there should be two Wage Boards, one for North and the other for South India. The industry's views on the proposal to set up wage boards have not been stated so far, but the Shillong meeting will doubtless consider the complexities of the problem of wage fixation in plantations arising from the fact that the industry is seasonal and in many respects different from other industries for which wage boards have been set up so far.

Fragmentation and Closures

Two other matters coming up before the meeting of the Industrial Committee are the proposal to amend the Plantation Labour Act so as to prevent the fragmentation of gardens and the proposal to extend the provisions of the Industries Control and Development Act to the plantation industry for the purpose of taking over badly-managed gardens and preventing closures in certain circumstances. The Government appears to believe that fragmentation of estates on a large-scale is going on in the plantations with a view to escaping the provisions of the Plantation Labour Act which applies at present only to estates over 25 acres in extent. It is, however, doubtful whether there have been many cases of fragmentation induced by this object only. There is evidence that, under the weight of some of the oppressive measures of taxation recently introduced in the country, some units have been forced to reduce the size of their holdings, this being the only way open to them for survival. By extending the provisions of the Plantation Labour Act to all gardens of 25 acres and less in extent the Government will only make the genuine small-owner category of growers to pay for the sins of some of the larger owners who might fragmentise their holdings to escape the effects of penal taxation. It is necessary, therefore, to ensure that the existing small-grower class of 25 acres and less will continue to benefit by the exemption now granted under the Act.

The proposal to extend the provisions of the Industries Development and Regulation Act to the plantation industry is likely to evoke some strong criticism. The plantation industry is already controlled by the Centre by legislation and there appears to be no reason why control under the Industries Development and Regulation Act is also required to be instituted. In any case, judging by the result of the application of this Act to other industries, it is open to question whether the Government has the necessary resources to run units of plantation industry which, in its opinion, are not properly managed.

While on the question of fragmentation of gardens—which the Union Government is now apparently very keen to prevent—it is interesting to note that the Mysore Land Laws and Tenancy Reforms Committee has made a suggestion in its report, recently published, that the State Government may consider the fixation of a ceiling on the holdings of coffee growers in the State. If this suggestion is accepted by the State Government, it will open the way to fragmentation on a very grand scale indeed. It would be interesting to know what the Union

(Continued on page 208)

THE HINDUSTAN CONSTRUCTION COMPANY, LIMITED

CIVIL ENGINEERS, BUILDERS AND CONTRACTORS

FOREMOST IN THE FIELD IN

- Designing and Construction of Dams—Multi-purpose
- Railway and Road Bridges with all types of foundations (including Caisson and Monolith Sinking)
- Docks and Jetties
- Water Supply and Drainage Schemes
- Aerodromes and Hangars
- Tunnels
- Heavy Earthworks
- Buildings—Industrial and Administrative
- Marine and Land Pipe Lines
- Road Construction
- Gunting, Core Drilling and Grouting
- Sewage Purification
- Public Health Engineering
- Water Treatment, Etc., Etc.

ALSO UNDERTAKE PILING WORKS UNDER
HINDUSTAN-ZEISSL SYSTEM

Head Office:

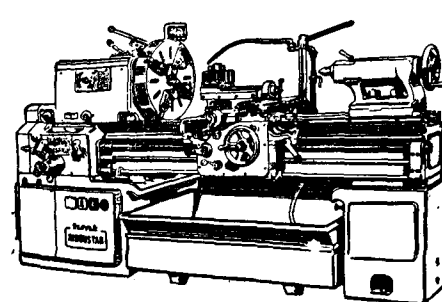
"CONSTRUCTION HOUSE," BALLARD ESTATE
BOMBAY 1

Telephone: 26-2171 (Five Lines)

Telegrams: HINCON-BOMBAY

available ex-stock

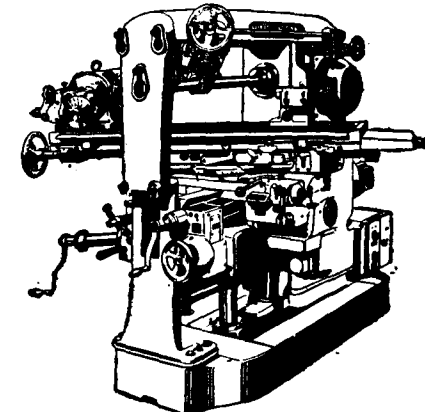
HINDUSTAN HIGH SPEED LATHES MODEL H-22



- 8½" Centre Height; 40" or 60" Centre Distance
- 12½ Horse Power Built-in Motor
- 16 Speeds, 40-2000 R.P.M.
- 48 Longitudinal & Transverse Feeds
- Built out of High Quality Alloy Steels & Meehanite Castings
- High Standard Workmanship

HINDUSTAN MILLING MACHINES

- Nos. 2 and 3 Universal, Horizontal and Vertical
- Power and Quick Traverse in all directions
- Arranged for Production and General Milling
- Single hand-wheel selection of Feeds and Speeds



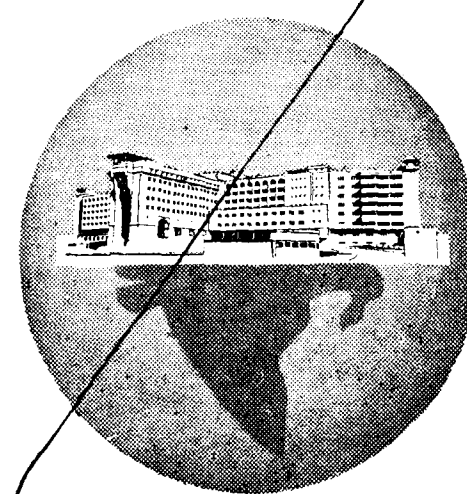
Enquire

HINDUSTAN MACHINE TOOLS (Private) LTD.

(A Government of India Undertaking)

JALAHALLI P.O., BANGALORE.

LIVE IN
AIR-CONDITIONED
LUXURY



at THE SUMPTUOUS **ASHOKA**

The LARGEST & LUXURIOUS HOTEL OF THE EAST

333 ROOMS • FULLY AIR-CONDITIONED • SWIMMING POOL

ROOMS, R.L. 45 & UPWARDS

NEW DELHI

Grans: Ashoka Hotel

Newfields - AH/5

Contributing to Second Five-Year Plan

After achieving Independence India is marching ahead with national development projects. The Second Five-Year Plan is a further step forward towards building up a newer and better India. The private sector should contribute towards the fulfilment of the ambitious Plan.

We, on our little part, are always striving to serve our country by manufacturing the following:

PHARMACEUTICALS - Drugs and Galenicals, Medicinal Specialities, Injectables.

CHEMICALS - Heavy, Fine and Technical.

LABORATORY RE-AGENTS

SOAPS & COSMETICS - viz., Margo Soap, Neem Tooth Paste, etc.

ESSENTIAL OILS AND AROMATIC CHEMICALS
DISINFECTANTS AND ANTISEPTICS

The Calcutta Chemical Co. Limited

Serving the nation for the last 42 years

Head Office: 35, Pandit Road, CALCUTTA-29

Sales Offices and Depots:

Delhi, Madras, Bombay, Vizag, Ranchi, Patna, Jamshedpur, Nagpur, Bilaspur, Siliguri, Bangalore, Asansol and Madhupur.

CO-OPERATIVE FARMING

(Concluded from page 28)

countries where co-operative farming was introduced and has developed without any aid from or interference on the part of the State. In India, the resources of those who may join co-operative farming units being poor, there may be need for aid from the State—technical, administrative and financial. To the extent that this involves contact with the official machinery, that is as unavoidable as in any other sphere of life. But the persons who will be in charge of the management of co-operative farms need not be outsiders; preferably, they should be sons of the soil. It will be an advantage if, as the delegation to China recommended, being drawn from the ranks of members, they participate in manual labour on the fields. To the extent that is necessary, the technical or supervisory staff may, in the initial stages, have to be drawn from outside. That could be replaced as local talent develops. Besides, when the co-operative farms grow in number, they can form their federations and thus regulate their own affairs even at a higher level. There need be no apprehension that necessarily the managerial class will dominate rural economy, if co-operative farming becomes the common pattern.

A Misconception

Owing to the linking up, in the minds of some, of the concept of co-operative production with the collectivist economy of Soviet Russia, there is the lurking suspicion that, once co-operative farming is introduced, property rights in land will be extinguished and that this will open the flood-gates of totalitarianism. Here, we have the fallacy of non sequitur. Co-operative farming has developed in countries which are far away from the communistic line of action. Collective farming did not precede the advent of a communist regime in Russia, but succeeded it. In China, it did not outpace other forms of rural reorganisation, but came in the wake of agrarian reform, the distribution of land, the fixation of agricultural prices, and the adoption of other measures of reorganisation. There is hence no predetermined course of cause and effect. Where, however, a modest phased programme for co-operative farming is put through by a democratic Government, with its outlook governed by the fundamental principles of the Constitution, why should fears be entertained that it would lead to centralisation of authority and the concentration of economic power? If that had been even an ultimate or ulterior aim, the introduction of State farming should certainly have been part of our plans and not co-operative farming. The Constitution bids us to respect the dignity of the individual while maintaining the unity and promoting the interest of the community. That is exactly what the co-operative form of economic organisation enables us to achieve.

The co-operative multipurpose society, the service or resource institution, the extension of which form of organisation is advocated by many who, on principle, object to the application of the co-operative method to production functions under limitations, to some of which reference has been made in previous paragraphs. Apart from the inherent restrictions imposed by the very structure of that type of co-operative society, efforts at reorganisation are on individualistic lines and do not comprehend all aspects of the economy. An individual may take such advantage of the services provided by the society as he chooses. There is no obligation on him, except indirectly to raise his level of pro-

ductivity or to increase the quantum of contribution to the common weal. That form of institutional development, essential in a Welfare State, can be but a milestone—or to vary the metaphor, a training ground—in the march towards a socialist order of society. What we have to strive for now is a form of organisation where there can be no exploitation of the labour of one individual by another or by the community and where the benefits of productive effort accrue to the largest extent possible to those who labour, in direct proportion to the quantum of labour they put in.

Whether such an order of society is socialistic, communistic or co-operative or whether it is *Sarvodaya* in action in our rural economy, need not cause us any concern. Our objectives are clear:

to achieve a new society in which exploitation no longer exists, the economy is rationally organised, and economic power is subject to democratic control.

All these objectives in the field of agricultural production—which is the dominant factor in our economy and where the well-being of the large majority of our population is affected—are attainable through resort, on a widening scale, to co-operative farming. Organisation of primary production on this basis harmonises with the way of thinking of one on whom has fallen the spiritual mantle of Mahatma Gandhi. That is why, at the Conference

of national leaders convened by Acharya Vinobaji Bhawe at Yelwal a couple of months back, the Gramdan movement and "the fuller development of co-operative life and effort" in villages were accepted as almost synonymous and our goal in the field of rural reorganisation and agrarian reforms was deemed to be "the furtherance of co-operative life." As co-operative thinkers from almost the very inception of the movement have averred, such a transformation in ways of living can be brought about only by the extension of the co-operative principle in its most comprehensive and all-pervasive aspects.—*All Rights Reserved.*

BANKING EDUCATION

(Concluded from page 56)

banks and the rapid expansion of banking operations to a number of cities and towns, both large and small, where either branches have been opened for the first time or additional ones have been started, necessitated better and more qualified Indian hands to take up positions of responsibility. This quite naturally gave a fillip to the banking education in the country, very much in keeping with the network of banks India has now.

Along with the educational activities of the Indian Institute of Bankers, mention must be made of the fact that commercial education developed all over India and more so in the Bombay State, where

no less than eleven commercial colleges are affiliated to seven universities within the State to provide higher commercial education and to confer degrees of Bachelor of Commerce and Master of Commerce. The Sydenham College of Commerce and Economics, Bombay, has now no less than about 1,200 students preparing for the degree courses and in all there are as many as about 6,600 students preparing for such degree examinations in all these colleges. Besides, there are about 200 educational institutions, having roughly a strength of about 20,000 students being coached in different commercial subjects for other examinations. There are about 8,000 candidates appearing every year for the Government Diploma examinations at as many as 20 centres. Over and above these, there are 40 high schools of commerce, besides 25 multi-purpose schools with commerce section attached to them which will be sending a sizable number of students by the year 1959 for the Government Commercial Examination. All this is definitely an achievement made within a very short span of time.

In England, realising the need for imparting banking education to the members of their staff, some banks such as the Midland and Lloyds Bank, have made arrangements for regular courses of lectures meant for different grades of their employees. One of the leading Indian Exchange Banks, the Chartered Bank of India, has recently started its own college in a large country house known as Hatton Court, located in East Greenstead, near London, with Sir Alexander Campbell as its Principal. Members of the staff of this bank from various countries, where the Chartered Bank has its branches, are housed in this college and given specialised training in banking subjects. In addition to the provision for lectures, etc., the trainees are taken for visits of observation to important institutions such as mines, factories, stock exchanges, etc.

In view of the fact that none of the Indian banks has so far been able to make provision for special training of its employees, the Reserve Bank of India, under the guidance of its ex-Governor, Sir Benegal Rama Rau, started, a couple of years ago, with the help of the loan of two experienced members of the staff of the Midland Bank under the Colombo Plan, a Bankers' Training College in Bombay where batches of young men, occupying fairly important positions in different banks, are given training for a period of a few months. Visits of observation to mills, factories and other places of interest are also arranged for them. It is hoped that not only a special building for housing this college as well as hostel will be put up soon in Bombay, but also arrangements will be made for the training of the junior members of the staff of different banks in India, not only in Bombay but also at other selected centres in the country. Big banks in this country can help the cause of banking education so far as their employees are concerned by providing, at least at their principal offices, small libraries having books on banking and allied subjects prescribed for the Indian Institute of Bankers' examinations for the use of their employees. They should also provide them with copies of financial weeklies and journals, etc., such as *Indian Finance*, *Commerce*, *Capital*, *Eastern Economist* and in some cases even the *London Economist*, *Banker's Magazine* and *The Banker*. A few extra copies of such weeklies and journals can advantageously be circulated periodically amongst smaller offices.—*All Rights Reserved.*

New Code of Conduct for General Insurers

Export Risks Body Set Up

THE year 1957 will go down in insurance history as the first complete year of nationalised life insurance. It is true that the decision to nationalise life insurance was taken early in 1956—on 19th January 1956, to be precise—but the general set-up of private insurance continued, albeit under Government management, for nearly eight months until the Life Insurance Corporation was established on 1st September 1956. In fact, the last vestige of private life insurance, the Indian Life Insurance Offices' Association, which, of course, had ceased to function since January 1956, disappeared only in August 1957, when it was formally wound-up and its assets were handed over to the Life Insurance Corporation. All in all, the year 1957 represents a period in which the State-owned Life Insurance Corporation has had a free field for itself. Although the Corporation has been making strenuous efforts at popularising the insurance habit and at expanding the scope and volume of life insurance, the actual figures of business for 1956 and the first half of 1957 are not very encouraging. It remains to be seen whether the second half of 1957, for which figures are not yet available, will prove more favourable for new life business than the earlier half-year periods.

There is, however, no doubt that the Corporation faced a formidable task in integrating into one organisation the life insurance business of 243 different units which were engaged in transaction of life business. The magnitude of the problem of integration will become clear when it is realised that the total assets of the units, as on 31st August 1956, aggregated Rs. 411 crores, the total life business in force being Rs. 1,250 crores in five million policies. And the number of employees was as large as 27,000. The task of integrating these offices, which differed widely in age, size and pattern of organisation, natural and claimed the Corporation's first attention. As a first step towards integration, the head offices of the former private insurers have been integrated into a limited number of administrative units. The servicing of existing business is being done by these units, though the ultimate aim is that it should be serviced by the divisional offices of the Corporation in whose jurisdiction the policyholders reside.

Business Done

During the year 1956, the Corporation transacted Rs. 200.28 crores worth of new business, consisting of Rs. 187.69 crores of business in India and Rs. 12.59 crores of business outside India, as compared with Rs. 258.63 crores in 1955, made up of Rs. 238.30 crores of Indian and Rs. 20.33 crores of foreign business. Thus, in 1956, the Corporation could not only maintain the record of new business done by private insurers in 1955. This shortfall is sought to be explained away by saying that the year 1955 was in several ways an abnormal one, in that it witnessed a great deal of "substitution" business to take advantage of the new lower rates of premia, the introduction of staff insurance schemes and influx of new business on account of estate duty policies. There may be some force in this contention, but it may also be a heavy exaggeration of a small point to cover up the inertia common to all State-owned undertakings, for no statistical data are given in support of the explanation.

Be that as it may, the first half of 1957 also brought a somewhat lower volume of business which aggregated Rs. 75 crores, as against Rs. 94 crores in the first half of 1956.

Policy Conditions

Among the measures the Corporation has taken to popularise life insurance, mention must be made of the liberalisation of terms and conditions of life policies and the institution of new types of policies. Thus, persons serving in certain categories of defence forces are no longer required to pay extra premium for covering war risks. Proposals for assurance of women's lives are now accepted on a liberal basis without the extra premium that used to be charged previously. Illiterate persons are now freely insured. The Corporation has also relaxed the restrictions on the insurance of persons with certain impairments in health who, in former years, would have been either rejected or included only at a heavy additional premium. The underwriting of such lives is a highly skilled job. In organising this work, the Corporation has had the assistance of the Swiss Reinsurance Company of Zurich, the largest reinsurance company in the world. Incidentally, this Swiss company belongs to the private sector.

The introduction of group insurance and superannuation schemes is yet another measure designed to expand the scope for life insurance business. Through these schemes, the employers can provide insurance protection and retirement benefits for their employees at lower costs than what the employees would be able to obtain for themselves individually. The Corporation has also introduced the Janata Policy scheme as a pilot project in certain selected areas in each zone. The scheme offers endowment insurance for sums from Rs. 250 to Rs. 1,000. The distinctive feature of the scheme is that premiums are collected at the doorstep of the policyholder.

The year 1955 is of importance to Indian insurance for the reason that it represents the last year of private life insurance. Total new life business in 1955, as already stated, aggregated Rs. 238.30 crores, as compared with Rs. 238.31 crores in 1954. The following table gives the trend of new life business during the decade ended 1955:

	Indian Insurers	Non-Indian Insurers	Total
1946	140.9	12.9	153.8
1947	126.5	13.1	139.6
1948	121.7	12.9	134.6
1949	120.0	12.2	132.2
1950	125.8	13.7	139.5
1951	131.4	16.5	147.9
1952	130.3	16.4	146.7
1953	138.2	17.0	155.2
1954	220.1	16.2	236.3
1955	220.9	17.4	238.3*

* Provisional.

The net amount of life insurance business in force at the end of 1955 was Rs. 1,123 crores, consisting of Rs. 984 crores in the books of Indian insurers and Rs. 139 crores in the books of non-Indian insurers, as against Rs. 1,086 crores, Rs. 949 crores and Rs. 137 crores, respectively, at the close of 1954. The expense ratio of Indian insurers was 33.4 per cent., and of non-Indian insurers 21.3 per cent., while the net rate of interest earned on mean life insurance funds of Indian and non-Indian insurers was 3.56 per cent. and 3.21 per cent. respectively.

A notable feature of the working of life insurance in 1956 as well as in 1957 is that nationalisation did not disturb the investment pattern of life funds. Between 31st August 1956—that is, prior to the establishment of the Corporation—and 30th June 1957, to which latest available figures refer, investments increased from Rs. 341.40 crores to Rs. 361.03 crores. Of the total investments as on 30th June 1957, Government securities (Central, State and foreign securities) accounted for 63.1 per cent. and Government-guaranteed and other approved securities for 9.0 per cent. as against 63.8 per cent. and 9.3 per cent. as on 31st August 1956. The Government has given the assurance that investments in the private sector will continue to be made as in the pre-nationalisation era. In fact, this assurance has been more than fulfilled in that, as on 30th June 1957, the Corporation's investments in debentures, preference shares and ordinary shares of companies accounted for 6.0 per cent., 4.1 per cent. and 8.0 per cent. of total investments, as against 6.0 per cent., 3.9 per cent. and 6.9 per cent., respectively, as on 31st August 1956.

General Insurance

An outstanding event in the sphere of general insurance was the introduction of the revised code of conduct for general insurers with effect from 1st January 1957. Among other issues, the code deals with the maintenance of minimum departmental reserves and of a certain minimum margin between assets and liabilities and provides for inspection of all insurers. Briefly, the code provides that the minimum departmental reserves should be 50 per cent. of the net premium income in the fire and miscellaneous departments and 100 per cent. in the case of marine cargo and marine hull business. Insurers, who had provided less than these percentages in the past, should step up their percentages at certain prescribed rates every year until the prescribed levels are reached. Again, every general insurer must maintain an excess of assets over liabilities of at least Rs. 5 lakhs or 10 per cent. of his net premium income, whichever is higher. The existing insurers who do not have this excess margin at present will be given time, subject to certain conditions, to come up to the prescribed levels by 31st December 1959.

The code also lays down that, except in specified cases, the insurers should collect premium before assuming risk. Where an insured or a principal agent gives business with a premium income of Rs. 25,000 or more per year and where an adequate bank guarantee is forthcoming as to payment of the premium, risks may be assumed without payment of premium, provided that the premium in respect of risks assumed in a calendar month are paid by the 15th of the next calendar month. Finally, the code provides that the Controller of Insurance should carry out an inspection of all insurers as often and at such intervals as he considers it necessary to establish that their business is being conducted in accordance with the law and tariff regulations.

The latest available figures for general insurance business relate to 1955. The total net premium income of insurers, Indian and non-Indian, improved by Rs. 1 crore to Rs. 23.68 crores, made up of the premium income of Indian insurers

(Rs. 7.49 crores), of non-Indian insurers (Rs. 6.70 crores) and from the overseas business of Indian insurers (Rs. 9.49 crores). For Indian insurers, the net premium income from the fire department aggregated Rs. 8.48 crores, from marine department Rs. 3.32 crores and miscellaneous department Rs. 5.18 crores, the corresponding figures for non-Indian insurers being Rs. 2.81 crores, Rs. 1.93 crores and Rs. 1.97 crores, respectively. The average claims ratio worked out to 31 per cent. in fire business, 67 per cent. in marine business and 48 per cent. in miscellaneous business, as against 30 per cent., 57 per cent. and 49 per cent. in 1954. The ratio of expenses of management to premium income was practically unchanged at 34 per cent. in fire and 27 per cent. in marine as well as miscellaneous business.

Reinsurance

The India Reinsurance Corporation, which was registered on 29th October 1956, commenced business from 1st January 1957. The authorities have not only overcome the initial difficulties inseparable from the establishment of a new organisation of this type but are also able to look forward to a sizable premium income. The first task which the Corporation, a joint venture of all general insurers in the country, had to face was to devise an underwriting system which would be easy to operate, create the least possible difficulties for the members ceding business and be administratively economical. Further, the system had to be so processed that members received a share by retrocession commensurate with the underwriting limits of the smallest company. All this has now been done. In this task, the Corporation was assisted by Mr. J. H. Winter from the U.K.

Export Risks

India joined the list of 16 countries which provide cover against export risks to their shippers by establishing the State-owned Export Risks Insurance Corporation (Private) Ltd. Inaugurating the Corporation in October last, the Union Minister for Commerce and Industry, Mr. Morarji Desai, gave the assurance that, besides covering the obvious risks, the Corporation would be fully alive to its responsibilities to exporters. The functions of the Corporation are described in detail elsewhere in this issue.

The Employees' State Insurance Scheme now covers over one million industrial workers or about one-half of the total insurable population engaged in factories. According to the Annual Report of the Employees' State Insurance Corporation for 1955-56, there was considerable improvement in the standard of medical care and facilities provided to insured persons. Thus, in 1955-56, about 15.46 lakh new and 49.88 lakh old cases were treated at various State insurance dispensaries and clinics of panel doctors, as against 4.62 lakh and 16.42 lakh cases, respectively, in the previous year. In April last, the Corporation finalised the regulations for the provision of medical care to the families of insured workers. The approved regulations entitle the wives of insured persons to outpatient treatment and domiciliary confinement care.

GOVERNMENT OF INDIA

I. 15-Year Annuity Certificates—Second Series

(FREE OF INDIAN INCOME-TAX)

Annuity Certificates securing a monthly payment of Rs. 25, Rs. 50, Rs. 100 and Rs. 200 respectively for a period of fifteen years will be available from the 2nd January 1958, until further notice at issue prices given below:—

For monthly payment of Rs. 25 issue price of Annuity Certificate	Rs. 3,325
Do. Rs. 50 do.	Rs. 6,650
Do. Rs. 100 do.	Rs. 13,300
Do. Rs. 200 do.	Rs. 26,600

These certificates will be available to INDIVIDUALS only and no applications will be entertained from or on behalf of institutions, firms or corporations.

The maximum amount that may be invested in the certificates will be

For an individual	Rs. 26,600 (or Rs. 28,000 inclusive of holding of 1st series).
For two individuals jointly ..	Rs. 53,200 (or Rs. 56,000 inclusive of holding of 1st series).

Monthly payment will commence after expiry of one calendar month from the date of receipt of the purchase price. Such payment will be free of Indian Income-tax and will not be taken into account in calculating the total income of the holder for the purpose of income-tax.

Annuity Certificates will be accepted for safe custody by Public Debt Offices and monthly payments remitted to the holders, if so desired.

Applications will be received at the offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi; branches of the State Bank of India, State Bank of Hyderabad and Bank of Mysore Ltd. conducting Government treasury business; and treasuries and sub-treasuries in India at places where there is no such office of the Reserve Bank of India or branch of the State Bank of India, State Bank of Hyderabad and the Bank of Mysore Ltd.

II. 4 Per Cent Ten-Year Treasury Savings Deposit Certificates

(FREE OF INDIAN INCOME-TAX)

From 2nd January 1958 and until further notice deposits for Treasury Savings Deposit Certificate will be received in multiples of Rs. 50 instead of in multiples of Rs. 100.

Deposits will be refundable at any time after the expiry of one year from the date of deposit at certain discount.

The other terms and conditions of issue etc., will be the same as at present.

FOR FULL PARTICULARS APPLY TO ANY OF THE OFFICES, BRANCHES OR TREASURIES MENTIONED ABOVE.

BANKING AND MONETARY TRENDS

Moderate Rise In Money Supply—Record Fall In Foreign Assets

WITH aggregate demand tending to expand faster than the aggregate supply of goods and services in most of the countries of the world, the problem of restraining domestic inflationary pressures occupied the attention of the monetary authorities the world over during 1957. The raising of the discount rate was the main weapon which was relied upon to deal with the situation, though this was supplemented by other measures in a few countries. As many as 10 important countries, including Belgium, France, Japan, Sweden, Switzerland, the U.K. and the U.S.A. increased their discount rates. A notable exception was Germany, which lowered its discount rate in September last in order to discourage the inflow of 'hot' money. Towards the close of the year some recessionary tendencies were in evidence in the U.S.A.; the authorities, therefore, promptly decided to restore the discount rates of the Federal Reserve Banks to the old levels. The fall in the prices of raw materials by some 9 per cent., as compared with the 1955 average also aroused some apprehensions about the possible deterioration of the external accounts of the primary producing countries and fears were expressed that a fall in their purchasing power would lead to a world slump.

Inflation continued to be the "most intractable and difficult problem" in the U.K., the major source of inflationary pressures being wages. With the general belief abroad that Britain was living beyond its means, speculative pressure developed against sterling, which became very acute with the virtual devaluation

of the French Franc, resulting in a heavy fall in the reserves. On 19th September, therefore, Britain raised its discount rate to 7 per cent.—the highest since 1921. During the last 50 years, the rate was raised by a full 2 per cent. only twice—on the eve of the First and Second World Wars. This exceptional increase in the Bank Rate was designed to halt the increase in the supply of money, to make money more scarce and expensive and to check the flow of funds from the U.K. to foreign markets. As the Chancellor of the Exchequer put it: "In the year ahead, it will be harder to earn profits... It will be harder to get wage increases. They will have to be earned. But the profits and wages will be paid in honest pounds." Simultaneously with the increase in the Bank Rate, the British Government announced that the investment in the public sector during the next two years, which had been expected to rise substantially in 1958 and 1959, would be kept at the year's level. The banks were also asked to hold their advances during the coming year to an average level of the past 12 months.

Situation in India

Against the aforesaid background of international monetary trends, an attempt is made, in the following paragraphs, to present the major trends in the Indian banking and monetary world:

The substantial increase in developmental expenditure was far and away the most important factor which dominated the internal as well as the external position of the Indian economy during the year under review. As will be seen from the table below, over the year ended November 1956, the Central Government's budgetary

deficit, as measured by the changes in the holdings of rupee securities of the Reserve Bank and in the balances of the Central Government, reached an exceptionally large figure of Rs. 416 crores—nearly double the deficit incurred in the previous year:

	Change over the year ended	Nov. 30, 1956	Nov. 29, 1957
Money supply			
Index No. of wholesale prices (1939=100)	+ 140	+ 110	
Rupee securities of R.B.I.	+ 62	+ 7	
Central Government	+ 224	+ 417	
Foreign assets	- 181	- 323*	

* After making allowance for the drawings from the L.M.F.

At the same time, there was a record decline in the country's foreign assets which was again a result of heavy imports connected with the Plan—both in the public and the private sectors. Because of this neutralising factor, money supply recorded only a fairly moderate increase, while the general index of wholesale prices was on the whole steady around the level reached at the end of 1956.

There were, however, various aspects of the economic situation which gave cause for serious concern. First, the food situation showed an unexpected deterioration, especially in the latter half of the year, rendering urgent heavy imports of food. Secondly, the disturbingly low level of foreign exchange reserves and uncertainties about the quantum of foreign assistance raised grave doubts whether even the "core" of the second Plan could be successfully implemented. Thirdly, receipts under borrowings and small savings were appreciably lower. Finally, the constant demands for wage increases and the threats of strike did not inspire hopes of continuing industrial peace which is necessary for stepping up production. The heavy tax imposts also adversely affected investment in the private sector.

In spite of these stresses and strains, the banking system ended the year with a much more comfortable position as compared with a year ago. In last year's review it had been observed that the banking system had then been more than fully extended and that efforts were necessary to find out how the resources of the banking system could be strengthened. But, as will be borne out by the table below, during the year they underwent an appreciable improvement:

Consolidated Position of Scheduled Banks

		As on		Change over the year
		Nov. 30, 1957	Nov. 29, 1956	
Liabilities (net)...				
Demand		708	642	+ 66
Time		(52)	(59)	+100
		656	656	
		(48)	(42)	
Total	from	1,363	1,008	+265
Borrowings		16	55	- 39
R.B.I.		144	87	+ 57
Cash and balances		(10.6)	(7.8)	+ 44
Investments		409	365	+ 44
Advances		(30.0)	(33.3)	
		840	706	+ 74
		(61.7)	(69.8)	

Figures in brackets show the percentage to total liabilities (net).

The improvement in resources could be attributed partly to the fact that, because of the severe cut in imports and the restrictive credit policy, the demand for advances went down relatively; advances of Scheduled Banks showed an increase of only Rs. 74 crores during this year in contrast to a spurt of as much as Rs. 165 crores in 1956. But what was more important, the deposits of Scheduled banks recorded an unprecedented rise, a part of which arose from the sale proceeds of the commodities imported from the U.S.A. under P.L.480. Thus, while the demand for advances went up only by Rs. 74 crores, the resources had benefited to the extent of Rs. 265 crores. The banks therefore were able to return a large part of the loans taken from the Reserve Bank earlier in the year and made sizable additions to their cash balances as well as their 'investment' portfolio. Thus, there was a perceptible improvement in the liquidity of the banking system.

Sources and Uses

While the position of banks thus shows a much better balance, from a reference to Table II it will be seen that there has been a small yet significant change in the disposition of their liabilities and assets. Thus, at the end of 1957, time liabilities, which carry a higher rate of interest than

current deposits, formed 48 per cent. of the total, as compared with 42 per cent. a year before. On the other hand, advances, which bring in the largest return, now account for about 62 per cent. of the total deposits, while they were higher at nearly 70 per cent. at the end of 1956. Similarly, investments, which are the next best income-earning assets, are also lower by about 5 per cent. as percentage of total deposits.

As the banking system recovered from the strains to which it was subjected a year ago and as it gradually attained a better 'balance', the seasonal variations in bank credit became more pronounced during the year.

Busy Season 1956-57

During the busy season October 1956 to May 1957 (for details vide Statement on Monetary Data on page A108 C) money supply and bank credit increased by Rs. 260 crores and Rs. 174 crores, respectively, the order of the increase being very nearly the same as in the busy season of 1955-56. What is, however, noteworthy is that, whereas in the busy season of 1956-57, the foreign assets of the Reserve Bank declined by as much as Rs. 157 crores, in the previous busy season they had not only gone down but had actually recorded a nominal increase. The rise in money supply of an equal magnitude in the period October 1956 to May 1957 in the face of a large reduction in foreign assets is to be explained by the widening of the budgetary deficit. The rupee securities of the Reserve Bank were marked up by Rs. 300 crores, as compared with Rs. 148 crores in the earlier busy season and exceeded the Rs. 1,000-crore mark for the first time during the week ended 29th March. Notes in circulation (including Rs. 43 crores of Indian notes retired from circulation in Pakistan and awaiting cancellation) continued to rise and recorded a still higher peak of Rs. 1,596 crores on 10th May 1957. It is, however, interesting to observe that, in the liabilities of Scheduled banks accounted for nearly 30 per cent. of the increase in money supply as against only 9 per cent. in the previous busy season.

As observed already, loans and advances of Scheduled banks increased by Rs. 174 crores during the busy season, the ratio of bank credit to liabilities reaching a new high of 76.6 per cent. But, at the same time, the demand and time liabilities of the Scheduled banks also spurted up by as much as Rs. 135 crores, with the result that, contrary to trends in the past, the Reserve Bank moved balances with the Reserve Bank moved by Rs. 12 crores; in the corresponding period of 1955-56, it may be noted, they had declined by Rs. 17 crores. The net increase in Scheduled banks' borrowings from the Reserve Bank during the 1956-57 busy season at Rs. 32 crores was also on a much smaller scale as compared with the increase of previous busy season, however, the Rs. 67 crores. Since, however, the level of borrowings at the beginning of the busy season itself was high, the of about Rs. 98 crores in the advances of Scheduled banks. This fall was in marked contrast to only a nominal traction in the 1956 slack season. Simultaneously with the retirement of advances, the deposit resources of the banks also gained by a further Rs. 91 crores. The Banks, therefore, increased their investments (Rs. 42 crores) and cash and balances (Rs. 28 crores) and also repaid over Rs. 50 crores of their borrowings from the Reserve Bank. There was thus a marked improvement in the liquidity of banks in the slack season of 1957.

Slack Season

In the slack season, that is, from 11th May to 27th September 1957, the level of money supply recorded a fall of Rs. 139 crores which would have been higher but for the continuing excess of expenditure over receipts by the Central Government. The foreign assets of the Reserve Bank declined by Rs. 168 crores—that is, at a rate higher than in the busy season. During this period, there was a fall of about Rs. 98 crores in the advances of Scheduled banks. This fall was in marked contrast to only a nominal traction in the 1956 slack season. Simultaneously with the retirement of advances, the deposit resources of the banks also gained by a further Rs. 91 crores. The Banks, therefore, increased their investments (Rs. 42 crores) and cash and balances (Rs. 28 crores) and also repaid over Rs. 50 crores of their borrowings from the Reserve Bank. There was thus a marked improvement in the liquidity of banks in the slack season of 1957.

At the time of writing, the 1957-58 busy season is well under way. In the current busy season, there has hardly been any demand for credit so far, probably because of the drought in the various parts of the country. Meanwhile the accretion to deposits continues. The banks can, therefore, face the busy season with a sense of ease.

Over the year ended November 1957, money supply has gone up by only Rs. 110 crores, the impact of a substantial uncovered expenditure under the Plan being largely offset by the deficit in balance of payments. Very soon, however, this cushion will no longer be available, as the sterling reserves will be reduced to practically nothing. As compared with 1956, the loans and advances of Scheduled banks have increased by 50 per cent., while their deposits have gone up nearly three and a half times; their position is thus much more comfortable than a year ago.

Interest Rates

During the first half of the year, the short-term money market generally displayed stringent conditions, the stringency being particularly acute on occasions. Subsequently, with the seasonal return of funds in the slack season, the delay in the commencement of the busy season and the continued accretion to deposits of banks, conditions there by and large comfortable. There was, however, very little easing of the money rates, the Indian banks continuing to offer high rates on call deposits from the public partly to meet the expected competition for deposits from the Exchange banks who had to depend more on Indian resources, following the steep rise in the Bank Rate in the U.K. and partly because of apprehensions that the assistance from the Reserve Bank in the busy season might not be available on the same scale as in previous years.

Interest rates ruled firm almost throughout the year. For reasons already mentioned and consequent on the keen demand for bank credit, the banks had to raise their deposit rates for house money and short-term deposits. Simultaneously, banks had to put up their lending rates as well, in order to meet the higher cost of their own borrowing from the Reserve Bank, as well as from the public, and to keep down the demand for credit. With effect from 1st February, the Reserve Bank raised the cost of borrowing by banks under the bill market scheme from 3½ per cent. to 4 per cent., as also its lending rate against Government and other approved securities to 4 per cent. In May, the Bank, rates that is, the rate at which the Reserve Bank buys or rediscounts bills of exchange or other commercial papers, was also stepped up from 3½ per cent. to 4 per cent. Simultaneously, the stamp duty on usance bills was reduced to one-fifth of one per cent., with the result that the effective cost of borrowing under the bill market scheme became 4.1/5 per cent. The raising of the various lending

rates of the Reserve Bank was only by way of realignment with the trend of money market rates.

In the first half of the year, inter-bank call money rate was done at 3½ per cent. The rate for house money at call, as also that for short-term deposits for one to six months, hardened from 3½ per cent. to 4½ per cent. In the last half of the year, however, conditions were not so stringent as in the first six months. Thanks to the Reserve Bank's directive to banks to reduce their advances, demand to be kept borrowers of house money and short-term deposits, in order to be prepared for the current busy season. With a rise in their deposit resources and in view of the delay in the onset of the busy season, they had a surplus of funds. Inter-bank call money rate declined to 2½ per cent. at the end of September. Towards the close of the year, however, it rose to 2½ per cent. with no borrowers. But house money at call continued to be done at 4½ per cent. At times, banks offered even 4½ per cent. for large sums. Short-term deposits were generally offered at 4½ per cent., but a special rate of 4½ per cent. was quite common for big sums.

Capital Issues

The capital issues market which was very brisk and active in 1956 ruled dull and featureless during the year under review. Taxation and other fiscal measures, the lack of a clear policy about the role of the private sector, the restriction on imports, and the stipulation that import of machinery would be allowed only under deferred payments arrangements were some of the factors which tended to reduce the number of new capital issues. Although complete figures are not yet available, it is believed that the new issue notations during 1957 would aggregate only Rs. 15 to Rs. 20 crores, in contrast with Rs. 40 to Rs. 45 crores reached in 1956. Big notations were comparatively few, some of the bigger issues being those of the Indian Iron and Steel Company (Rs. 699 lakhs), Indian Aluminium Company (Rs. 268 lakhs), Dunlop Rubber (Rs. 210 lakhs) and Ashok Leyland (Rs. 101 lakhs). In the case of some of these issues, there was foreign participation to a certain extent. Some other companies like Gopal Paper Mills, Philips (India) Ltd., National Rubber Company, Great Eastern Shipping Company, Gokak Mills, Aluminium Industries and Amar-Dye Chemicals approached the public for sums ranging between Rs. 30 and Rs. 75 lakhs each. Most of the issues came from existing concerns and, as in 1956, the issue of ordinary shares was predominant. Some of the established concerns offered their

shares at a premium which were relatively low and made their offers quite attractive to investors. The success of these issues was largely due to this factor.

As regards developments pertaining to the quantitative side, no new banks came into existence during 1957. Two banks were included in the schedule during the last quarter of the year; the total number of Scheduled banks thus increased to 91. There was no important bank failure during the year. Twenty-seven small banks were, however, refused licences by the Reserve Bank to carry on banking business, thus making it obligatory on them to cease transacting the business of banking.

During the year ended June 1957—the latest period upto which figures are available—the Scheduled banks increased their number of branches by 145. As will be seen from the table below, the extension of branch banking was at a relatively faster rate as compared with the year July 1955-June 1956:

Branches of Scheduled Banks

	As on 30th June	1955	1956	1957
State Bank	406	504	572	
Five leading Indian Banks	780	777	788	
Exchange Banks	66	67	67	
Other Scheduled Banks	1,504	1,558	1,629	
Total	2,816	2,906	3,051	

It will be seen from the aforesaid figures that the Exchange banks have not added to their branches at all, while the number of branches of the five leading Indian banks has gone up by only nine. The increase has thus been accounted for by the State Bank and Indian Scheduled banks other than the leading five. During the first two years, since its inception, the State Bank has opened 106 branches, out of a total of 400 which the Bank is required to open under its statute, in a period of five years. The number of offices established by the State Bank during the year ended June 1957 almost equalled the number of offices opened by all the other Scheduled banks put together. It should, however, be remembered that the State Bank is differently situated in this regard, in that the losses suffered by it on the unremunerative branches are reimbursed from a special fund, namely, the Integration and Development Fund which is subsidised by the Reserve Bank, which, in effect, means by the Government of India.

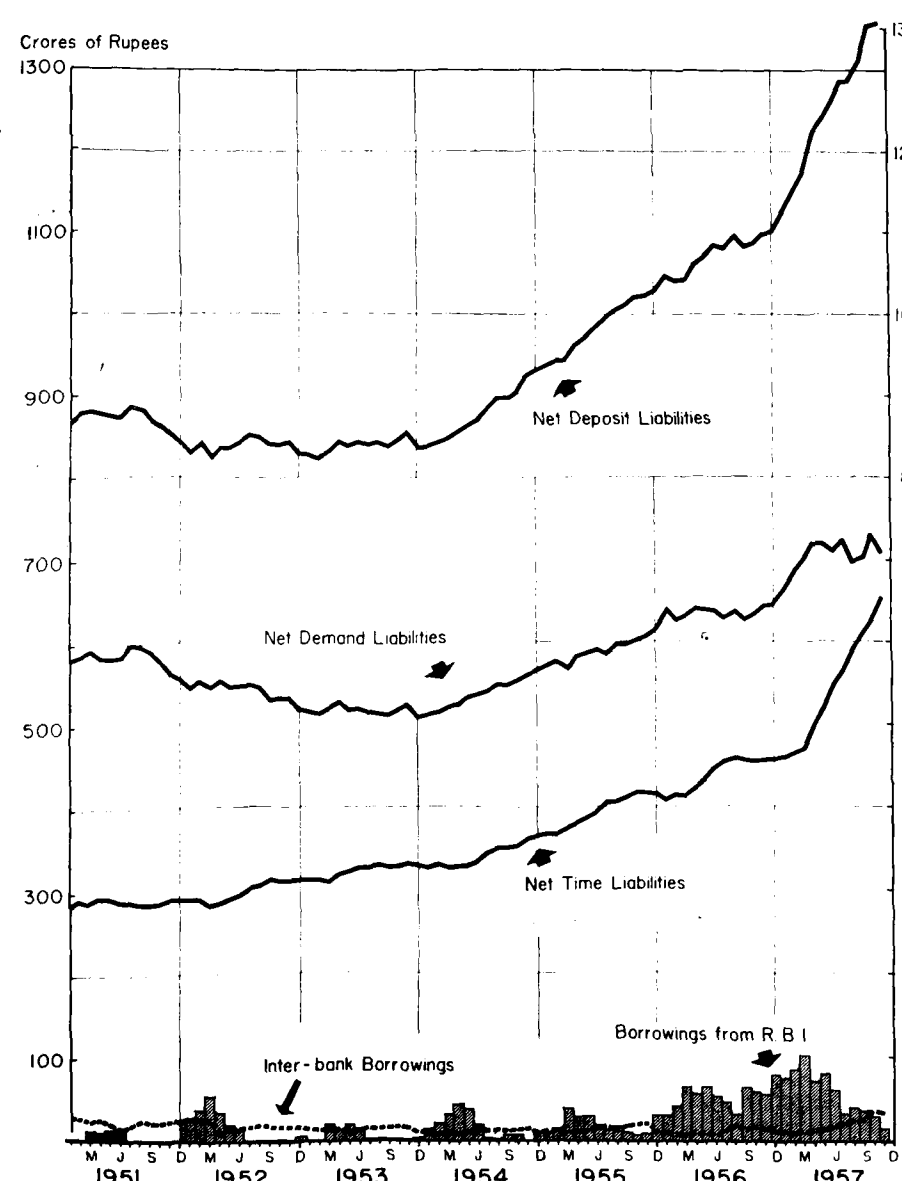
Re-finance Corporation

A notable development of the year was the decision to create a special institution for taking care of the medium-term credit needs of industries. With a larger accent on industrialisation in the second Five-year Plan, the commercial banks are being called upon to cater to the medium-term requirements of industries to a greater extent than before. While the banks are in a somewhat favourable position for dispensing such credit because of their continuous touch with the industrial borrowers, they suffer from an inherent limitation, in that their resources consist mainly of short-term funds withdrawable on demand or at short notice and which cannot, therefore, be locked up in long-term advances. It was, however, felt that the banks could usefully undertake to play a larger part in providing medium-term credit if their resources were supplemented for the purpose. Recognising this view, the Government of India has decided to set up a Re-finance Corporation which would provide re-lending facilities to certain banks against medium-term loans given by them to medium-sized industrial units in the private sector. The Corporation will have a share capital of Rs. 12.5 crores subscribed by the Reserve Bank, the Life Insurance Corporation of India and 15 selected Scheduled banks. In addition, the Government will also make available to the Corporation a sum of Rs. 26 crores as a long-term loan out of the sale proceeds of agricultural commodities imported from the U.S.A. under P.L. 480. It will be recalled that, under the Indo-U.S. Agreement for the import of surplus commodities signed in August 1956, it has been stipulated that a sum of Rs. 26 crores would be set aside for re-lending to private enterprise through established banking channels.

Though a decision on the aforesaid lines was taken early in the year, the Re-finance Corporation has not yet come into being. The memorandum and articles of association have been drafted and the Board of Directors has been decided upon. It is, however, said that the delay is due to some

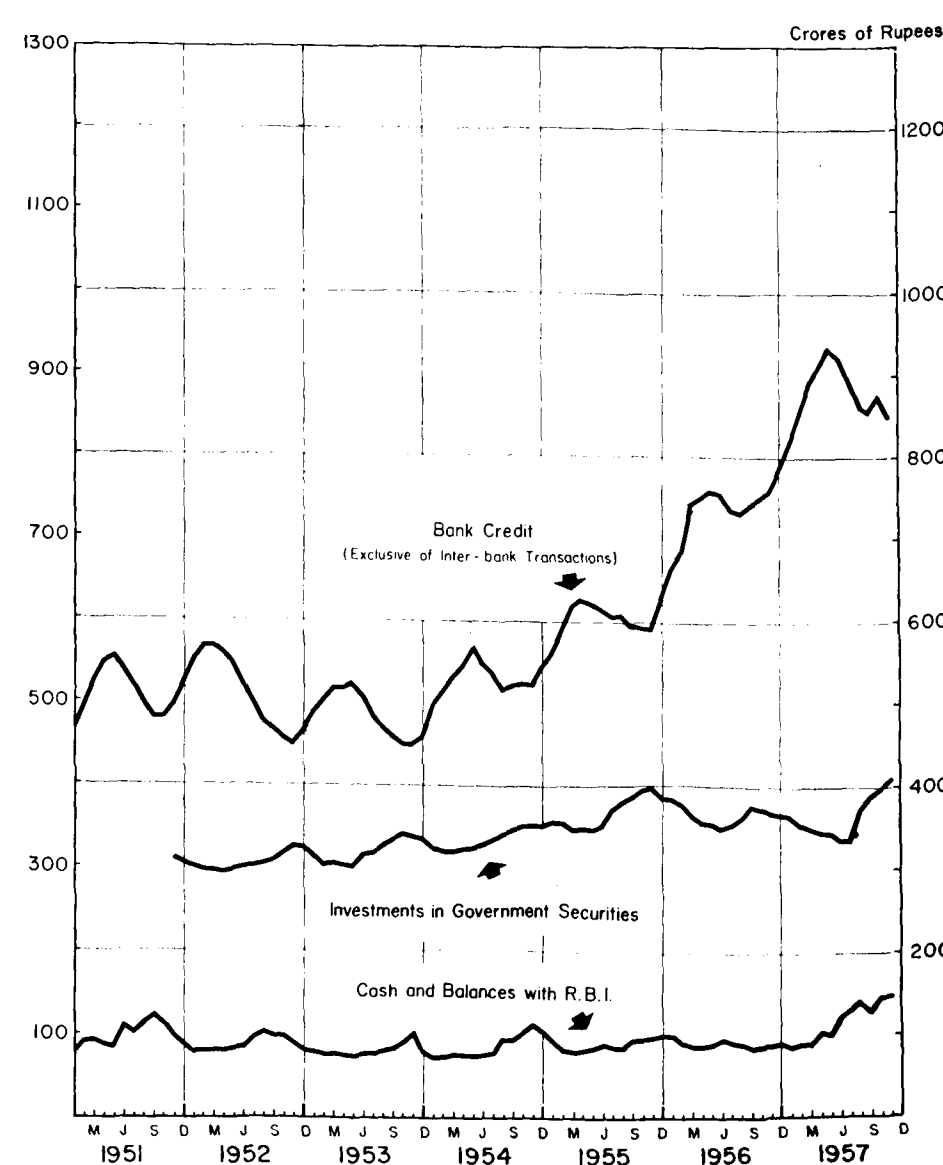
PRINCIPAL LIABILITIES OF SCHEDULED BANKS

(As on last Friday of the month)



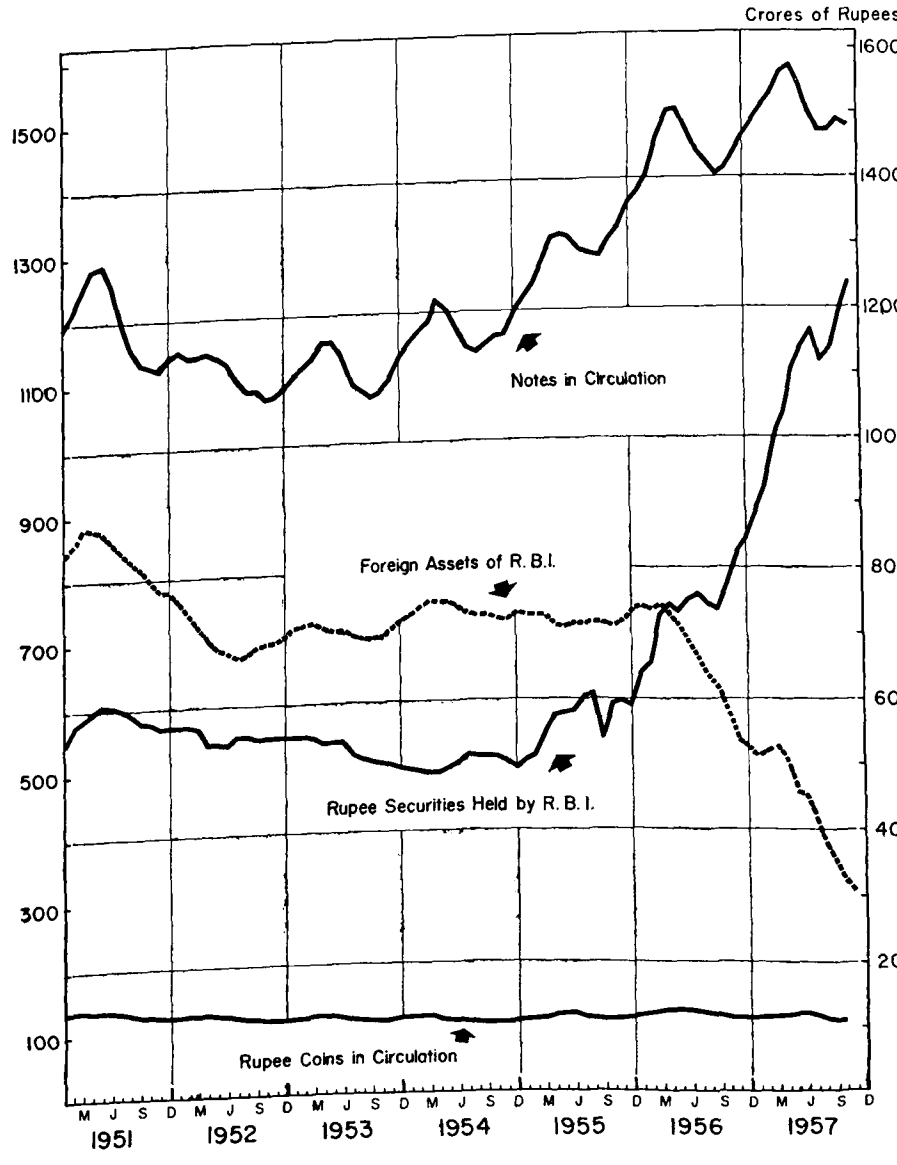
PRINCIPAL ASSETS OF SCHEDULED BANKS

(As on last Friday of the month)



CURRENCY DATA

(As on last Friday of the month)



clarification that has to come from the American Government. A few points have to be straightened out with the U.S. Government, according to knowledgeable circles. This hurdle is likely to be got over early in 1958.

Borrowings

The shortage of resources in the long-term capital market was reflected not only in the reduced offtake of funds by the private sector, but also in the borrowings by the Central and State Governments. Not only such borrowings in the traditional slack months of the year were less but the terms of the issues had to be made more favourable to lenders. In August 1957, the Centre could borrow only Rs. 100 crores (including conversions of Rs. 44.79 crores), as against Rs. 150 crores in the previous year. It is true that, later in the year, that is in the beginning of December, the Government offered a further issue of 3½ per cent. 1962 for Rs. 30 crores and got it fully subscribed, taking advantage of the comfortable supply of funds in the short-term money market and the delay in the emergence of seasonal demand for funds. Even so, the total net borrowings by the Centre (excluding conversions) during 1957 were no more than Rs. 85 crores, as against a target of Rs. 100 crores.

As regards the States, not all of them could borrow. Only two of them, Bombay and Mysore, took courage and went to the market. Luckily for them, by the time they made the approach, the conditions in the short-term money market were a little better than had been anticipated and the response was excellent.

The total borrowings by the Centre and States during the year (excluding conversions) aggregated only about Rs. 93 crores, as compared with Rs. 141 crores in 1956. The collections during the year fell short of the annual average receipt of Rs. 140 crores assumed in the second Five-year Plan. Both the Centre and the States had to pay a little more than ½ per cent., as compared with the terms offered by them in 1956. For the first time since 1933, the Central Government paid this year as much as 4 per cent. per annum, albeit for a 15-year loan.

Small Savings

As regards small savings, the following table shows the receipts under small-savings during the nine months ended September 1957 and comparable figures for the two preceding years:

Net Receipts of Small Savings (Rs. crores)				
	1955	1956	1957	
Post Office Savings Deposits	+28.04	+32.30	+15.22	
National Savings Certificates	+16.26	+15.45	-1.04	
10-Year Treasury Savings Deposit Certificates	-3.30	+2.66	+2.95	
10-Year National Plan Certificates	+6.01	+7.36	+1.82	
12-Year National Plan Savings Certificates	..	..	+20.17	
Post Office Cash Certificates, Defence Savings Certificates, etc.	-1.28	-0.48	-0.79	
Total	+52.35	+57.38	+37.73	

* Issued from June 1957.

The public response to small savings, which had been encouraging in 1955 and 1956, was thus unsatisfactory in 1957. It would appear from this that the small-income groups who form the main prop for small savings, have been feeling the pinch of the rise in prices and cost of living. The margin for savings must have narrowed down; it is even possible that some are eating into their old savings. At this rate, there is sure to be a considerable shortfall in the net receipts, as compared with Rs. 80 crores assumed in the budget for 1957-58 under small savings. It is likely that the figures for the rest of the year may show some improvement in the collections because of the increase in the rates of interest on small savings from June last. Nevertheless, the total will be appreciably below the amount the authorities had hoped to collect.

Effective from 1st June 1957, the rate of interest on postal savings bank accounts was raised by ½ per cent. At the same time, a new series of 12-year National Plan Certificates carrying a higher rate of interest were issued. These certificates give a tax-free yield on maturity of 4½ per cent. compound interest, as against 3.44 per cent. on the earlier issue. A new series of 4 per cent. 10-year Treasury Savings Deposit Certificates was also introduced. Simultaneously the issue of the old 10-year Treasury Savings Certificates and the 7-year and 12-year National Savings Certificates was discontinued. A Small Savings Board was set up during the year to secure

co-ordinated planning and direction of the small savings movement.

No review of the developments in the field of money and banking during 1957 will be complete without a reference to the reduction in the minimum currency reserve, necessitated by the unprecedentedly heavy utilisation of the foreign reserves. An ordinance was issued on 31st October empowering the Reserve Bank to reduce the minimum currency reserve from Rs. 400 crores to Rs. 200 crores. Further, no separate limits were fixed in respect of gold and foreign securities as in the past. It was only laid down that gold holdings should not be less than Rs. 115 crores, which means that foreign securities could be brought down to a level of Rs. 85 crores. In fact, in an emergency, foreign security holdings could be reduced still further, even to zero. A Bill amending the Reserve Bank Act and incorporating the provisions of the Ordinance was passed by the Lok Sabha on 26th November 1957. This was the second amendment to the Reserve Bank Act of this type; the first one having been passed in July 1956, when for meeting the needs of a growing economy the rigidity of the proportional reserve requirement was removed. It was then provided that the Reserve Bank should maintain a minimum reserve of Rs. 400 crores in foreign securities and Rs. 115 crores in gold coin or bullion. There was also a provision permitting the suspension of the assets requirements relating to foreign securities for a temporary period, subject to a minimum of Rs. 300 crores, and during the year resort had to be had to the provision as the amount of foreign securities fell below the minimum stipulated level of Rs. 400 crores. As, however, the decline in the foreign assets continued unabated it was necessary further to make a downward revision in the level of statutory minimum reserve, as indicated above.

In justifying the measure, the Finance Minister argued that foreign exchange reserves are useful only to the extent that they are freely available for use in times of difficulty. By immobilising a large part of such reserves as backing for note issue, a country merely sacrifices an essential degree of freedom without any corresponding advantage. While nobody

may deny that to relate the domestic currency needs to the foreign reserves available is anachronistic, it will be readily admitted that the foreign exchange reserves should have some bearing to the external transactions of the country, particularly to the likely balance of payments deficits. In the light of the foreign exchange requirements of the Plan during the coming years and the probability of heavy imports of food as envisaged in the Foodgrains Enquiry Committee Report, it is a moot point whether the minimum level of foreign reserves now fixed would be adequate to meet the situation. It is needless to add that, in the absence of such reserves, it will be difficult to stop a flight from the rupee and inspire the confidence of others in our currency.

WORLD SUPPLY OF OILS

(Concluded from page 150)

has contributed greatly to the efficient movement of oils and the gradual improvement of standards of the major oils consumed, namely, groundnut, sesame and cottonseed.

While on the subject of industrial policy, one must voice a word of criticism against the Government's unrealistic attitude towards power mills vis-a-vis ghannies. It is appreciated that ghannies together with other village industries, offer a tremendous employment potential with corresponding political implications, which the Government can ill-afford to ignore. But, if the main objective is to increase total production, then the full weight of Government policy must be thrown on the side of practical efficiency rather than ineffective idealism. The basic fact is that ghannies recover appreciably less oil than expellers or solvent extraction plants and the retrograde move to foster them at the expense of efficient modern methods will result in

a reduction in available oil supplies and higher prices.

Agricultural Problems

The fundamental problem, however, is not industrial but agricultural. There is no point in having a most efficient processing industry, without adequate supplies of oilseeds to feed it, and awareness of this problem has led the Government to set the target for the second Five-year Plan at 7,600,000 tons, as against 5,500,000 tons for the first. This is an upward revision from the original second Plan target of 7,000,000 tons, taking things as they stand at present, we appear to be rather far from the attainment of this target. In analysing current production, it is clear that the burden of increasing supplies will fall on groundnuts with rape, mustard and sesame as a second string. Linseed and castor cater mostly to the export market, but stepping up exports is also vital, what with the country's present tight foreign exchange position.

While the total production of oil seeds in India is impressive, the amount of land utilised for the purpose is alarmingly high. Yields per acre of almost all oilseeds in India are well below the levels in other countries and appear to have declined during the last five years. To increase total production, it is not necessary to expand the acreage. Far more important is to improve the yield per acre. There are several methods open to the farmers to increase output but these methods all require active participation by the Central and State Governments and various trade and research organisations in making the growers aware of their possibilities. The first and obvious method is the expansion of the land under groundnuts which does not mean merely the process of bringing barren and marginal fields under cultivation. Specifically, farmers should be persuaded to break tradition and grow groundnuts on irrigated lands—results from the South Arcot region of Madras show a yield of 1,400 lbs. groundnut kernels per acre, as against the national average of 450 lbs. Remarkable results can also be achieved by the use of selected high oil-bearing seeds and propagation of such seeds should be vigorously undertaken. On the same lines, higher yields can be obtained by the use of fertilisers and better agricultural practices.

It is true that the first Plan target of 5.5 million tons was attained before the end of the Plan period, but this is no cause for complacency. No one can attribute the increase of about 10 per cent. which was achieved to any conscious or determined effort to expand production as it was due more to the normal increase in acreage and fortuitous weather conditions. It must be realised that the same factors will not produce the desired result in the second Plan period, because the target aimed at is far more ambitious. Only a vigorous drive by the Central and State Governments, together with other trade and research organisations, can hope to achieve the planned output—this would give a particularly good opportunity for development in the Community Project areas where better methods of farming are being taught, and higher grades of seed made available for use by the farming community. Although it would appear that the planned expansion is relatively high, this is not the case as the target of 7.6 million tons would just provide a reasonable availability for domestic requirements together with some exports to earn much-needed foreign exchange. It is essential, therefore, that no effort is spared in this endeavour to maintain and improve the upward trend in the production of oils and fats in the country.—All Rights Reserved.

TREND OF MARKETS IN 1957

DISASTROUS YEAR FOR SHARE MARKETS

Fiscal Measures Cripple Investors

From Our Own Correspondents

BOMBAY, 21st December

THE year 1957 proved to be a critical one for the economy of the country and, as a barometer of the economic climate, the share markets all over India presented a depressed state of affairs almost throughout the year. It is a sad irony that, in this very second year of the Plan itself, when normally one would expect the ambitious development programme to initiate a period of prosperity, the country should be faced with an extreme shortage of resources, both internal and external. On the external front, foreign exchange reserves continued to dwindle at such a rapid pace, on account of large imports, that the Government was forced not only to draw on that part of the reserves which had traditionally come to be held as backing to the currency but also to bank imports of all but very essential items. Internally, consequent on the acute stringency in the money market and the rise in interest rates, the Reserve Bank of India had, in the first instance, to raise its rate of interest on advances to Schedule banks from 3½ to 4 per cent, and later on to step up the Bank rate also to 4 per cent. Also, the Reserve Bank had to place restrictions on bank advances, in order to see that bank resources were not utilised for speculative purposes and that inflationary forces were kept down.

Crippling Effect

Besides attempting to conserve the resources by monetary weapons, the Finance Minister used all his ingenuity to raise domestic resources through taxation measures also. The result of his effort was the presentation, in the special budget session in May last, of a combination of tax measures, direct and indirect, the like of which had not been seen before in the fiscal history of India. These measures, however, bid fair to prove worse than the disease for the very sources from which the internal Minister expected to tap as to earn requirements as were hard hit by the heavy taxation. The wealth tax on companies and individuals, the expenditure tax, the increase in income and sugar taxes and the heavy excise duties had all a crippling effect on both institutional and individual investors and literally dried up the capital market.

Studied against this background, the dismal performance of the Bombay share market during 1957 is not surprising. It suffered a severe shake-out and there was a landslide in equity values. Barring occasional spells of fleeting recovery, the trend was steeply downward and was a continuation of the bear phase which had commenced in August 1956 itself. Increase in the cent per cent. increase in the Reserve Bank of India index number of variable dividend securities for all India (Base: 1949-50=100), that is, from 114.5 for the week ended 29th December 1956 to 98.1 for the week ended 7th December 1957. This fall, it must be noted, is on top of a de-

cline of 14.4 points in 1956. The recession is more precipitous when compared with the 1956 peak of 128.6 for the week ended 1st September 1956, that is, with the period just before T.T.K. commented on his attack against investors in the name of socialism and the second Plan. It will be interesting to note that, for the first time since 1953, when the bull phase started, the index number of variable dividend securities has dipped below the base. The regional index for Bombay shows a decline of 13 points, from 124.0 for the week ended 22nd December 1956 to 111.0 for the week ended 7th December 1957. This is on top of a drop of 12.9 points (to 124) suffered in 1956.

Slight Revival

The year opened on a cautious note, after the fresh debacle in December 1956, on fears of payments difficulties in the then current settlement and in the then current budia charges, prospects of higher budia charges, which materialised later. In the second week of January, a slight revival set in, following reports of support to the market from the Life Insurance Corporation and the Finance Minister's statement that there would be no major tax revision after February 1958. The Government's clarification in respect of capital gains tax and expectations that the scheme of compulsory deposits of company reserves would be administered liberally also aided sentiment. Reflecting this improvement was the rise in the Reserve Bank's index number of variable dividend securities for Bombay (Base: 1949-50=100) to 125.9 in the week ended 26th January 1957, after an earlier dip from 124.0 to 121.4.

The recovery was, however, short-lived and fears of fresh taxation in the next budget and of a deterioration in the Kashmir situation caused a setback. Barring a revival again in the first week of March due to short-covering, encouraging corporate news and hopes of a cut in excise duty on cloth, the downward trend continued till the third week of May, thanks to a series of bearish factors which shook the confidence of investors. The budget session held on 19th March brought no relief in excise duty on cloth. This, together with fears of fresh taxation in the May budget, in view of the substantial overall deficit for 1957-58, induced fresh selling pressure. These fears gained strength following the Finance Minister's statement in the Lok Sabha on 23rd March expressing the Government's determination not to whittle down the second Five-year Plan. The Commerce Minister's statement in April that the excise duty on cloth would not be reduced, the acute stringency in the money market, the Reserve Bank's directive

to Scheduled banks, issued on 22nd April, to exercise greater caution in granting advances against shares so as not to make bank finance available for cornering of shares, with a view to acquiring control of companies, and the ordinance issued at the end of April requiring companies to pay compensation to workers who were retrenched upon the closure of their business, all these factors adversely affected the sentiment. The consequent decline in prices would have been greater but for the publication of the draft rules regarding compulsory deposits of companies and the Prime Minister's observations at the All-India Manufacturers' Organisation on the important role of the private sector. The draft rules regarding compulsory deposits related only to current earnings of companies and not to accumulated reserves and to this extent the rules made a favourable impression on the market.

Fresh Debacle

The presentation of the Union Budget for 1957-58 in the month of May, containing the Finance Minister's heavy tax measures, disrupted the morale of the market and caused a fresh debacle in prices. The tax measures, covering a wide range and sparing no section of the society, from the low-income group to the wealthy, confounded even the worse pessimists. Numbering in all 112, the tax proposals involved extensive changes in the existing taxes and the addition of new ones. They included the upward revision of excise duty on a number of items, raising of customs duty on many articles, imposition of wealth tax on individuals as well as on companies, tax on expenditure, increase in corporate taxes, levy of tax on railway fares, and increase in postal rates. The Finance Minister, no doubt, gave some relief to companies by reducing the super-tax on dividends in excess of 6 per cent. He also reduced the minimum amount required to be distributed by manufacturing activities. The super-tax on inter-corporate dividends of Indian and foreign companies and corporation tax on foreign companies operating through branches and earning other income were also reduced. Similarly, the rate of taxation at net top incomes of individuals was also lowered. But these reliefs did not help improve the market's sentiment to any extent. The recession in prices that took place after this budget is reflected in the fall in the Reserve Bank index number to 111.6 during the week ended 25th May 1957.

A more serious debacle was, however, averted by the Finance Minister's helpful statement in the Rajya Sabha on 23rd May, giving hopes of possible modification in the wealth tax on companies at the Select Committee stage, and by reports of purchases in certain selected counters by the Insurance Corporation. The improvement which set in since the middle of June persisted till the end of July, following the Finance Minister's assurance that the Government had no desire to stifle private enterprise and that measures like excess dividend tax and the compulsory deposits scheme were temporary expedients. Sustained purchases by the L.I.C. and encouraging corporate news also assisted sentiment, as indicated by the rise in the Reserve Bank index number for Bombay to 118.2 in the week ended 27th July.

The next two months witnessed a fresh landslide in prices. The Select Committee's recommendations on the

Wealth Tax Bill, which were submitted on 17th August, belied the market's expectations that companies would be exempted from the new impost. The Committee, however, made some welcome modifications in the Bill. There were: (1) A five-year tax holiday to new industrial undertakings, mining and electricity companies; (2) exemption to shipping companies, along with banking and insurance concerns, as also to inter-corporate investments; (3) exemption to companies which have suffered loss in any year—the exemption being limited only to that year in which the loss occurs; (4) exemption to individual investments in shares of companies which for the time being are not liable to pay wealth tax; and (5) a 50 per cent. relief to foreigners and on foreign investments. Even these changes did not have a favourable reaction on the market. On the contrary, there was a further drift in values.

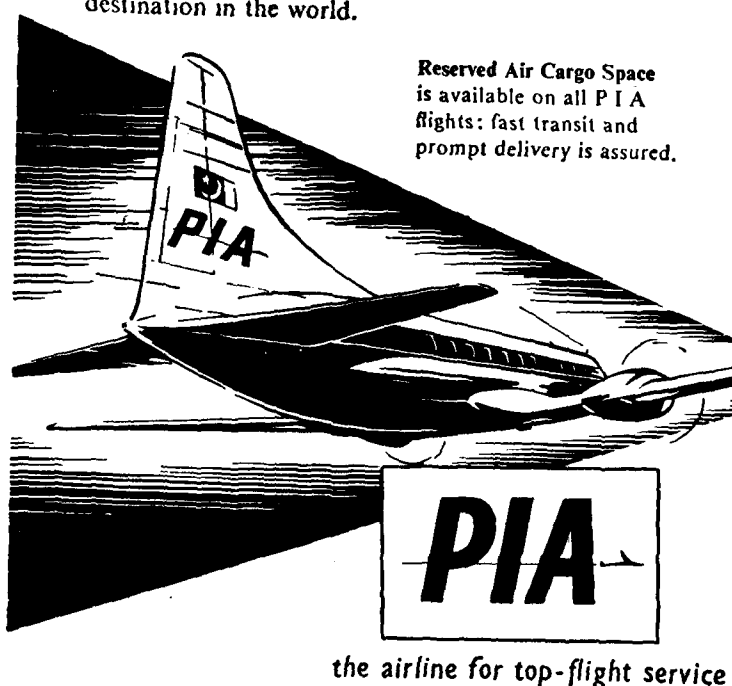
The persistent stringency in the money market, the Reserve Bank's directive to Scheduled banks to bring down their advances by 10 per cent. before the middle of October and the disheartening statement of the Chairman of the Tata Locomotive and Engineering Company, Ltd., regarding labour situation in Jamshedpur, were all factors which further demoralised sentiment. On top of these came the Commerce and Industry Minister's assertion that there was no justification for a cut in excise duty on cloth. In addition, fears of a credit squeeze, apprehensions of a gift tax with retrospective effect, the raising of the Bank of England rate from 5 to 7 per cent, and the bank employees' strike in Calcutta kept away buyers and encouraged heavy short-selling, with the result that equity values touched the lowest levels for the year in the first week of October, the Reserve Bank index for Bombay dropping to a low of 108.5, that is, even below the immediate post-budget low of 111.6. A more precipitous fall was, however, averted by the frequent support from the Life Insurance Corporation.

Values Pick Up

The subsequent period of the year witnessed a return of steadiness in the market, equity values picking up slowly to the highest value seen since the third week of September. The Reserve Bank index for Bombay moved up to 111.0 in the week ended 7th December. This was due to optimism regarding foreign aid, as a result of the efforts of the Finance Minister and the Birla Mission, renewed rumours about the possibility of a cut in excise duty on mill-made cloth and expectations that the Government might announce some measures to encourage private enterprise. Trading was, however, restricted and fluctuations were confined to a narrow groove. Operators were in no mood to enter into large commitments, as later reports about prospects of foreign aid were not encouraging. In fact, reports from Washington indicated that the U.S. Government was not likely to approach the Congress for any large aid to India. Another disquieting factor was the deterioration in the food situation. It is feared that the country would have to import large quantities of foodgrains from abroad and that the utilisation of foreign resources for the purpose would further affect the availability of foreign exchange for other essential purposes. In the closing weeks of the year, the market turned distinctly easy, consequent on the revelations made in the Lok Sabha (on 16th December) about the purchases made by the Life Insurance Corporation during the year of shares in the Mundra group of industries. Within a few days after this debate, equities slumped on heavy selling pressure, bringing prices in many counters almost to the lowest levels of the year.

Steels

Sectionwise, even steel shares could not escape the onslaught, despite the fact that the steel industry provides the main core of the country's development plan and the long-range outlook for it is bright. The modernisation and expansion programmes of the Tata Iron and Steel Company, Ltd., and the Indian Iron and Steel Company, Ltd., showed satisfactory progress during the year, for the financing of which both the companies have raised rupee capital and obtained World Bank loans. In addition to the loan of \$75 million obtained from the World Bank in June 1956, the T.I.S.Co. was able to secure a further loan of \$17.5 million from the Bank and \$14.5 million from private commercial institutions in October this year. The I.T.S.Co.'s issue of capital (5,183,708 shares of Rs. 10 each issued at a premium of Rs. 3.50 each) in March 1957 was oversubscribed. It will be re-



Reserved Air Cargo Space is available on all PIA flights: fast transit and prompt delivery is assured.

the airline for top-flight service

Reservations from your Travel Agent or
PAKISTAN INTERNATIONAL AIRLINES, Airlines Hotel, Churchgate
Telephone: 36679, 36001, 37151 Ext. 4.

The miscellaneous section shared the general recession of the market. Associated Cements rose 15% the year with a loss of Rs. 29.50 at Rs. 15 the lowest level touched being Rs. 142 in the immediate post-budget session. Tata Locomotives suffered wide fluctuations. After a precipitous fall from Rs. 163 to Rs. 134 in May, the shares came in for support from the Insurance Corporation and were lifted up to Rs. 158.75 in the middle of July. The debate in Parliament on the affairs of the Company and the allegations made by some members against the Company, brought the shares back to Rs. 131 (*ex-div.*). After a revival to Rs. 142.50 they gave way to close at Rs. 137. Sugar shares provided an exception to the general trend, they rose to a prosperous season enjoyed by the industry. Despite the increase in excise duty on sugar, the earnings of the Belapur Company reached a record level and the dividend was stepped up from Rs. 16 to Rs. 18 per share. Consequently, the shares stood in balance with a gain of Rs. 11 at

The consequent decline in prices is duly indicated by the fall in the Reserve Bank of India regional index number of variable dividend industrial securities for Calcutta (base: 1949-50=100) from 100.8 at the end of December 1956 to 85.5 in the week ended 14th December 1957. The decline was over and above the drop of 17.1 points, that is, from 117.9 to 100.8, experienced in 1956. It was also more precipitous than that which occurred in Bombay, where the index number moved down by 12.5 points during the period under reference. The following table indicates the fluctuations in prices of some of the

Keen competition from Colombo, East Africa and other tea-producing countries, coupled with the rising cost of production, affected the Indian tea industry. As the bulk of India's tea output consists of common grades, the

competition depressed the prices of these varieties. The producers' plea for a reduction, if not the abolition, of export duty on tea did not have a favourable reception from the Government. Bishnauths declined from Rs. 20.19 to Rs. 17.56, before closing at Rs. 19.12. Brooke Bonds were done at Rs. 14.69, as against Rs. 20.19 a year ago. Banarhals lost Rs. 24 over the year at Rs. 296. Tezporos declined from Rs. 21.25 to Rs. 17.25.

In the engineering section, the Government's refusal to sanction an increase in dividend over 10 per cent, despite a sharp increase in profit, affected Indian Irons. The Company's new issue of shares was fully taken up by the shareholders and the expansion programme showed satisfactory progress. However, of concern to investors was the return to them during the period of expansion. Their disappointment over the Government's stern attitude in his regard, among other factors, was reflected in the fall in the share prices from Rs. 28.19 cum-right to a low of Rs. 16.88 ex-right (equivalent to a cum-right value of Rs. 21.88). The closing was a shade better at Rs. 18.84. Burns came down from Rs. 316 to Rs. 300 and finished the year at Rs. 312. Guest, Keen Williams, however, gained substantially over the year from Rs. 23.62 to Rs. 28.87. Indian Standard Wagons suffered a loss of Rs. 26 at Rs. 192. In the miscellaneous group, Indian Coppers reacted from Rs. 3.69 to Rs. 2.82. Dunlop Rubbers moved down from Rs. 25.7 to Rs. 17.37, but gathered strength to close at Rs. 22.19. India Papers retreated from Rs. 22.25 to Rs. 19.50. India Steamships were a firm feature, with a rise from Rs. 9.19 to Rs. 10.80. Metal Boxes were steady at Rs. 26.31. Indian Wood Products were lower at Rs. 42, as against Rs. 43.50.

Madras Stock Exchange

(By Messrs. Maconochie and Co.)

MADRAS, 8th December

1957 as by far the worst year for the Indian stock markets in recent times. Even though forecasts of coming events was available in the November 1956 Budget proposals which revived the Capital Gains Tax and ushered in the novel scheme of compulsory deposits, and in the certain anticipation that the Kaldorian concept of wealth and expenditure taxes would be knitted into our tax structure, the fall came in the wake of the 15th May Budget. Reasons exceeded the worst fears. The reasons for this are not far to seek. In his enthusiasm for giving a practical shape to the egalitarian ideal, the Finance Minister has singled out the unfortunate investor in joint-stock enterprise, to an undeserved dose of shock. While he had chosen to more than implement the Kaldor's wealth and expenditure tax ideas, he has done so in disregard of the Professor's basic suggestion that, along with these taxes, the level of direct

taxation should be substantially reduced. Nay, the Finance Minister has gone a step further in extending the wealth tax to joint-stock companies as well. These measures naturally raised grave apprehensions in stock markets and led to the steepest falls in recent history. From Budget day, almost up to the end of the year, there has been one long harrowing tale of continued recession in share prices.

Grievous Loss

The general economic climate was no more favourable for stock markets. Though industrial production has been very satisfactory, the ever-increasing cost of raw materials and labour has made appreciable inroads into corporate profits. Then there was the uncertainty about the tax liability consequent on the imposition of the new taxation measures. The investor has been at a loss to compute either the profit margin or the net divisible profits. Consequently, he has been in a state of continued doubt whether to sell or to hold and, as events have turned out, he has suffered grievous loss for no fault of his.

Money conditions, too, were no more comfortable. The Reserve Bank fixed the first shot early in the year by raising its rate for advances to commercial banks against securities. This was virtually an increase in the Bank rate though technically it was not so called. The Finance Minister expressed in unmistakable terms his determination to keep down note expansion even below the limits envisaged in the second Plan. The Reserve Bank time and again directed the commercial banks to reduce their advances particularly against foodgrains. As the year progressed, it became apparent that we had run into serious difficulties with regard to the prospect of implementing the second Plan.

With the many direct blows thus suffered and the grave uncertainty about the future of the investment market was in a continued state of paralysis. Most of the time, the investor was disinvesting either to meet bank pressure, or to cut his losses and quit. The main prop has been the pure and simple Life Insurance Corporation from time to time and even this could not hold the market over the course of a year. The overall loss in capital value has been over 30 per cent, while in particular sections like plantings it has been considerably higher. Being an investment market pure and simple, Madras came out the worst, and the advent of a Communist Government in Kerala and the raising of the rates of the agricultural income-tax in States, damaged confidence in planting scrips which are the bulwark of this market.

What of the future? On few occasions in the past has this prognostication been more difficult or more necessary than now. The country as a whole would seem to have been caught up in the vicious circle of raising the standard of living and of finding the wherewithal for doing so. Ultimately, prosperity depends on a higher standard of consumption to sustain industrial expansion. But how exactly this is going to be achieved with all the crises about is a matter for conjecture. The present uneasy pause in stock markets fully justifies this anxiety. As Mr. Birla has pointed out on his return to India, the resolution of the foreign exchange crisis depends on successfully tackling the crisis in internal resources. There are indications that Government are getting increasingly aware of this. It is, therefore, reasonable to say that the worst has been seen and also to expect that, by and large, Government would be obliged to give incentives to the private sector to pull itself out

of the morass of stagnation and defeatism. In this context, the statement of the Finance Minister in Washington that measures like the scheme of compulsory deposit, super-tax on dividends and tax on bonus issues are not part of his idea of an integrated tax structure, are perhaps straws in the wind.

Banks

It is anticipated that working results of banks for 1957 will be as good as the previous years, if not better. During the first half of the year, bank advances were running at a high level. In order to relieve the increasing demand on available funds, the Reserve Bank resorted to credit control. This is not expected to have any adverse effect on the overall profit figures of banks for the current year. Bank shares, therefore, were generally favoured.

Bank of Mysore opened at Rs. 251, receded to Rs. 246 but recovered to Rs. 252. Indian Banks fully paid started at Rs. 199, improved to Rs. 220 on expectation of a jubilee dividend but fell back to Rs. 187 at the close. Indian Overseas were active and rose

from Rs. 145 to Rs. 162 at one time, then slipped back to Rs. 139.50 *ex-right* and *closed* at Rs. 143 *ex-right*. In September, this Bank increased its capital by the issue of 25,000 ordinary shares of Rs. 100 each for cash at a premium of Rs. 10 per share in the proportion of one for two shares held. Punjab Nationals opened at Rs. 50 and rose to Rs. 66 on the announcement that the Bank had obtained Government sanction for the issue of bonus shares in the ratio of 3 : 7. Travancore receded from Rs. 17.12 to Rs. 15.90.

Electrics

There was consistent support, though price fluctuations were of a mixed nature. Berhampore opened at Rs. 7.87 and receded to Rs. 6.30. Cochin States started at Rs. 11.44 but declined to Rs. 9.45. Guntur recorded an impressive gain of Rs. 44 at Rs. 199. Kubakonams opened at Rs. 12.12 *cum-right* which was equal to Rs. 17.5 *ex-right* and closed lower at Rs. 10.87. South Madras stepped up the dividend to 12 per cent. and the shares rose from Rs. 11.37 to Rs. 12.75 *cum-div.* West Coasts went up from Rs. 13.12 to Rs. 14.50 but fell back to Rs. 13.12 at the close.

Sugar

With a favourable season and good off-take most South Indian sugar companies reported appreciably increased production. However, the enhanced tax burden has cut into net profits. The immediate outlook is quite bright, with India emerging an exporter of this commodity. Deccans doubled its equity capital and issued right shares at par in the ratio of 1:1. The Company paid 5 per cent. interim on the old capital and a final of 12 per cent. on the increased capital. The shares opened at Rs. 11.25 *ex-div.* (*cum-right*) and closed at Rs. 8.45 *cum-div.* (*ex-right*). E.L.Ds dropped by Rs. 2 from the opening of Rs. 28.50, recovered to Rs. 29.10 and fell back again to Rs. 28. Mysore Sugars were dull and lost nearly Rs. 3 at Rs. 38.12. Travancore opened at Rs. 12.50 *ex-div.* and closed at Rs. 2.75 lower at Rs. 9.75 *ex-div.* United Breweries dropped by Rs. 20 to Rs. 168 but recovered to close at Rs. 176 *cum* 10 per cent. final dividend, making the usual dividend of 20 per cent.

Plantings

1957 it is proved to be a pernicious year, particularly for this section. The successful settlement by negotiation of the disputes between labour and management, thereby nullifying the preposterous Plantation Award of October 1956, infused a fresh wave of buying and share prices were pushed up. However, the spurt was short-lived and other factors such as the proximity of the General Elections and, later, the advent of a Communist Government in Kerala intervened and prices failed to make much headway. The Kerala budget announced in June brought about an avalanche of selling, the crippling effects of which have yet to be shaken off. The agricultural income-tax in the State was enhanced steeply by the levy of an additional super-tax on a graded scale ranging from 12 to 37 p on agricultural income of Rs. 1 lakh and above. Further, the Central wealth tax was extended to agricultural companies in the State. The crushing effect of the additional burden surpassed even the worst fears and in order to arrest further landlides the Madras Stock Exchange fixed minimum prices for all planting shares in June. Fortunately, the Mysore Government contented itself with standardising the agricultural income-tax rates between Mysore and Coorg, while the Madras Government preferred to step up the rates from 25 per cent. to 45 per cent.

The tea section among plantations bore the brunt of the fall in Cochin auctions, at the first tea sale held on 8th January 1957, the average price was Rs. 2.41 per lb. The peak of the year was touched in February when the average was Rs. 2.59 per lb. In sale No. 15 held on 18th June, the average dipped to Re. 1.59 per lb., since when there has been a mild recovery to Re. 1.82 per lb. The corresponding figure for 1956 was Rs. 2.66 per lb. The combined average for the year up to mid-November was Re. 2.02 per lb., as compared with Re. 2.17 for the same period last year. The fall in high quality tea prices has not been so pronounced, as in the case of common grades which continue to be selling at unremunerative prices. As on 22nd November 1957, the United Kingdom stock stood at 146,000,000 lbs. as compared with 102,000,000 lbs. at the corresponding end of the year. The problem of overproduction which dogs the industry has so far defied a satisfactory solution. Finer plucking has been recommended as a remedy for reducing output and for improving quality.

This may narrow down the imbalance between supply and consumption to some extent. All the same, the outlook for tea appears to be none too encouraging, what with the enhanced cost of production, increased taxation—both Central and State—and the prevailing low tea prices.

The coffee section was fairly active and prices were well maintained. Internal prices ruled higher and indigenous demand was on the increase. The Chairman of the Coffee Board stated recently that the price policy would remain unchanged till 31st March 1958, in spite of the marked increases in wages. He observed that the development scheme had made some headway. As regards exports, out of the revised allotment of 15,155 tons, 14,138 tons have been sold and West Germany has been, as usual, the largest buyer. The Chairman has laid stress on the need for expanding exports of coffee to foreign markets. His estimate of the current season's (1957-58) coffee crop at 37,000 tons which is lower by 5,000 tons, as compared with the previous year.

The controlled price of rubber remained unchanged at Rs. 155.50.

Here are some representative price movements in plantation scrips:

ary the Company issued right shares at par in the ratio of one new share for one old share. Loyals met with speculative activity and the shares, opening at Rs. 49.75, improved to over Rs. 50 but fell sharply to Rs. 37. Madurais disappointed the market by reducing the dividend from 20 per cent to 17½ per cent. The shares opened at Rs. 46.62, rose to Rs. 48.75 but broke sharply to close at Rs. 35.25 sellers. Metturs, a section 23A company, reduced the dividend drastically from 42½ per cent. to 20 per cent. and consequently the shares which opened at Rs. 422.50 and rose to over Rs. 440 slumped to about Rs. 313 cum-div. Towards the close, however, there was an improvement to Rs. 351. Radhakrishnas big started at Rs. 335 and the small at Rs. 170. They lost Rs. 85 and Rs. 45 respectively over the year. The Company has proposed fresh issue of equity shares of Rs. 25 each as bonus, 16,812 equity shares of Rs. 100 each and 16,812 'B' shares of Rs. 50 each for cash at par. Rajalakshmis opened at Rs. 182 and after improving a few points fell to Rs. 107 cum-right. The Company issued two right shares for every share held and from the ex-rights quotation of Rs. 78.50 there was a further drop to Rs. 70. Travancore Rayons were throughout active but the shares lost about Rs. 3.50 over the

		Opening 2-1-1957	Highest	Lowest	Closing 6-12-1957
<i>Tea</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Blue Mountain	5.21x.d.	6.19c.r.	2.85x.r.	2.92	3.00c.d.
Chandramalai	4.40	4.50	2.95	15.75x.r.	15.75
Haileybura	22.87c.d.	25.50c.r.	15.75x.r.	11.80	5.35
Highland ¹	14.00c.d.	15.25	11.50	19.25x.d.	14.50c.d.
Kil Kotagiri	6.25	7.37	5.25	21.00c.d.	21.00c.d.
Nonsuch	20.50	24.50	19.25x.d.	4.00x.r.	4.00
Parkside	16.25x.d.	17.75	13.50	9.00	6.70
Pernmade	27.00	30.00	21.00c.d.	13.00x.r.	13.00
Periakulamai	7.50	8.87c.r.	9.00	15.90	16.10
Talayar Tea	11.12	12.12	9.00	3.25x.r.	3.45x.d.
T. R. & Teas	10.12	10.25	6.70	23.00	32.25c.d.
Twyford	19.12c.d.	19.75c.r.	18.12	27.75c.d.	27.75c.d.
United Nilgiri	18.37	19.25	6.90	4.85x.d.	4.85
Waterfall	5.29x.d.	6.75c.r.	4.12		
<i>Coffee</i>					
Coffee Lands	28.87x.d.	32.25c.d.	23.00		
Cosco Coffee	18.25x.d.	23.00c.d.	18.12		
Cowoody	7.56	8.45c.d.	6.90		
Ouchterlony	4.12	5.37	4.12		
<i>Rubber</i>					
Cochin Malabar	9.19	10.37c.r.	4.10x.r.	4.23	
Midland	16.37	18.56	13.90	14.00	
Pullagode	2.56	2.94	1.45	1.73	
Rajagiri	23.12c.d.	23.37	14.87	16.00c.d.	
Vaikundam	31.00	32.50	25.00	26.50c.d.	
x.d.-Ex-div.		c.r.-Cum-right	x.r.-Ex-right	c.d.-Cum-div.	

Textiles

The main problem confronting the industry at present is the continued accumulation of stocks and the poor internal offtake. This state of affairs has been brought about by the various governmental measures like the steep enhancement of mill cloth excise duty in September 1956, the policy of subsidising the handloom industry and Ambar Charka.

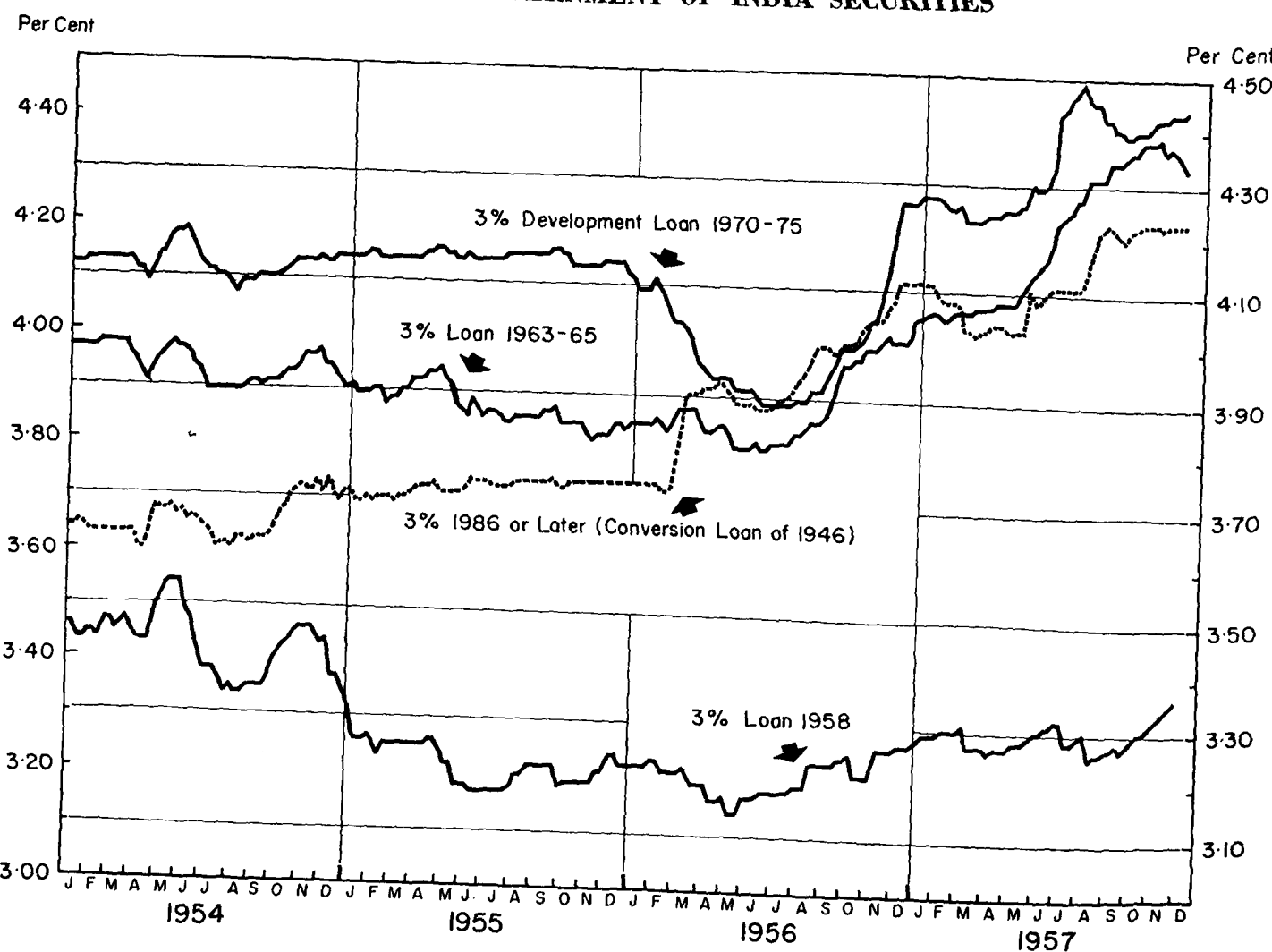
Prices of textile shares recorded a mild improvement till March, and thereafter a recession set in, which continued unchecked till the end of the year. Investment support was seen in Bangalore Woollens and Buckinghams. Bangalores issued bonus shares in the proportion of two for one and maintained the dividend of 30 per cent. on the old capital. The shares opened at Rs. 542.50, improved to Rs. 532.50 *ex-right* but fell to Rs. 550 *ex-div.*, *ex-right*, to Rs. 173 *ex-div.*, *ex-right*. The closing was still lower at Rs. 162. Buckingham paid the usual 10 per cent. dividend. The shares started at Rs. 175.50, rose to Rs. 138, but lost 31 points at Rs. 157. Cambodias paid 5 per cent. and the shares fell to Rs. 11 from the opening of Rs. 14.62. Coimbatore Cottons issued right shares at par in the ratio of one to four equity shares for every share held. Coimbatore Spinnings stepped up the dividend, from 16 per cent. to 20 per cent. The shares opened at Rs. 90 and after improving a few points fell to Rs. 69 at the close. Dhanalakshmis issued one right share for every share held. The dividend on the old shares was lower by 5 per cent. at 25 per cent. The shares opened at Rs. 370, improved to Rs. 377 *cum-div.* and fell to Rs. 216 *ex-right*. Janardanams maintained the 20 per cent. dividend. The shares started at Rs. 101, rose to Rs. 117.50 *cum-div.*, but closed lower at Rs. 80. Vishnarajendras increased the dividend from 10 per cent. to 14 per cent. but the shares fell to Rs. 83 as against the opening of Rs. 110. Kothari Textiles maintained the 10 per cent. dividend. The Company is issuing new right shares at par in the ratio of 3 : 5. The shares opened at Rs. 13.75 *ex-div.* but lost Rs. 5.60 over the year. Lakshmis Rs. 50 pails started at Rs. 253 and closed at Rs. 137. The shares improved to Rs. 265 and fell to Rs. 250 respectively. The dividend was 5 per cent. lower at 20 per cent. In Febru-

year. Trichinopoly Mills increased the dividend by 2½ per cent. at 11½ per cent. The shares which opened at Rs. 13.37 closed lower at Rs. 12.50. Vasanthas started at Rs. 330 and declined to Rs. 278 at the close.

Miscellaneous

Towards the latter part of the year considerable investment attention was diverted to this section because of the uncertainties surrounding plantings and textiles. Aluminium Industries issued 400,000 ordinary shares at par in the ratio of one for one. The shares opened at Rs. 20.12 and closed at Rs. 13.55 *ex-right*. The Company repeated the 124 per cent. dividend on the old capital. Andhra Cements lost about Rs. 4 over the year. The dividend was maintained at 10 per cent. The Company issued two right shares for five shares held. Binny's opened at Rs. 190 but declined to Rs. 159 at the close. Facts lost nearly 2 rupees, closing at Rs. 2.30. Indian Cements opened at Rs. 28.50. The Company paid 84 per cent for 1937 against 74 per cent. for last year. The shares closed at Rs. 24.75 cum the interim dividend of 4 per cent. for 1937-38. Indian Aluminiums paid 10 per cent. against 9 per cent. for the previous period. The Company issued convertible stocks for Rs. 2,68,13,200. The shares started at Rs. 15.50 *ex-right* but fell to Rs. 12.65. Indian Steel Rollings issued fresh shares for Rs. 5 lakhs at par. Mettur Chemicals maintained the dividend at 74 per cent. The shares opened at Rs. 9.75 *cum-div.* improved to over Rs. 10 *cum-div.* but closed lower at Rs. 9.65 *cum-div.* Mysore Chemical Manufacturers issued one right share at par for every share. Mysore Papers maintained the 10 per cent. dividend. The shares improved from Rs. 16.25 to Rs. 17 *cum-div.* but fell to Rs. 15.82 at the close. Mysore Tobaccos improved from Rs. 13 to Rs. 15 *cum-div.* and closed steady at Rs. 15.50 *ex-div.* Ballis lost Rs. 10 and closed at Rs. 29. Spencers started at Rs. 16.19, improved to Rs. 18 but receded to Rs. 17 at the close. Textools issued new shares at par in the ratio of 1:1. The old shares closed at Rs. 204 cum the 20 per cent. dividend as against 15 per cent. for last year. Travancore Cements started at Rs. 9.37 and closed at Rs. 7.

YIELDS ON GOVERNMENT OF INDIA SECURITIES



A GAINFUL YEAR FOR BULLION

Silver Unaffected By Import Of Tibetan Coins

BOMBAY, 14th December

MUCH has been said about the unproductive nature of the investment in bullion, but the demand for precious metals in India has proved to be unsatisfactory, if the trend of their prices during the last five years is any indication. The trend has shown that investment in bullion is no less gainful than any other. On the contrary, from the point of view of capital appreciation, it has been a profitable one, with bullion prices displaying a steadily rising trend and establishing fresh high levels each year. The year 1957, now drawing to a close, was no exception. It was one of the most prosperous years for the metals, with the demand for both silver and gold broadening considerably, thanks to an increase in the agricultural income and industrial wages. To those who had already developed a craze for the precious metals, the new fiscal measures of the Government of India, particularly the wealth tax and expenditure taxes, served to whet their appetite more and to aggravate the demand for the metals.

Though the trend of prices was irregular, the year was generally one of higher prices for both silver and gold. For both the highest and the lowest levels touched during 1957 were well above those of any of the previous four years. Thus, ready silver reached a peak of Rs. 191, as compared with Rs. 184 in 1956, the peak for 1957 being the highest to be witnessed since February 1952. In gold, the highest level touched so far during the year was Rs. 112-8, which shows a rise of Rs. 5-4 over the corresponding price of 1956, and constitutes a record since September 1951. It was only Rs. 8-4 below the all-time peak of Rs. 118-12 reached in April 1951. At the other end of the scale, ready silver came down to a low of Rs. 174-2 and ready gold to Rs. 103-13, as compared with Rs. 168-8 and Rs. 94-7, respectively, in 1956. They also compare very favourably with the lowest of Rs. 140-10 and Rs. 77-4, respectively, touched in the slump of 1952.

The net gain in silver over the year (up to 14th December) is Rs. 9-5 per 100 tolas for ready and Rs. 9-3 for forward, as against a rise of Rs. 1-1 and Rs. 7, respectively, recorded in the corresponding period of 1956. Gold was dearer by Rs. 3-15 in the ready section and Rs. 3-6 in the forward. The rise was, however, very much less marked than in the previous year, when the yellow metal improved by no less than Rs. 11-1 in the ready position and Rs. 10-10 in the forward. This was due to the fact that the activity in gold was somewhat restricted as compared with the previous year.

The most notable feature of the trading in the bullion market during the year was that the bulk of the activity was confined to the ready section, thanks to the good offtake in both the metals, while forward dealers were more docile than in the previous years. This is indicated by the fact that the fluctuations in the ready section were wider than in the forward. Thus, the spread between the highest and the lowest levels in ready silver was Rs. 18-14 and in ready gold Rs. 8-11, the corresponding difference in the forward section being Rs. 12-4 and Rs. 5-4, respectively. Thus, the year proved to be a more gainful one for ready dealers, thanks to the good offtake in both the metals.

As already indicated, the main sustaining factor during the year was the large demand for both the metals, particularly for silver. An idea of the demand for the white metal is provided by the fact that the market found no difficulty in absorbing the large and uninterrupted inflow of Tibetan coins, in the import of which there was no change of official policy during the year. The figures of imports for the calendar year 1957 are not available, but a broad indication of the heavy arrivals is provided by the official figures given by the Deputy Finance Minister for the financial year 1956-57 and upto the end of October in the current financial year in the Rajya Sabha recently. According to the Minister, 27,610,450 pieces

of silver coins were imported from Tibet during 1956-57. In the current financial year up to October, 14,896,267 pieces of such coins were imported. The weight of these coins was 23,709,768 ounces (troy) up to October in 1957-58. The amount of import duty levied on the coins was Rs. 1,23,77,699 and Rs. 65,02,006 in 1956-57 and 1957-58 (up to October), respectively. Notwithstanding this heavy import, the floating stocks in the country have not gone up. On the contrary, they have declined, according to reliable estimate, from 4,000 bars to 3,000 bars.

So far as gold was concerned, the usual supplies (mainly through smuggling) were considerably curtailed, thanks to the extra vigilance of the customs authorities, but the unauthorised arrivals did not altogether stop. The fact that gold prices generally kept an upward trend during the year in face of these arrivals gives an indication of the demand for the yellow metal.

Though the market was generally active throughout the year, trading was relatively smooth, as in the previous year, without any bear raid or bull squeeze. There was no declaration of emergency or amendment of by-laws. The enforcements of automatic margins and interim clearings were few and far between. The market had, nevertheless, to face spells of uncertainty regarding the future of forward trading in bullion. The Forward Markets Commission, which took up this question last year, is reported to have submitted its findings to the Government of India, the decision of which is awaited with some concern in the market.

Silver

The trend of silver prices during the year was mainly influenced by reports of actual and anticipated arrivals of Tibetan coins from time to time. The year opened on a firm note, in distinct contrast to the easy tone which prevailed in the closing month of 1956, and the white metal touched the highest levels not seen in recent years. The buoyancy was mainly due to bull support and bear covering, induced by increased ready demand with the progress of the busy season and expectations that the inflow of Tibetan coins would decline. Signs of increased tension between India and Pakistan over the Kashmir issue and the firmness of commodity prices also contributed to the bullishness, which persisted till 18th February, lifting the ready metal from Rs. 174-6, at which rate the year 1956 closed, to a peak

of Rs. 187-6. Forward silver came up from Rs. 175 to a high of Rs. 186-14 (for the March settlement). When forward silver for the February settlement rose (on 23rd January) by over Rs. 7 above the starting rate (Rs. 175-12) for that settlement, a margin of Rs. 500 per bar was imposed on all outstanding purchases.

From 19th February, there was a reaction which became more pronounced towards the close of the month, due to large arrivals of Tibetan coins and lower offtake. On 1st March, the fall in forward silver (March settlement) was more than Rs. 7 below the starting rate (Rs. 185) for that settlement and sellers had to pay a margin of Rs. 500 per bar on their outstanding commitments. The trend was irregularly lower during the greater part of March, due to fears of larger arrivals on reports that heavy import duty had been paid. In this reaction, ready silver came down to a low of Rs. 174-9 and forward (April settlement) to Rs. 175-4. The closing week of March witnessed again a reversal of the downward trend and a bullish phase came to prevail. This persisted till the end of the penultimate week of May. The rally in silver prices was attributed to reports that imports of Tibetan coins might not be freely allowed after March 1957 and the encouraging offtake in the ready section in the face of dwindling floating stocks. There was, no doubt, a pre-budget reaction on fears of official measures to check the rise in bullion prices, but the absence of any such measure in the budget and the fresh tax measures, namely, wealth and expenditure taxes, caused a buying spree. Rumours of devaluation of the rupee was an additional bullish factor which lifted prices to a peak of Rs. 191 (for ready metal) and of Rs. 187 (for forward April settlement) on 21st May, the highest levels seen since February 1952.

In the closing week of May, a reaction set in due to larger arrivals of coins from Tibet, fall in offtake and expectations of modifications in wealth and expenditure taxes at the Select Committee stage. The reactionary trend persisted till the middle of July, when the ready metal receded to Rs. 177-3 and the forward to Rs. 177-1 (August settlement). Subsequently, however, prices firmed up on renewed bull support and short-covering, induced by reports that the price of silver in Tibet had gone up. Ready metal regained to Rs. 183-3 and forward Rs. 183-3 early in August. At the higher levels, the trend became somewhat irregularly lower on account of frequent reports of large arrivals of Tibetan coins and easier

advices from commodity markets. There was, however, no serious setback in prices, as sentiment was kept fairly intact by the heavy absorption of the ready metal. In the third week of September, prices again shot up to the highest levels since May, the ready metal creeping up to Rs. 185-10 and forward to Rs. 186-13, mainly due to speculative support based on expectations of a fall in arrivals and of an expansion in demand. The political situation in the Middle East also fanned the bullish enthusiasm. In the subsequent months of the year, the white metal remained subdued, as arrivals of Tibetan coins continued, though the pace of arrivals slowed down a bit with the onset of winter. Also reports of crop failures and consequent food shortage induced caution among operators as the demand during the current season was expected to be less, with the result that prices moved between Rs. 181 and Rs. 185 and stood on 14th December at Rs. 183-1 for ready and Rs. 183-7 for forward (January settlement).

Gold

Trading in gold was uneventful, though the undertone was on the whole firm and the trend of prices followed the pattern in silver. The year opened on a dull note, but prices did not show any sign of relapse. From 10th January onward, however, prices began to soar due to a slackening in the arrivals and the good offtake in the ready section. The increased vigilance of the customs authorities in lance of the influx of smuggled gold also checked the "bulls", with the result that ready gold touched a high of Rs. 109-11 and forward Rs. 108-15 (March settlement) on 16th February, as against the closing levels of Rs. 104-11 and Rs. 104-10 (January settlement), respectively, for 1956. In the latter half of February, gold suffered a reaction which wiped out the entire gain recorded in the previous six weeks. Thus, on 1st March ready gold touched a low of Rs. 104-5 and forward Rs. 104-6. During the months of March and April, prices maintained an irregular pattern, moving between Rs. 104-8 and Rs. 106-12, indicating the pre-budget caution.

As in the case of silver, gold took a decisively upward trend from the closing week of April onwards. The budget proposals presented in May and reports of seizure of large quantities of contraband gold strengthened the bullish enthusiasm. The result was that ready gold touched a peak of Rs. 112-8 and forward (June settlement) Rs. 109-3. This was followed by a sharp setback which persisted till the first week of July, when ready gold came down to Rs. 104-11 and forward (July settlement) to Rs. 104-8, the main bearish factors being the weakness in silver and expectations that smuggling activity would increase in the near future. The would increase in the near future. The bullish phase, however, asserted itself, due to a slackening in arrivals and reports of further seizure of contraband gold in Punjab and Saurashtra on a large scale. In fact, the frequent seizures under the extra vigilance of the customs authorities in several coastal towns and the closure of minor ports in Saurashtra in order to check the smuggling activity, constituted the main factor which kept up the bullish sentiment during the rest of the year and prices, consequently, moved within a narrow range at the higher levels. Ready gold came to touch a high of Rs. 109-9 on 12th November and forward gold (December settlement) Rs. 109-4. During the last four and a half months, ready gold had never gone below Rs. 106-3 and forward gold below Rs. 106-4. The closing prices on 14th December were Rs. 108-10 for ready and Rs. 108 for forward (January settlement). The market showed no signs of weakening in the near future.

U.K. TO MINT GOLD SOVEREIGNS AGAIN

Thousands of new gold sovereigns—the old British coin replaced 40 years ago by the bank note—are to be minted to beat counterfeiters abroad. The gold piece—face value 20s—was withdrawn from Britain's coinage in 1917. It is today worth about 74s. The new coins will go into Britain's gold reserves, and the older sovereigns—a few were minted in 1949 and 1951—will be released. The sovereign was England's principal coin for a century, after ousting the golden guinea in 1817. Then, during World War I, all gold coins were withdrawn from circulation, and replaced by paper bank-notes.

METAL STOCKS WITH TRADE HEAVY

Prices Move Down

CALCUTTA, 14th December

FOR the metal market, 1957 was a year full of uncertainty, which was duly reflected in movement of prices. Most of the requirements of principal base metals, that is, copper, tin, zinc and lead, is met by imports and as such foreign exchange difficulties caused considerable anxiety to importers and consumers alike. Having regard to the country's dependence on outside supplies, the import policy for the first half of 1957 announced early in January did not reduce the quota for any metal, although the quotas for base metals, as 509 items were slashed. Base metals continued to be on the O.G.Ls, and, since established importers were free to import as much as they needed and as they feared that imports would be drastically curtailed in the next licensing period, actual imports were far greater than imports, bazar dealers and consumers in abundance, prices were kept down at competitive levels during the major part of the year. The price-trend was also in half accord with reports from principal overseas markets. The lower trend was due to the clear recognition that world production of principal metals was increasing faster than what the demand could absorb. This was only confirmed when the producing countries planned to cut copper production.

Towards June, however, it was becoming clear that the foreign exchange difficulties were growing in intensity. Market circles, therefore, took the view that the import policy for the next licensing period commencing from July would contain unwelcome surprises. Prices, as a consequence, registered a rise. At the beginning of July, the import policy was announced. Under the policy, the base metals were suspended and lead and zinc were such as copper, tin, lead and zinc were to be imported on an *ad hoc* basis by individual users only. This contributed to an upward trend in prices, but, as *ad hoc* licences began to be issued with promptitude and speed towards the end of July, prices began to move down in accord with the trend in overseas markets. The next detailed import policy was announced at the end of September—applicable from October 1957 to March 1958. The policy revised the system of issuing licences to established importers but, at the same time, the quantities for which each importer could get licence were fixed on a quota basis. Prices again declined, and the closing months of the year were the dullest periods in the metal market.

Electrolytic Copper

Early in the year, the electrolytic copper section was under the impact of steady conditions, following the Government's earlier announcement of its decision to permit forward trading in copper, zinc, lead and tin. This move was welcomed, as it was thought that hedging facilities would lead to automatic stockpiling, of which consumers could take advantage in times of emergency. However, the stock-position in copper was far from satisfactory and the Government prohibited the export of semi-manufactures of copper, namely, sheets, circles, strips, copper, bars, rods, tubes, pipes, and plates, until further notice. As a bare wires until further notice. As a result, the price was fully steady at Rs. 198 per cwt. for some time, but, by the end of January, moved down to Rs. 193. The recession followed by advices from London that world production during the year would exceed demand and that a slump in price was more than likely. Simultaneously, the decision of the British Government to reduce defence expenditure was also made known, and this suggested reduced consumption of copper in the U.K. In contrast, American buying was higher and Japan was increasing its requirements from 20,000 tons of ingots and 12,000 tons of scrap. By the end of February, the price declined to Rs. 182, and continued to fall, interest being shown by consumers. Further, fresh arrivals continued to be large. Copper smelting firms in the U.S. reduced the price by 2 cents per lb. At the same time, the Rhodesian Selection Trust Group of companies also slashed the price by £20 to £250 per ton. These revisions clearly indicated that supplies exceeded demand and American reports did not conceal this indication. By early April, the local quota

tion declined to Rs. 173. This followed a further downward revision of £10 to £240 a ton by the Rhodesian companies and of 2 cents to 32 cents by American smelters. More than usual interest was attached to the curtailment of production by a big American refinery due to water scarcity. For reduction in output was suggested to be an attempt to arrest the decline in prices.

Continued reports that American producers were adjusting their production rate induced a recovery in both New York and London. Local sentiment was further warmed up on news that labour troubles had led to the closing down of production in certain refineries in Northern Rhodesia and Chile. In addition, there was more demand in London, following settlement of strike in shipbuilding and engineering units there. In Canada, it was feared that labour troubles might affect production in the Nipissing mines. These factors pushed the local quotation from Rs. 173 to Rs. 195 by the end of April, although stocks were plentiful and fresh arrivals were considerable. By way of profit-taking, a decline followed and the price gave way to Rs. 174-50 by the end of May. June recorded an upward trend, following grave doubts as to whether the foreign exchange shortage situation would permit continuation of unrestricted imports of metals in the second half of the year. The quotation rose to Rs. 178 before, however, losing to Rs. 175 towards the end of June. Reports of a strike in Roan Antelope mines in Rhodesia did not receive notice in the face of voluntary cut in production by Rhodesian and American producers by 72,000 tons a year, in order to maintain the price equilibrium in world markets.

O.G.L. Withdrawn

In accord with market expectations, the import policy for the July-September period restricted imports. The withdrawal of O.G.Ls naturally led to several protests from the trade and was put forward that the established importers who knew fully well the technicalities of world markets should be re-enabled to import metals. The fear that issuance of *ad hoc* licences proved unfounded and, when these licences began to be issued with surprising speed, the rate fell to Rs. 180 towards the end of July. Before this, the price had advanced to Rs. 185, reflecting the import policy. In both August and September the price receded and, by the end of September, it was as low as Rs. 168. It was noted that the British Government postponed the release of 27,000 tons from Government stocks to the end of the year, instead of in October as earlier proposed, in order to prevent losses. Chilean production increased to such a level that Chile's decision to export 2,000 tons of copper wire to China and 5,000 tons to Poland and copper products to the U.S.S.R. did not cause any surprise in the market. In a similar way, Japan's decision to reduce output by 20 to 30 per cent was noted. The closing months of the year constituted a dull period and, in November, the price touched a low as Rs. 151 before recovering to Rs. 160-50, following shortage of ready metal. The import policy for the six months ended March 1958 placed import of base metals under the O.G.Ls on a restricted basis. The shortage of ready metal was attributed to this restricted import policy.

Tin

Tight supply position and steady demand led tin to be quoted at Rs. 588, several points higher than replacement cost. The subsequent fall to Rs. 542 by the end of January reflected an improvement in fresh arrivals and the rate moved down to Rs. 520 by February-end, due to consumer resistance to higher trend. Early in March, the U.K. Board of Trade announced its decision to release 2,500 tons, while it was feared that the political uprising in Indonesia might retard the flow of tin concentrates to the tin metal producing centres. London reported a marked increase in warehouse stocks, resulting in the contraction in back-cuttage of spot tin. Stocks in Calcutta recorded a further increase, following more arrivals. The cumulative effect of these factors was a fall in the price to Rs. 504 by the end of March. At this time, the international

Tin Council met and decided to raise the floor price from £640 to £740 a ton for purchasing the buffer stock as envisaged in the international agreement. Stocks in Calcutta rose to such proportions that they far exceeded demand and, for the first time during the year, the price at Rs. 508 in the first week of April was Rs. 12 below the landed cost. The price regained to Rs. 528 by June, following higher advices from London, where activity got momentum, as purchases were reported for the buffer pool under the international agreement. Japanese buying in the Far Eastern markets was considerable. The price was now above replacement cost, and the rise was in anticipation of import cuts, although stocks were comfortable. Demand was good.

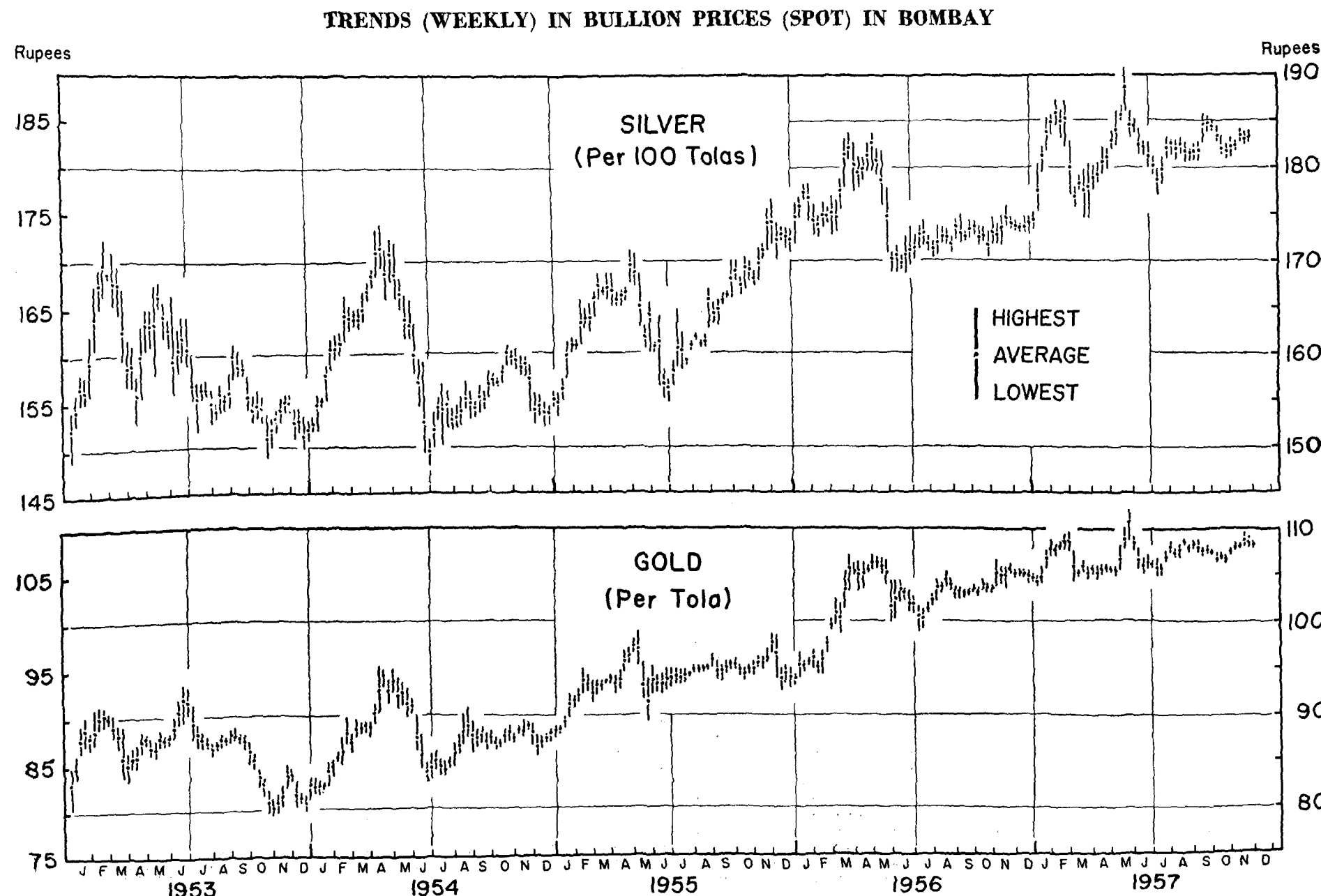
In July, the price staged buoyancy by jumping to Rs. 600 from Rs. 518, thanks to considerable activity in London, created by purchases for the buffer pool. After remaining at higher level for some time, the price gave way to Rs. 550 by September. Stockists exhibited a nervous tendency and, throughout the remaining months of the year, the recession continued. By November, the price was as low as Rs. 500, and replacement cost was even lower at Rs. 472.

Electrolytic Zinc

Steady demand, coupled with reports of good buying in the U.S.A. for stockpiling, pushed the local quotation for electrolytic zinc from Rs. 69-8 to Rs. 76-4 in January. The supply position was getting tighter and, by April, the quotation reached Rs. 82-50. London reported good activity for spot metal and the consumers were reluctant to enter into long-term commitments, due to availability of Continental metal. Soon, there was difficulty on the L.M.E. to find ready stocks, and there existed a wide back-wardation in spot and nearby quotations. In Calcutta, too, there was shortage of ready metal, and fresh arrivals were keenly looked forward to relieve the situation. The trend in New York was also on the upward direction, and the U.S. Government's call to domestic producers to submit tenders for zinc and lead for strategic stockpile boosted sentiment further. Locally, there was considerable buying on both Government and commercial accounts. In June, the price rose to Rs. 83 after being lower at Rs. 75 earlier. In July, substantial arrivals eased the supply position and the price gave way to Rs. 73 before advancing again to Rs. 86-50. The cancellation of O.G.Ls did not affect arrivals, as *ad hoc* licences were issued in the three months of August, September and October. The price began to give way gradually and, by the end of November, was as low as Rs. 58-50.

Lead

In contrast with the trend in other metals, virgin lead was noted for easiness and the price moved down from Rs. 82 in January to Rs. 76-50 in March. For stocks were plenty, although, now and then, the Government demand led to boosting of sentiment. In May, the price spurred to Rs. 80, following good buying on commercial account and for consumption uncoun-try. A sharp reaction on the L.M.E. on fears of a general price-cut in the U.S. hammered down the Indian quotation to Rs. 73-50 by the end of May. Subsequently, that is, in mid-July, an American smelting firm reduced its selling price by 1 cent to 14 cents a lb., but, as this had already been discounted, the quotation on the L.M.E. was not affected. The quotation here was, however, lower at Rs. 72-50. At lower levels, consumer buying was large and this led to tightness in the ready stocks in the beginning of July, the price recovering to Rs. 84 at the end of July. Thereafter, the price began to give way and, by September, it fell to Rs. 67. In October, there was a partial recovery to Rs. 69 induced by an increase in buying. The lower trend again set in and, in November, the price moved down to Rs. 63 before closing at Rs. 65.



U.S. Crop And Stocks At Low Levels

This improvement was also due to some other factors. Both the contracts had reached very low levels at the end of December 1956 and the upswing witnessed after the turn of the year was a natural reaction to the previous weakness. Bullish crop news and rumours regarding export quota induced large-scale speculative buying and short covering which imparted further strength. There was also the fear of scarcity of cotton in the auctioning of the January-March contract. The firm trend gathered further momentum in February. This was mainly because of an export quota of 50,000 bales of Bengals and

The bullish trend of the market continued in April which witnessed a virtual struggle between the free market forces and the grim determination of the Government to keep the price under control. The increase in deposits on open futures positions had failed to produce the desired effect whereupon the Forward Markets Commission ordered the compulsory closure of the market on the 17th of April, when Vijay April was quoting

Futures market continued to be dull in September. The trend of the market was largely guided by weather news. Reports of welcome showers in Broach and Saurashtra brought forth some selling and the contract dipped to Rs. 664 on the 20th September. It recovered towards the end of the month to close at Rs. 681.50. Futures

By the close of March, however, the market firmed up. The Government of India's cancellation of unused export licences with effect from 31st March had a bullish effect on the Karachi cotton market, especially that for Deshi cotton. Deshi prices advanced sharply in April and its supply became scarce as a result of a failed export business with Japan, U.S.A. and the Continent. But the demand for staple cotton was weak. The strong statistical position, however, prevented a fall in prices. The July contract ruled very steady in April, but there was a sizable volume of selling in the contract for

On 26th February, dropped to 114.85 tallars per 30th March. Ashmound April declined from 84.15 tallars to 80.25 tallars during the same period. The same trend persisted in April also. The Egyptian Government made an all-out effort to step up exports. Trade delegations were sent to several countries, including India. The conclusion of an agreement with India under which the latter agreed to buy 20,000 bales of cotton for payment in rupees and the Czechoslovakia induced fresh activity in the market in May through, towards the end of the month, prices reacted to bearish weather news. On 15th May the Government announced details of its cotton policy for the next (1957-58) season. Trading in new crop future was permitted with effect from 18th May. The minimum price for the new season remained the same as for the 1956-57 crop. It was also announced that export duty would be raised by 100 tallars per kantar on all shipments from 1st September.

The weak trend which was evident in June gathered momentum in July and led to large-scale liquidation and reports of satisfactory crop progress. It was also announced that the new season in

The market, however, suffered a setback during July on improved weather news and a higher-than-expected acreage estimate for the new season, which placed the area under cotton at 14,224,000 acres, about 15 per cent less than that of the previous season. Export sales by the C.C.C. also slowed down as the season drew to a close. The 1956-57 season, which ended on 31st July 1957, witnessed a new record in exports aggregating 7.5 million bales. With export of such a magnitude and a domestic consumption of 8.75 million bales, which was lower than last season's figure, the carry-over declined by over 5.2 million bales to roughly 11.3 million bales at the end of July 1957. It was thought that many countries having made substantial purchases, exports in the new season would be much smaller. This factor, together with the lower support prices for the new season, resulted in a recession in August. Although the first production estimate, published on 8th August, placed the crop at 11,897,000 bales, which was somewhat lower than expected, it did not exert any bullish effect on the market. On the other hand, the market declined after the announcement of the 1957 support price. The loan

Trading in the New York cotton futures market was on a limited scale throughout the first quarter of the year, but prices maintained a firm upward trend. The feeling was that, as long as the present export programme continued, the volume of futures transactions would be restricted, so that there would be very little need for hedging operations. It was clear from the very beginning that exports during the year 1956-57 would reach a new record. The nearby March contract, which ruled at 34.87 cents towards the close of January, after improving to 35.19 cents at the end of February, declined to 34.95 cents towards its maturity in mid-March. The May position hardened to 35.14 cents at the close of March, compared with 34.82 cents at the end of January. Trading continued quiet and featureless in April also but values were somewhat small gains. Bullish weather news and the feeling that any change in farm legislation would not affect the 1957-58 crop induced a further trend in May which gathered additional strength when private estimates placed the 1957-58 acreage under cotton at about 16 per cent below that of the previous season. Values further advanced in June as the belief gained strength that the Administration's aim of lower support prices and higher acreage would not materialise soon. Another helpful factor was the feeling that the 1957-58 crop may not be sufficient to cover domestic and export requirements, so that surplus stocks would be produced further. The July contract, which was quoted at 34.84 cents at the end of April, firmed up to 35.50 cents by the end of June.

The C.C.C. stock of 1956 crop was offered for sale for unrestricted use on the 25th November. Exports from 1st August 1957 to the middle of November aggregated 1,463,000 bales as against 1,847,000 bales during the same period last year. Total Government controlled stocks as on 22nd November amounted to 5,956,257 bales comprising 1,286,045 bales of 1955 and earlier crop, 3,713,076 bales of 1956 crop and 987,136 bales of 1957 loan.

The variations in prices of some of the representative loans over the year are given in the following table:

	As on 21-12-57	As on 20-12-58	Gain(+) or loss(-) over the year
<i>Government of India</i>			
<i>Loans</i>	Rs.	Rs.	Rs.
2½% 1950	97.10	96.37	+ 0.73
3% 1958	99.75	99.56	+ 0.19
3% 1963-65	93.55	94.13	+ 0.57
3% 1970-75	85.75	86.81	+ 1.06
3% 1968 Con. Loan	71.00	70.00	- 2.00
3½% 1964	97.75	98.19	+ 0.44
3% 1974	98.25	98.50	- 0.25
<i>State Loans—</i>			
4% 1967 Bombay ..	98.25	99.09	+ 1.44
4% 1967 Madras ..	97.00	98.12	+ 1.12
4% 1967 W. Bengal.	98.25	99.62	+ 1.37

DISAPPOINTING YEAR FOR TEA

Marked Fall in Exports

CALCUTTA, 4th December The year 1957 has proved disappointing for the majority of producers in North India. As in recent years, price fluctuations have been frequent, while the market has often ruled at a level which left little or no margin of profit for the bulk of the tea sold in Calcutta. In spite of a substantial shortfall in the North Indian crop to the extent of some 28 million lbs., there was overproduction on a world scale and the Doorgas, Cachar and Lower Assam estates have been the worst sufferers. Producers of quality tea, on the other hand, found the market generally in their favour, and the limited proportion of the North Indian production of quality tea was sold at prices comparing favourably with 1956.

The early sales at the beginning of 1957 saw prices in the Calcutta auctions still following the pattern set during the closing months of 1956, when fairly heavy purchases were made by the United Kingdom and the other outmarkets on the closure of the Suez Canal. Soon afterwards, a combination of a stock build-up in the United Kingdom and a fall in the quality of offerings which were end-of-season in nature, brought a downward trend in prices. Plain broken pekoe, which was quoted at Rs. 2.25 early in January, sagged to Rs. 1.60 per lb. at the close of the season in April.

The arrival of new season's teas in Calcutta at the beginning of June found buyers in a hesitant mood. Common tea opened at Rs. 1.75 but the export enquiry was very limited. The market showed an improvement during July, when the offerings represented the best second flush quality and common tea was quoted at Rs. 2 per lb. which was to be the peak for the current season. The best liquor offerings were also in excellent demand, realising ceiling prices of between Rs. 3.50 and Rs. 4.50. As the quality fell away in the subsequent months, buyers became more selective and prices again drifted downwards and by the end of November, not only had the price differential narrowed down considerably but common tea had again receded to a level at which a number of estates were making a loss. The following quotations will show the price differential between the best quality and plain teas as well as the extent of fluctuations during the last two years:

	1956		1957	
	Highest	Lowest	Highest	Lowest
Plain B.P.	Rs. 2.37	Rs. 1.44	Rs. 2.25	Rs. 1.56
Best C.T.C.	5.00	2.19	4.00	2.25
Assam/B.P.				

The strongest features of the Calcutta market during 1957 were flavoury Darjeelings, stylish whole leaf grades and Assam tipple B.O.F.s which through most of the year received excellent support from the U.S.S.R. Iranian buying was also fairly strong throughout the year and some handsome prices were paid for the tipplest descriptions. Turkish purchases were generally on a heavier scale than during the last year, while the few best quality C.T.C. Assams were readily taken up by the United Kingdom. Owing to the exchange handicap, Egyptian buying was rather limited during the year and black fannings and leafy dusts suitable for this market were, as a result, neglected. The buyers for the United Kingdom and the outmarkets showed very limited interest in common and low medium teas and the Internal market was their sole outlet.

Opening at 50 nP in January 1957, the rate of export duty was reduced to 38 nP with effect from 1st February, following a reduction in the rate of price. It continued at this rate until May, when the London market showed a sharp decline and the duty was further reduced to 25 nP per lb. From August, the duty was again put up to 38 nP per lb. which continues up to this date. (4th December 1957).

The first release of the export quota rights amounting to 50 per cent. of the estate's best crop basis, equivalent to 357 million lbs., was announced by the

RAW JUTE PRICES FAR FROM FAVOURABLE TO MILLS

CALCUTTA, 14th December

Mounting stocks of jute goods, indiscipline of workers, and high prices of raw jute were the main difficulties the mills had to face during the year 1957. In fact, indiscipline of workers, coupled with high production cost, forced some units to close down. The consequent loss in output was welcome inasmuch as better relationship was established between supply and demand. Towards the end of the year, jute goods stocks tended to decline and, in October, sales exceeded the monthly output by a small margin. With the increasing tempo of industrial activity, internal consumption of jute goods was higher, although the same could not be said of exports.

For most part of the year, prices of indigenous raw jute were far from favourable to mills. This was so because, with high prices in Pakistan, the considerable delay in movement from East Bengal to mills in India, and the good number of formalities required in getting the E.P.C. forms passed by the State Bank of Pakistan, imports from Pakistan were insignificant and were about half a million bales, as against two million bales India used to import.

During January, raw jute ruled fully steady, with Assam bottoms rising from Rs. 32 to Rs. 33-9-0. Mills purchased heavily in order to replenish their depleted stocks. The upward trend in Pakistan, the mills' realisation of extreme improbability of getting supplies from across the border at economic prices, and the announcement in Dacca of the Government's decision to form a jute marketing board and a jute marketing corporation were the other factors which encouraged fibre stockists here to put on a reserved air. Demand for goods, on the other hand, was low; exporters here attributed this feature to foreign consumers' desire to make use of the stocks built during and before the Suez emergency. Following the announcement of decline in stocks by 5,100 tons to 96,600 tons as at the end of December, prices recovered in mid-January, but this proved purely a temporary phase. The recession followed the news of a fall in American burlap consumption in December to 71.6 yards from 81 million yards in the previous month. By the end of January, B. twills were as low as Rs. 110-6 and hessian 40" 10 oz. Rs. 43-14, against Rs. 119 and Rs. 46-10, respectively.

In February, both raw jute and jute goods were priced lower. Goods with mills at the end of January at 104,100 represented an increase of 8,400 tons. There were reports that bag consumption in the U.K. was being affected by despatch of supplies to retailers and farmers in lorries. On the other hand, there was considerable buying for internal consumption and on Government account. The news that the 50-lb. potato burlap bag was becoming more and more popular with American farmers was noted with interest. In the U.S.A. the use of burlap bags was reported to be increasing, and the returnable burlap bag programme was working satisfactorily, particularly in the farm belt. B. twills closed at Rs. 109-6 and 40" 10 oz. hessian at Rs. 40-12. Such a decline in goods took down Assam bottoms from

Rs. 30-8 to Rs. 28-8, and there were more arrivals from mofussil centres where stockists and cultivators turned nervous. After an early recession in goods and fibre prices, the month of March witnessed a recovery. In goods, more business was done for export. Contrary to expectations, the February-end stocks recorded a decline of 5,600 at 97,600 tons. These factors contributed to a recovery in B. twills to Rs. 110-12 and 40" 10 oz. hessian to Rs. 40-12 from Rs. 105-8 and Rs. 39-8, to which the rates had fallen earlier in the month by continued bear selling and manipulations in the *futka*. Assam bottoms rose from Rs. 28 to Rs. 29-8. The rise was due to continued upward trend in Pakistani markets and to apprehensions of shortage here.

A mixed trend was the feature in April, but, when the month came to a close, prices were higher on balance. Argentina evinced some interest in hessian, in view of paucity of stocks. This country's requirement on Calcutta during the year was thought to be 60,000-70,000 tons. There was also good support from the U.S. and the U.K. for hessian and from Australia for heavy goods. Bulls put to good use the higher burlap consumption figure in the U.S. at 73 million yards for March. B. twills advanced to Rs. 113-25, 40" 10 oz. hessian to Rs. 42, and Assam bottoms to Rs. 29-50. The occurrence of early rain, it was thought, would lead to earlier sowing. This did not materialise, as the monsoon was considerably delayed.

Prices hardened further in May. The decision to close down the Standard Jute Mills due to uneconomic working, precipitated, in no small measure, by labour unrest, was noted with alarm. A particular feature in May was the interest shown in special constructions for export. The announcement of an increase in April-end goods stocks by 7,300 tons to 105,000 tons was hardly noted as the continued absence of rains and the consequent delay in sowing contributed to a bullish trend. Higher advices from New York and greater support from Argentina and Burma added to enthusiasm. The earlier fears of a possible levy of excise duty on goods proved baseless, although the increase in freight rates adding to output costs was a bearish factor, following the Railway and Central budgets. B. twills reached as high as Rs. 117-10, hessian 40" 10 oz. Rs. 43-20, and Assam bottoms Rs. 31-50.

Prices were well maintained in June. There was, however, a break in raw jute prices, following some heavy showers which affected the psychology of stockists. The showers still helped cultivators commence earth preparation work for sowing. The monsoon set in very late. The longer jute season thus made raw jute prices rule steady, although, towards the close of the month, prices were affected by encouraging sowing reports and expectations of the 1957-58 crop being as big as that of 1956-57. Assam bottoms were at one time as high as Rs. 32-50, but receded to Rs. 31-50. May-end stocks of goods with mills registered an increase of 4,500 tons to 108,700. This was a bear factor early in June. As from 16th June, the Waverly Mills stopped working, owing to financial reasons. The report of higher burlap consumption in the U.S., however, caused satisfaction. B. twills were around Rs. 116-75 and hessian 40" 10 oz. at Rs. 44.

The June-end stocks of goods showed an increase of 6,500 tons. Export demand was little. These caused prices to fall in July. B. twills declined to Rs. 114-50 and hessian 40" 10 oz. to Rs. 41-87. Prices also fell in New York, depressing the sentiment here further. Assam bottoms were quiet at Rs. 30. For the first time, forward dealing in the basis of Rs. 31 for Assam bottoms.

In August, the feature was a notable reduction in prices of both good and fibre. Excellent reports about the crop were received. In Pakistan, the price of border area jute to be tendered to the Marketing Corporation was raised by Rs. 3 with a view to prevent smuggling. The first consignments of Assam crop reached mills' stations. Assam bottoms moved down to Rs. 28. As the month was coming to a close, B. twills were as low as Rs. 110-25, while, at Rs. 41-15, the decline in 40" 10 oz. hessian was not as pronounced as that in heavy goods.

(Continued in next page)

Food Situation Causes Much Concern Prices Continue To Rise

HAPUR, 30th November DESPITE higher foodgrains production in the country in 1956-57 as compared with 1955-56, foodgrains prices recorded a hardening trend during the year. The Government adopted various measures since the middle of July 1957 to check the upward trend and the measures, it is claimed, have proved "fairly effective" in controlling prices.

Unlike the previous year, the year 1957 opened when the food situation in the country was far from satisfactory. Foodgrains were being sold by the Government through a network of fair-price shops. The difficult food situation was due mainly to the fact that the coarse grain crops—maize, bajra and jowar—in 1955-56 had failed in most parts of the country. There was a fall in production in millets to the tune of 3 million tons in 1955-56 as compared with the previous year and it was this fall which initiated the upward trend in prices during the autumn of 1955. As a result, there was increased pressure of demand on both rice and wheat. There was also enlarged development expenditure and higher income which led to the rise in consumption of wheat.

Foodgrain prices manifested a steadily rising trend in the first three months of 1957. In order to check this rising trend, the Government went on multiplying the number of fair-price shops and their number ran up to 29,000 all over the country. The prices touched peak levels in the second week of April which was the leanest month of the year, being the flag end of the agricultural season. New crop arrivals of wheat in U.P. and the Punjab were delayed, due to untimely rains in the last week of March. Wheat average quality at Hapur, which was quoted at Rs. 16.25 per maund and farm quality at Rs. 15.50 per maund in the beginning of April, touched the highest at Rs. 17 and Rs. 19, respectively, in the middle of April. But towards the end of April, the pressure of new crop arrivals resulted in a fall of about Rs. 2 in prices.

Wheat arrivals at Hapur, which touch peak heights normally in the month of May, were not very substantial this year due partly to holding up of stocks by producers, coupled with hoarding by traders. Early in May, as a first step to prevent scarcity conditions developing in certain areas, precautions were taken by the Government to avoid cross-country movements of grains. Calcutta and Bombay cities were cordoned off and their requirements were to be met in full by imported wheat. But, following by imported wheat, Bihar, east U.P. and Assam, wheat here once again showed a hardening trend in the month of May.

Foodgrains Inquiry Committee

While production of foodgrains in the country had gone up as compared with the previous year, the price trend was firm. The Government, therefore, decided to appoint a high-power committee—the Foodgrains Inquiry Committee—to review and to examine the causes of the rising trend in prices since the middle of 1955. The Committee was to assess the likely trend in demand and availability of foodgrains over the next few years, taking into account the steps taken and proposed to be taken under the second Five-year Plan. The Committee was also to consider the availability of foodgrains from abroad in relation to requirements and in the light of foreign exchange position.

After long deliberations and examination of about 900 witnesses and receiving about a thousand memoranda, the Committee submitted its report to the Government as late as on 4th November 1957. Some of the main recommendations of the Committee include price stabilisation measures through a carefully planned buffer stock operations, coupled with building up of a permanent reserve stock of two million tons, and progressive steps towards the ultimate socialisation of the wholesale trade in foodgrains. The Committee estimates that additional foodgrains production during the second plan period will be only about 10.3 million tons, as against the target of 15.5 million tons, and the country will, therefore, have to undertake a normal import of upto 3 million tons per annum in the next few

years. It has recommended that at present, it should ordinarily be sufficient to undertake open market purchases and sale of foodgrains by the Government as a regular measure, exercise control over traders operating in the rest of the market through a system of licensing, maintain sizable stocks of wheat and rice, arrange for regular imports of a certain quantity of rice and wheat, and organise propaganda for the consumption of subsidiary food. But, in a period of rising prices, it would be necessary to supplement the above by much larger imports, direct sales of cereals by the Government through modified ration shops, formation of zones with a view to preventing crops and local supplies and undue pressure on procurement by limited compulsory procurement for the Government in surplus areas for the replenishing its reserve stocks. The establishment of a separate organisation called the Foodgrains Stabilisation Organisation has also been suggested by the Committee. The most important work of this organisation will be to undertake buffer stock operations. The main idea of such operation is to start purchasing at reasonable prices, if prices tend to fall, and to sell at reasonable prices, if prices tend to rise.

Trend of Production

The production of foodgrains in the country had increased from 51 million tons in 1951-52 to 58 million tons in 1952-53. In 1953-54, it rose to 68 million tons, but, in 1954-55, it went down to 66.6 million tons and further to 65 million tons in 1955-56. In 1956-57, however, it has gone up to 68.6 million tons.

Rice production during the year 1956-57 touched all-time records at 28.1 million tons, an increase of 4.8 per cent. over last year. The next best year for rice crop was 1953-54 when production was at 27.8 million tons. Increase in production in 1956-57 was reported from all States, the notable increase being in Bihar, Madhya Bharat, West Bengal, Madras, Assam and the Punjab. U.P., however, accounted for lower output despite increase in area, due to adverse seasonal conditions and damage caused to the crops by floods.

Wheat production during 1956-57 was 9,068,000 tons and acreage 32,801,000 acres, representing an increase of 5.8 per cent., 8.2 per cent., respectively, as compared with last year. The increase has been shared mainly by the Punjab and Rajasthan and to a lesser extent by the U.P. and Madhya Pradesh. It is due partly to increase in area and partly to better climatic conditions.

Barley production was put at 2,744,000 tons and acreage 8,594,000 acres, against the partially revised estimates of 2,749,000 tons and 8,382,000 acres, respectively, for 1955-56. Thus, despite an increase in the acreage, production of barley in last year is practically the same as last year. There has been a substantial shortage in production in Bihar and the U.P., especially in the former State, due to adverse seasonal conditions during the period of growth of the crop in Bihar, the crop having been damaged heavily by hailstorm.

Gram production in the country in 1956-57 was 5,930,000 tons, an increase of 11.2 per cent. over 1955-56. The increase in production is reported by all States in gram-growing States, except Bihar. The increase is particularly marked in the Punjab, Rajasthan, Madhya Pradesh and U.P.

Maize production in 1956-57 surpassed all previous records at 3,020,000 tons, which was an increase of 18.2 per cent. over last year.

Jowar and bajra production in 1956-57 was put at 10,353,000 tons, which is an increase of 3.7 per cent. over last year.

Prices Go Up

Notwithstanding the overall increase in foodgrain production during the agricultural year 1956-57, thus, prices tended to go up. The Government felt that hoarders were responsible for this unhappy state of affairs and, early in June 1957, amended the Essential Commodities Act in order to empower itself to requisition foodgrain stocks not at prevailing prices but at an

average price prevailing in that area for the last three months. Simultaneously, the Reserve Bank issued directions to other banks substantially to reduce their present advances against foodgrain stocks, so that it might become difficult for traders to earn undue profits. The Government further decided to impose zonal restrictions on movement of wheat. For this purpose, three wheat zones were formed in the country—(1) Punjab, Himachal Pradesh and Delhi; (2) Uttar Pradesh; and (3) Rajasthan, Madhya Bharat and Bombay, excepting Bombay City. Movement of wheat and its products were allowed within a zone but export from and imports into the zone were permissible under permits. Cordons around Calcutta and Bombay cities were to continue and the restrictions on the movement of wheat from and to these cities were to remain unaffected, as the Government was to meet the entire requirements of these cities from imports. In order to withdraw the demand of deficit Bihar from the wheat producing States of Punjab, U.P., Madhya Pradesh and Rajasthan, the Government accepted the full responsibility for feeding the Bihar State from imported wheat. A rice zone for the South, comprising the States of Andhra Pradesh, Madras, Mysore and Kerala, was also formed and rice was allowed to move freely within the zone, but export from and imports into the zone were restricted. The amended sections of the Essential Commodities Act were applied to the States of Punjab, Rajasthan and western districts of U.P. in respect of gram and application of that section has also been extended from 2nd November 1957 to U.P. and the Punjab in respect of wheat. Restrictions were also imposed on exports of rice, paddy and their products from the Punjab. The State Governments were delegated powers to make orders for licensing or regulating storage, distribution, etc., of foodgrains, and licensing system for roller flour mills in respect of wheat and wheat products was introduced. Rice was being purchased in Orissa and Andhra and, by the first week of November, about 40,000 tons had been purchased and procurement in Andhra was going on and the Government proposed to purchase the entire surplus of *dara* and *begmi* rice from the Punjab.

Not Much Success

The various measures enumerated above have not, however, met with much success in bringing down prices, though they have proved "fairly effective" in checking prices from rising further. It is reported that the Government is now contemplating to take stringent measures. The Government is said to be in correspondence with the State Governments for distribution of foodgrains through co-operative societies and the question of re-imposing controls is being ruled out. Meanwhile, the Union Food Minister has said that there are three important basic tenets in the country's food and agriculture policies—(1) fair deal to the farmers, (2) firm handling of hoarders and speculators, and (3) full encouragement to co-operative farming. A scheme has been considered to link the distribution of chemical fertilisers with the procurement of foodgrains, making it obligatory on the part of farmers to supply foodgrains to the Government in exchange for fertilisers. It has also been decided to establish a dozen central warehouses—six each for *kharif* and *rabi* crops—in the country during the year.

The Government is reported to have virtually finalised a plan for the procurement to be initiated with *kharif* crops to build a buffer stock of 500,000 tons of coarse grains and 500,000—750,000 tons of rice from indigenous production. It will not procure much wheat, as imports will suffice, and the Government hopes to have a million tons of imported wheat in stock by the middle of 1958. Procurement of rice and coarse grains is likely to be on voluntary-cum-controlled basis, as the plan is to announce fair price before *kharif* crop. The Government will, however, try to ensure the success of its purchase policy by credit squeeze and timings of its purchases. It will thus be buying in a falling market during harvest and selling in a rising market during scarcity.

Side by side with these measures, the Government is making plans for greater import of foodgrains. India is expected to buy 330,000 tons of

wheat from Australia by the end of the year. The total reserves with the Government now amount to 700,000 tons and, on the basis of shipments expected, the stocks are likely to increase to one million tons by the end of 1958. India received 1,770,000 tons of wheat and 633,000 tons of rice during the eight months from January to August 1957. Wheat was imported from the U.S.A. and Australia, while rice was brought from the U.S.A., Burma, China, Viet Nam and Pakistan (return of loan). According to the import programme, it is understood that, during the July-December 1957 period, 1,500,000 tons of wheat and 247,000 tons of rice will be imported.

Another wheat loan from America is being negotiated. The last loan provided for 3,100,000 tons of wheat and 193,000 tons of rice. Under this loan 2,300,000 tons of wheat have been shipped to India and, by early next year, the balance is expected to be received. The entire quantity of rice is understood to have been imported. A second loan was also concluded involving import of 156,000 tons of wheat which is expected to be imported. India concluded an agreement with Burma for the import of two million tons of rice over a period of five years. Out of this, India imported 500,000 tons in 1956 and about 500,000 tons will be imported by the end of the current year. In 1958, another 500,000 tons each in the subsequent year. A generous and immediate shipment of wheat to India is expected from Canada under the Colombo Plan. Details regarding the period in which the Canadian wheat will be shipped are still being worked out, but the entire quantity is expected to arrive in time to replenish the reserves which are being drained by supplies to deficit areas.

RAW JUTE PRICES

(Concluded from previous page)

After a hesitant start, September took prices of goods to very high levels. The U.S., Australia, Burma and the U.S.S.R. showed keen interest and New York advices were encouraging. Early in the month the Reliance Mills, which had resumed operation from 23rd August after a lockout lasting nearly a month, ceased working for economic reasons. With this, the mills closed down during the year numbered six, the other five being Waverly, Standard, Luxmi, Union South and Victory Jute Products. These closures meant lower production and market circles expressed the hope that the monthly output would now be more in accord with demand. Further encouragement was derived when it was known that August-end stocks aggregating 91,900 tons recorded a welcome fall of 16,500 tons. Had it not been for the absence of banking facilities following strike by bank employees lasting for a month, business for export in September would have been greater. The troubles in the Calcutta port had also a restraining influence. Early in the month, B. twills were as low as Rs. 111-60, but rose to quote as high as Rs. 121-25, Hessian 40" 10 oz. hardened to Rs. 43-20. These rates were incidentally the highest levels for the year.

Early in October, stock details in September were announced. They were lower by 15,800 tons and caused considerable satisfaction. This led to rumours that the mills proposed to unseal a portion of the idle looms. However, these reports proved unfounded and a recession in prices followed. B. twills closed at Rs. 118-25, after recovering from Rs. 118-50 to Rs. 120-50 early in the month. Hessian 40" 10 oz. hovered around Rs. 43. Reflecting the downward trend in goods, Assam bottoms declined to Rs. 29-25.

Price movements in November were also narrow. Restricted support was accorded by foreign buyers in an attempt to stabilise the lower levels. B. twills moved down from Rs. 113-20 to Rs. 111-25 and 10 oz. hessian from Rs. 41-55 to Rs. 39-95. With more arrivals of new crop, raw jute prices receded, with Assam bottoms quoting at Rs. 27-25. If the Pakistani Government would only accept the recommendation of the World Jute Conference, held in Dacca at the end of November, to increase jute production to seven million bales and to reduce the export duty, raw jute prices should fall to levels which will be economic to both mills and cultivators, with the result that more jute goods can be exported, bringing more returns, not merely to the cultivators and the industry in India, but to those in Pakistan as well.

KIPS RULE FIRM ON GOOD FOREIGN DEMAND

Outlook Reasonably Encouraging

MADRAS, 25th November

THE development of export trade in E.I. tanned hides and skins, as well as in leather goods and industrial leather, has always been engaging the close attention of the Government. India abounds in raw materials required for the leather industry, though it is somewhat vulnerable in respect of the availability of indigenous tanning materials. Livestock has increased more than human population in India and the potentialities for the development of the industry is great. The cattle wealth can go a long way towards improving national income, and raising the standard of life of workers in industry, considering that low valued by-products of the meat and mutton trade are converted into valuable merchandise by processes which are labour-intensive. The one advantage that the industry has over others is that it does not need heavy capital investment. It is an industry in which private enterprise has been playing a considerable part.

Hides and skins rank fourth in order as an earner of foreign exchange. The country's total export of leather—tanned and dressed and manufactures thereof—amounted to nearly Rs. 23 crores and could be increased if those engaged in the industry were to adopt scientific methods to improve their products, while running a part of it on a cottage industry basis.

The Central Leather Institute of Madras has been doing excellent research on leather and tanning. Several tanners, taking advantage of its valuable advice in times of difficulties, do not carry out its recommendations thoroughly but revert to the time honoured, antiquated methods.

Production of leather footwear in India is being done on a factory and cottage-industry basis. The Madras Government has opened several footwear units, so that the workers may ultimately run the industry as industrial co-operatives.

The Leather Export Promotion Council was inaugurated in Madras in August 1957. It is hoped that new markets or hides and skins, as also for finished leather and leather goods, will be tapped which will contribute to our national income and improve the foreign exchange earnings in a larger measure.

The outstanding feature in the E.I. tanning industry during the year under review was the steady call for exports of superior tannages in hides and skins, and satisfactory turnover in these types. The tanners did their utmost to keep their production in step with the growing needs of the export market. They would have done better, if there had been better understanding and co-operation between the employers and the workers without resorting to acts of indiscipline in order to settle demands. The restriction on slaughter of cattle in India and on imports of raw hides from other countries had led to a shortage in the availability of good quality hides for the industry. Improvement in the quality of livestock, elimination of useless cattle, better methods of flaying and preserving raw hides, and adequate transport and storage facilities would enable the tanners to give a better account of their trading. It is hoped that the Government will take early steps to improve the position during the new year.

The following are the shipments—in bales of 600 lbs. each—to the U.K. during 1955-57:

	Tanned cow hides	Cow calf	Buffa	Buff calf
1955	41,403	2,098	990	2,762
1956	38,456	3,676	635	3,040
1957 (Jan.-Oct.)	29,000	3,131	376	9,043

There was a marked shrinkage in the export of tanned cow hides to the U.K. during the first half of 1957. The monthly average was 3,450 bales in 1955, 3,204 bales in 1956 and only 2,730 bales during the first half of 1957. The average during the next four months, however, amounted to 3,180 bales.

Indian chrome leather, rubber and synthetics have become serious competitors to kip tanners, and it should be the endeavour of E.I. tanners to price their production in line with world prices and diligently meet the requirements of the overseas markets.

The spurt in kip prices in 1956, following the tension in the Suez area and the Middle East, slowly eased, because the U.K. dressers kept out of the market during January 1957 and sellers had to take slightly lower prices in February. Light weights were neglected during February, March and April, while medium and heavies ruled firm. There was a gap of 1d. to 1d. between buyers and sellers on F.A.Q. marks, which remained unfordable, as both sides were adamant. In May and June, heavy weights were neglected and emphasis was on light weights only. Demand for medium weights revived subsequently and was kept up till September, while light weights enjoyed good preference throughout the rest of the year. The seasonal August holiday slackening in U.K. demand, continued during September-October. This was intensified to some degree, by the spurt in the Bank of England rate of interest by 2 per cent., as U.K. dressers and importers were keen to liquidate their stocks even below replacement levels. Shipment business was at a low ebb during November.

Premium marks commanded good value and prices improved steadily month after month. By the end of June, 5/5½ lbs. run was sold at 63d., 8/8½ lbs. at 50d., and 10/12 lbs. at 42d., while it was only 50d., 48d., and 41d., respectively, in January 1957. Light weights improved further and touched 65d. in October-November, while mediums and heavies suffered setbacks and declined by one to two pence. As regards F.A.Q. kips, prices were held remarkably firm, due to shippers' competitive buying in the local market. Importers' efforts to force prices down was not of any avail and the market was kept more or less on an even keel. In line with premium marks, light weights during the second half of the year advanced 2d. to 3d. on June levels, while other weights remained more or less steady; the weakest line was 10/12 lbs. As there was a wide difference in the price for the premium marks and F.A.Q. marks, tanning of the latter types was found unprofitable, and some tanners tried to cushion their market losses on an increased percentage of adulterants in their tannages.

Finding that adulteration was on the increase, importers in the U.K. who have been agitating for contractual rights to penalise all sub-standard goods introduced a new form of contract "No. 5," as from 1st March 1957, whereby shippers had to guarantee 63 to 66 per cent. leather substance according to the tannages sold. This was welcomed by the trade, though not openly acknowledged as such. Adulteration has been on the wane during the second half of the year, as shippers have been declining to buy sub-standard parcels, and tanners were resorting to produce better class goods.

Although there was sustained demand for superior standards especially for better grades, during the year, tanners were finding that their output yielded more lower grades than top selections and, consequently, were not able to make good profits as estimated when buying raw stocks. Lower grades were in good demand for local trade and for shipment to Middle East at 5 per cent. above U.K. buyers ideas. Importers were not unduly perturbed at the lack of stocks in this section, because there were large quantities of E.I. kips stockpiled by the Government in 1951 available for sale. These goods, though stale, were good enough for low grade work and the U.K. Government released them in small quantities month by month, so as not to cause any inconvenience to the kip trade, in general. There were good enquiries for cow calf and prices ruled very firm for top selections but very weak for lower ends which was most disconcerting to tanners.

In the buffalo hides section, arrivals were moderate and prices were unremunerative to tanners. U.K. interest was small, because semi-chrome leather could not be profitably used

for moulded shoe processes. Import into the U.S. was less in 1957 than in 1956 by 15 per cent. There was good call for buffalo calf, especially superior marks, during the year under review. In January, prices declined by 10 per cent. on November, 1956 levels, due to overproduction, and ruled steady for the next three months, but improved by 5 per cent. in June, due to shortage in supply, and advanced by another 5 per cent. during the next quarter. F.A.Q. marks were not saleable in quantities at reasonable prices. Weak holders sold their stocks to U.S. importers at low prices when U.K. buying was small.

The average monthly shipments—in bales of 600 lbs. each—of buffalo hides and calves during 1955 to 1957 to the U.K. and U.S. were:

	1955	1956	1957 (Jan.-Oct.)
Buff calf—U.K.	230	330	385
Buff hides and calves—U.S.A.	138	152	117

In the tanned skins section, a salient feature was that there was more direct trading with Continental countries than in previous years when sales were effected by or through agents in London or goods were re-exported from London. Export trading was more favourable to tanners of skins than of kips. Overseas buyers were greatly quality-conscious and demand for superior tannages was predominant during the year under review. There was good call for common sorts also. Adulteration in tannages did not cease, though the quantities available were slowly dwindling. Trading with Germany was extremely good and high prices were paid by importers for premium qualities. Shipments to Rotterdam and Hamburg have been heavy and it is not unlikely that a part of it after dressing may find its way to the U.S.S.R. As Germany gave good support during April-July and bought large stocks of tanned goat skins for shipment, it was not active during the rest of the year. Consequently, prices declined by 3d. to 6d. during September-October and showed signs of revival during November. The average monthly shipment of goat skins to the Continent was 310 bales in 1954, 480 bales in 1956 and 553 bales in 1957. The imposition of 15 per cent. duty on imports of E.I. tanned skins into France with effect from 15th March 1957, the restriction of import licences and the August partial currency devaluation impeded the flow of trade with France to a great extent during the second half of 1957. Importers in the U.S. were not keen on South Indian goat skins, raw or tanned, on account of prices, and trading was small.

In the tanned sheep skins section, there were good enquiries from the U.K. for all tannages. Prices increased steadily for mediums and primes and passed the peak levels during September. There was keen demand for adulterated cheap lining sheep from the Continent during October-November and prices ruled firm. Export to the Continent, which averaged 60 bales per month in 1955, rose to 77 bales in 1956 and 140 bales in January-October 1957. Demand for tanned sheep skins from Japan was patchy, probably because of large exports during 1956. The average monthly export was 135 bales in 1954, 176 bales in 1955, 266 bales in 1956 and 174 bales in 1957 (January-October), recording a decline of about 35 per cent. during the year under review.

There were the usual seven periodical tanned skins public sales in London and the quantities offered were about 1,000,000 skins at each auction. This was partly due to the carryovers from one sale to another due either to price limits imposed by the consignors or to low bidding. As larger quantities of tanned skins were bought outright by importers on the Continent direct from India, and mostly the excesses were sent to London for later sale, prices realised in the London auctions were poor and were lower than those obtainable for shipment business. Consignors had the only satisfaction that they had got rid of their stocks for some value.

The following are the number of bales of 560 lbs. each shipped overseas during 1955 to 1957:

	U.K.		Continent		U.S.A.		Japan
Tanned:	Goat	Sheep	Goat	Sheep	Goat	Sheep	
1955	10,607	7,736	5,876	710	1,268	2,117	
1956	11,687	6,927	5,764	920	1,292	3,103	
1957 (Jan.-Oct.)	9,362	5,602	5,538	1,423	810	1,741	

It is reported that 10 million raw goat skins from Bombay and North India have been sold to the U.S.S.R. Of this quantity, the share of Madras is only one per cent., because of the high prices ruling for South Indian types.

The outlook is reasonably encouraging and the industry can move into the new year with optimism but tempered with caution. In view of inflation and exchange difficulties in several countries, it is not unlikely that the volume of export trade can become somewhat restricted during 1958, despite the fact that there is universal demand for leather from all destinations, because shoes rank next to food as essentials for civilised existence.

KANPUR HIDES AND SKINS

KANPUR, 29th December

As the year under review draws to a close, there is sustained feeling in the hides and skins market that the supply position of the main item, namely, wet salted cow, will progressively get more tight. The position was already uneasy even a year ago, but, in the meantime, thanks to the persistent movement for banning cow slaughter in large areas of the country, even the job of tackling hides of dead cows remains neglected. The Hindus who have been doing it are often exhorted to react against the past tradition, while the Muslim butchers occasionally avoid even butchering buffaloes which is permitted by law. Thus, there is an all-year scarcity of cow hides in relation to demand which is rising—both absolutely and relatively. But the rates are already high and do not reflect the keenness of demand which, to an extent, is attracted towards artificial items like plastics. Dead cow hides, however, are available in quantity, but these do not lend themselves to producing high grade chrome goods for which Kanpur tanners were once famous. Indeed, because of lack of proper raw materials of quality, many local tanneries have gone derelict and those that are working are not utilising their full capacity.

Of late, Calcutta has become a good market for local hides. These are tanned by domiciled Chinese parties through their efficiently run cottage industries. It is understood that these finished goods have their real customers in the Soviet Union. "Russian orders" is an oft-heard phrase in the market and it is hoped that, henceforth, it bids fair to remain a permanent source of hope and incentive to the market. The main buyers during the year were headed by Messrs. Cooper Allens who had also to execute, in addition to their normal business, a heavy order from Russia for high grade shoes. Madras dealers were permanent buyers of goat, sheep and lighter cow items. Exporters were not very active, owing to the Government of India's ban on exports of cow items. The overall picture of the year was rather uneventful and does not promise to be otherwise in the near future.

HIGHER COSTS AND SMALLER PROFITS IN PLANTATIONS

(Concluded from page 192)

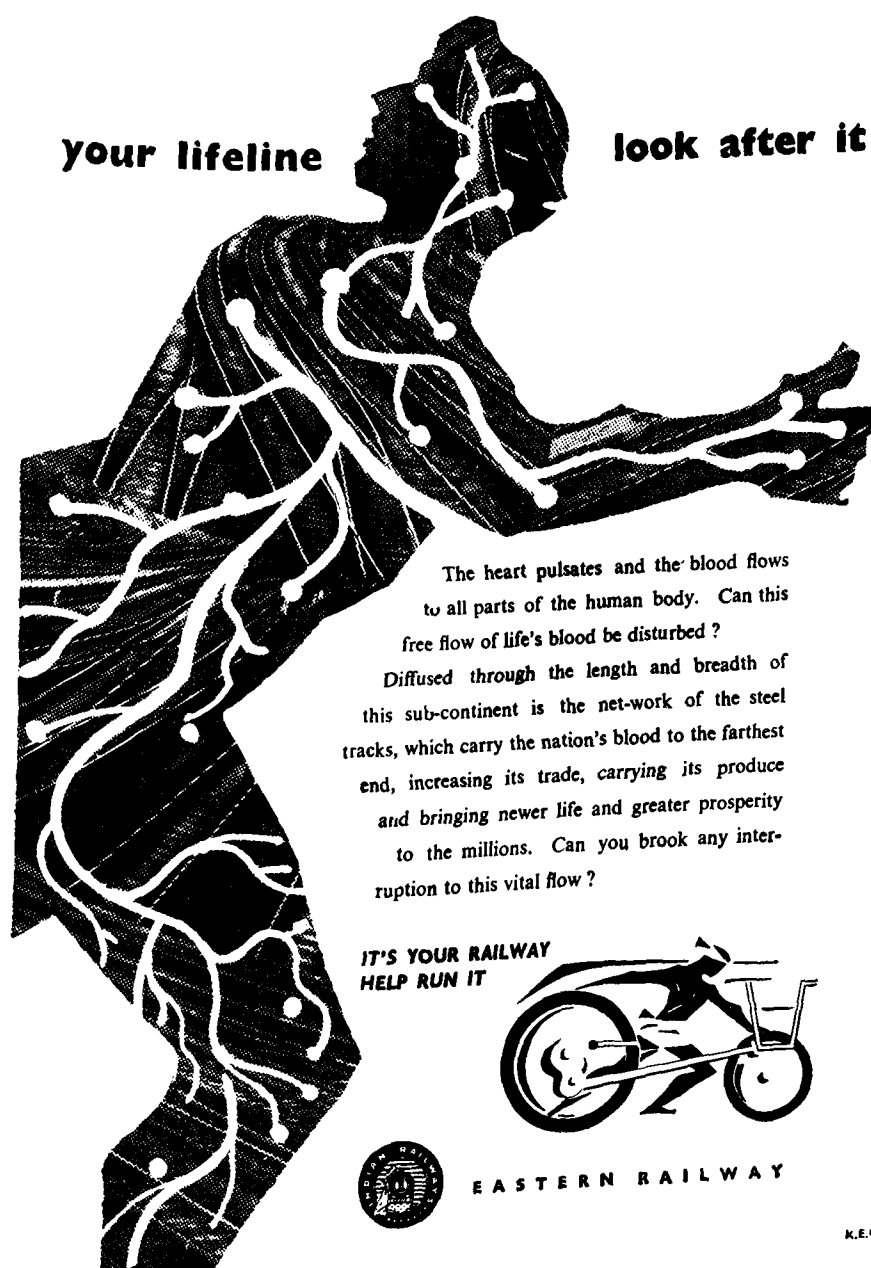
Government which controls the coffee industry has to say about the proposal.

The present year has witnessed many an important development in employer-labour relations. The organisation of labour by unions continued with vigour and in the State of Mysore particularly it attained a special impetus. In Kerala, however, large sections of plantation labour got out of control during the major part of the year and numerous instances of lawlessness were reported. The reason for this unprecedented deterioration was partly to be seen in the inability or unwillingness of the State Government to take strong action against those committing abuse of the law. Latterly, the State Government has taken suitable action against the wrongdoers and there has been an improvement in the situation. Nevertheless, the atmosphere in some areas still remains tense.

Apart from this unfortunate development, there have been quite a few instances of settlement of outstanding staff and labour disputes by bipartite negotiations and these have contributed a great deal to good feeling on the plantations. Multiplicity of unions and inter-union rivalry are, however, a handicap to peaceful relations, but there seems to be no escape from these at least until the Government can bring in legislation giving recognition to one union only in each unit.

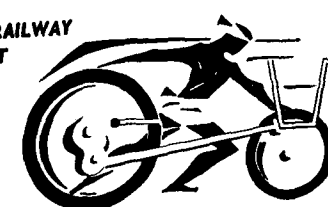
Your lifeline

look after it



The heart pulsates and the blood flows to all parts of the human body. Can this free flow of life's blood be disturbed? Diffused through the length and breadth of this sub-continent is the net-work of the steel tracks, which carry the nation's blood to the farthest end, increasing its trade, carrying its produce and bringing newer life and greater prosperity to the millions. Can you brook any interruption to this vital flow?

IT'S YOUR RAILWAY
HELP RUN IT



EASTERN RAILWAY

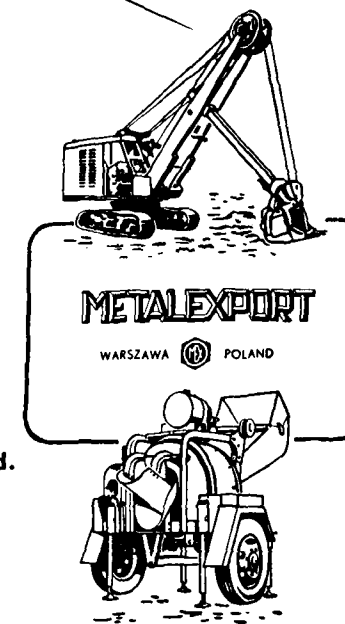
Don't be deceived
by false claims

Invest only
in the best

Tricks—or glamorous propositions—put on false appearances, often turn out to be deceptive!

But, you can always depend on the machinery of METAEXPORT, Warsaw (Poland), for its genuine reliability and dependable service for any tough job.

Selling Agents:
KHEMKA & CO.
(Agencies) Private Ltd.
Vulcan Insurance Building,
Churchgate Reclamation,
Bombay 1.
Branches at: New Delhi,
Calcutta & Madras



KC-1.

Arteries of Industry . . .



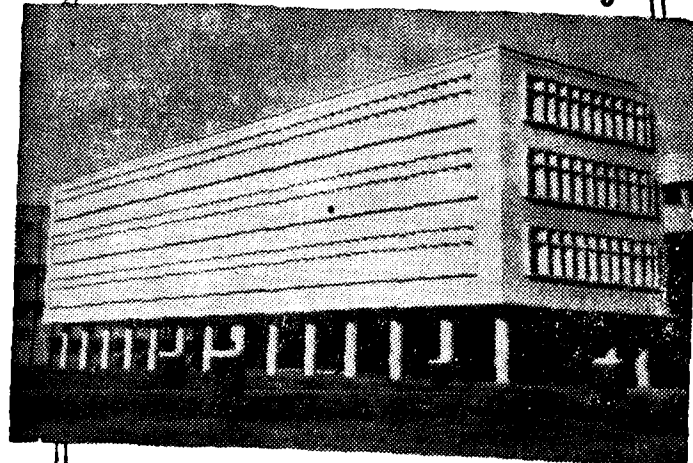
RUBBER
Belting

Insist on our Brands
DUREX
DURA
ATLAS for
better performance

NATIONAL RUBBER
MANUFACTURERS LTD.

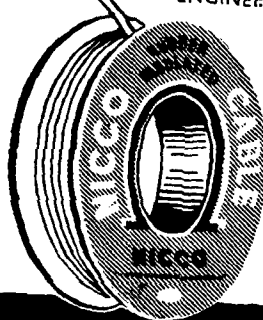
Head Office: /
19, CHOWRINGHEE, CALCUTTA-13
Branches: /
NEW DELHI • BOMBAY • MADRAS

Better Wiring means
NICCO Wiring



The New Medical College, Ahmedabad.
Yet another National Institution wired with
NICCO Cables.

Contractors: M/s. WESTERN INDIA
ENGINEERING CORPORATION LTD.
BOMBAY.



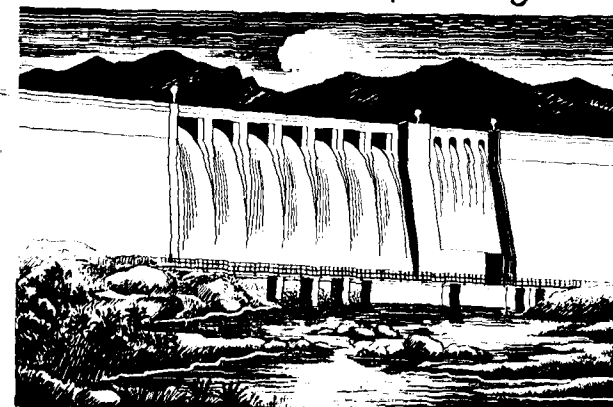
Discerning Engineers, Builders
and Contractors, who
are satisfied with nothing
but the best, rely always on
Nicco Wiring for maximum
service and efficiency.

NICCO
WIRES & CABLES

INDIA'S OWN
INDIA'S BEST

THE NATIONAL INSULATED CABLE CO., OF INDIA LTD.
STEPHEN HOUSE, DALHOUSIE SQUARE, CALCUTTA-1
Works: Shamnagar (West Bengal).
Branch: Kashmere Gate, Delhi, Agents in all States.

manimuthar -
a project for plenty!



Above is an artist's impression of the completed
Manimuthar Dam situated in Tirunelveli District, harness-
ing the waters of Manimuthar River. A total of 99,000 acres,
out of which 3,000 acres are wet-lands converted from
dry-lands, will be irrigated by this Project.

A huge increase in food production is made
possible by the construction of this Dam. We are,
indeed, proud to be associated with this great Project, in
the construction of which over 60,000 tons of SANKAR BRAND
Portland Cement, the cement well known for
Soundness, Strength and Stability,
has been exclusively used.



SANKAR BRAND  PORTLAND CEMENT

Manufactured by:

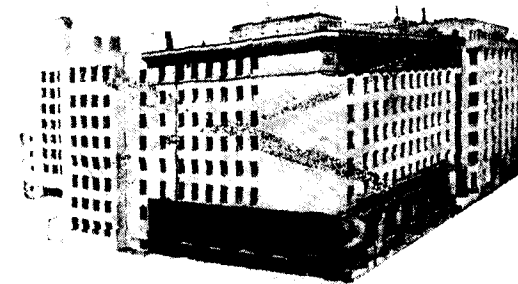
THE INDIA CEMENTS LTD. MADRAS - 1

Factory: SANKARNAGAR, TIRUNELVELI DIST.

DAIWA BANK

With complete banking facilities of every
description and further with a world-wide network
of our overseas correspondent banks, we, THE DAIWA
BANK LIMITED, offer expert service to all clients
and communities. You are cordially invited to the
service of this bank.

Our cheerful friendly service may penetrate as
deeply into your heart as does good music, broadly
enriching your life and wealth.



Authorized Foreign Exchange Bank

THE DAIWA BANK LIMITED

AUTHORISED CAPITAL ¥10,000,000,000
CAPITAL (PAID-UP) ¥4,400,000,000

HEAD OFFICE IN OSAKA WITH 100 BRANCH OFFICES THROUGHOUT
JAPAN AND A REPRESENTATIVE OFFICE IN NEW YORK

Head Office: 21, BINGOMACHI 2-CHOME, HIGASHI-KU, OSAKA
Cable Address: DAIBANK. TELEX: OS 84. TEL.: (27) 1221

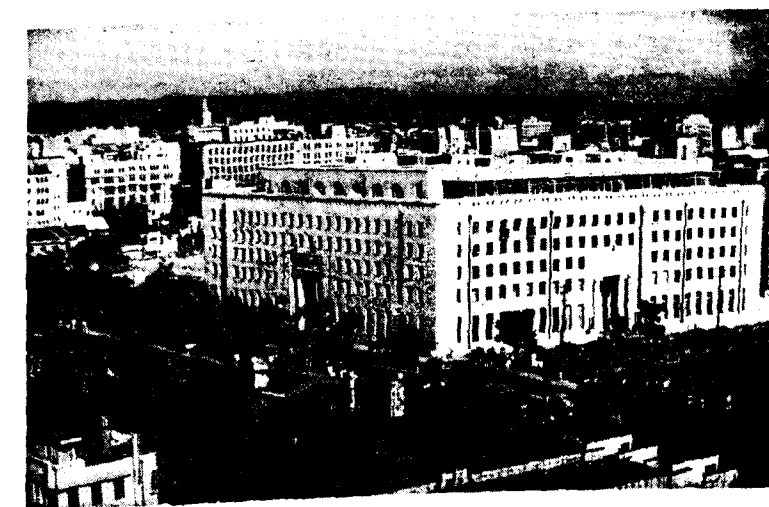
Tokyo Office: 2, OHTEMACHI 2-CHOME, CHIYODA-KU, TOKYO
Cable Address: DAIBANK. TEL.: (23) 1231-9 3201-9

New York Office: 61, BROADWAY, NEW YORK 6, N.Y.
Cable Address: NEWDAIWA. TEL.: WH-4-6897

World-Wide Banking Services

SUMITOMO BANK

HEAD OFFICE: OSAKA, JAPAN
137 Branches in Key Cities throughout Japan



OVERSEAS OFFICES

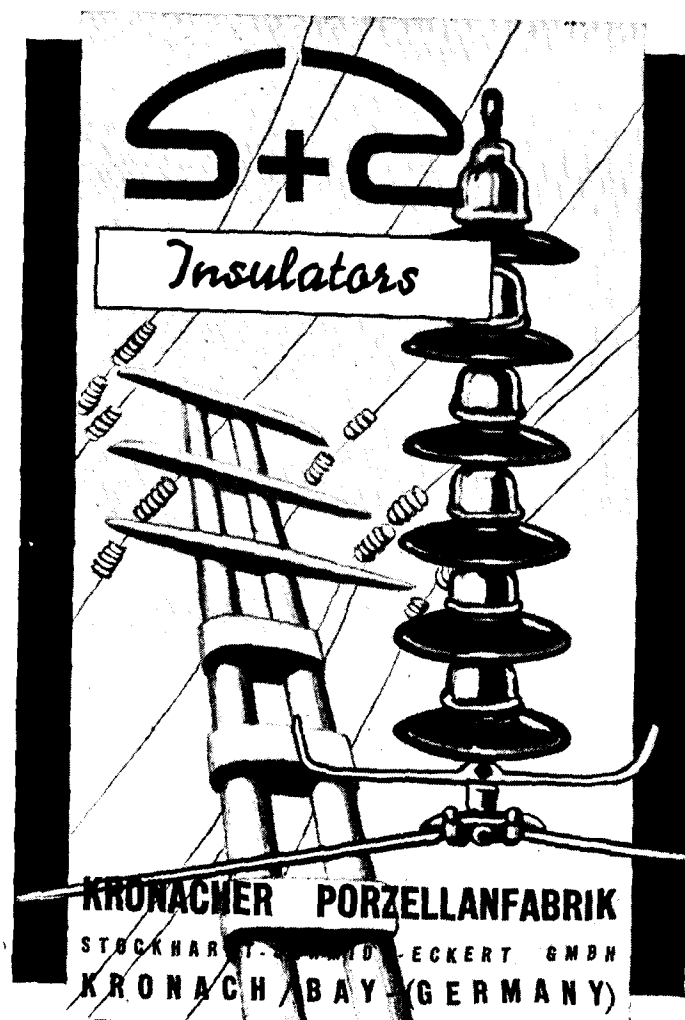
New York Agency
London Branch
Karachi Representative Office

THE SUMITOMO BANK (California)

Head Office: San Francisco
Branches: Los Angeles, Sacramento

ELECTROFABRICS
PRIVATE LIMITED
CALCUTTA

MANUFACTURERS OF ALL KINDS
OF
OVERHEAD TRANSMISSION LINE
MATERIALS INCLUDING INSULATOR
PINS SUITABLE FOR INSULATORS
UP TO 44 KV



SALES ORGANISATION:

ORIENT TEXTILE ENGINEERS LTD.

24, Netaji Subhas Road, CALCUTTA, 1

A NAME THAT SIGNIFIES QUALITY

MONSANTO-KASEI
CHEMICAL COMPANY

Vinika
TRADE MARK

MAIN PRODUCTS:
Polyvinyl Chloride Resin,
Vinyl Film,
Vinyl Compounds.

OTHER PRODUCTS:
Plasticizers,
Polystyrene Resins

AN ASSOCIATE COMPANY OF
MONSANTO CHEMICAL CO. AND
MITSUBISHI CHEMICAL INDUS-
TRIES LTD.

HEAD OFFICE
4, 2-chome, Marunouchi, Chiyoda-ku,
Tokyo

CABLE ADDRESS
"MONKASEI TOKYO"

BRANCHES
Osaka, Nagoya, Fukuoka, Sapporo

THE SREE MEENAKSHI MILLS LIMITED

Madurai, Manaparai and Paravai

Manufacturers of:

SINGLE YARN IN COUNTS 16s TO 40s
AND CONE YARNS FOR WEAVING
AND HOSIERY FACTORIES AND
MULLS, LONGCLOTH, GADA, Etc.

CAPITAL

Authorised Rs. 60,00,000
Subscribed and Paid-up Rs. 48,81,240

Spindles:

Madurai 40,084
Manaparai 28,412
Paravai 36,180

Power Looms at Madurai .. 144

Managing Agents:

THIAGARAJA CHETTY & CO.

Tirupparankundram Road

MADURAI (South India)

Telephone No. 1 (3 lines) Post Box No. 1 Telegrams: "KARUMUTTU"

THE STONEWARE PIPES (MADRAS) LIMITED

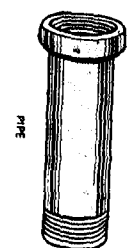
TRIVELLORE, S. Rly. (Chingleput Dist.)

Grams: STONEWARE

Phone: 31

MANUFACTURERS OF

STONEWARE PIPES, Saltglazed and all types of
Fittings for Drainage and Sewage work, Stoneware Jars,
Skid-proof and Acid and Alkali Resisting Floorings,
Stoneware Water Closets, Saltglazed Vitrified Floorings,
Stable Bricks, etc.



WHITEGLAZED or PORCELAIN Sanitarywares,
Indian and European Type Water Closets, Urinals,
Wash Basins, Crockery, etc.

LABORATORY Porcelain Equipments.

REFRACTORIES of High Quality for all purposes conforming to
I. S. Specifications and used by the Railways.

CALCUTTA OFFICE and GODOWN AT:

46, Dharamtala Street, Calcutta-13

Grams: SMITANKO

Phone: 24-1270

MADRAS OFFICE:

48, Theagaraya Road, T. Nagar, Madras-17

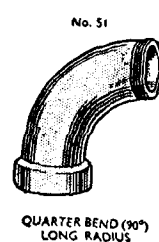
Grams: HOUSEAUTO

Phone: 88342

GODOWN AT:

25-A, Thambu Chetty Street, Madras-1

Phone: 55537



QUARTER BEND (90°)
LONG RADIUS

FIRST-AID EQUIPMENT

Complying with Government Regulations

(Factory Act)

for all

Factories, Workshops and Offices

Available from

KEMP & CO. LTD.

(Manufacturing Chemists)

Specialising in

manufacturing Proprietary Medicines,
Tinctures, Syrups, Ointments, Injectibles,
Tablets and all B.P. and B.P.C. Standardised
Preparations.

Distributors for:

Government of India PENICILLIN and
Bombay Government SHARK LIVER OIL
PRODUCTS and other well-known and
reputable Indian and foreign Pharmaceuticals.

Head Office:

88C, OLD PARBHADEVI ROAD, BOMBAY 28

Branches at:

CALCUTTA

DELHI

MADRAS

BOROSIL LABORATORY GLASSWARE

such as

FLASKS, BEAKERS, CONDENSERS,
MEASURING FLASKS, MEASURING
CYLINDERS, PIPETTES AND ANY
SPECIAL APPARATUS MADE TO
DESIGN

and

PENICILLIN VIALS, VACCINE
BULBS—WHITE AND AMBER

★

ALL OTHER APPARATUS AND
EQUIPMENT MANUFACTURED TO
CLIENTS' DESIGN

INDUSTRIAL and ENGINEERING APPARATUS CO. PRIVATE LTD.

CHOTANI ESTATES, PROCTOR ROAD, GRANT ROAD
BOMBAY 7

Phone: 71166

Grams: 'APPARATUS'

Branch: 23/24, Second Line Beach, MADRAS 1

Blazing
a new
trail!

... Now ALIND
ALL-WEATHER

—the polythene-insulated, weather-proof
aluminium conductor for H.S.O.S
(House Service Overhead
Systems) applications!

A brand-new
phase in elec-
tric cable
manufac-
ture!

Combining
high conducti-
vity aluminium
with polythene,
ALIND 'ALL-
WEATHER' is the
thing for low-voltage
service drops. It's lighter
in weight and cheaper
in cost.

Specify ALIND 'ALL-WEATHER'
and secure dependability.

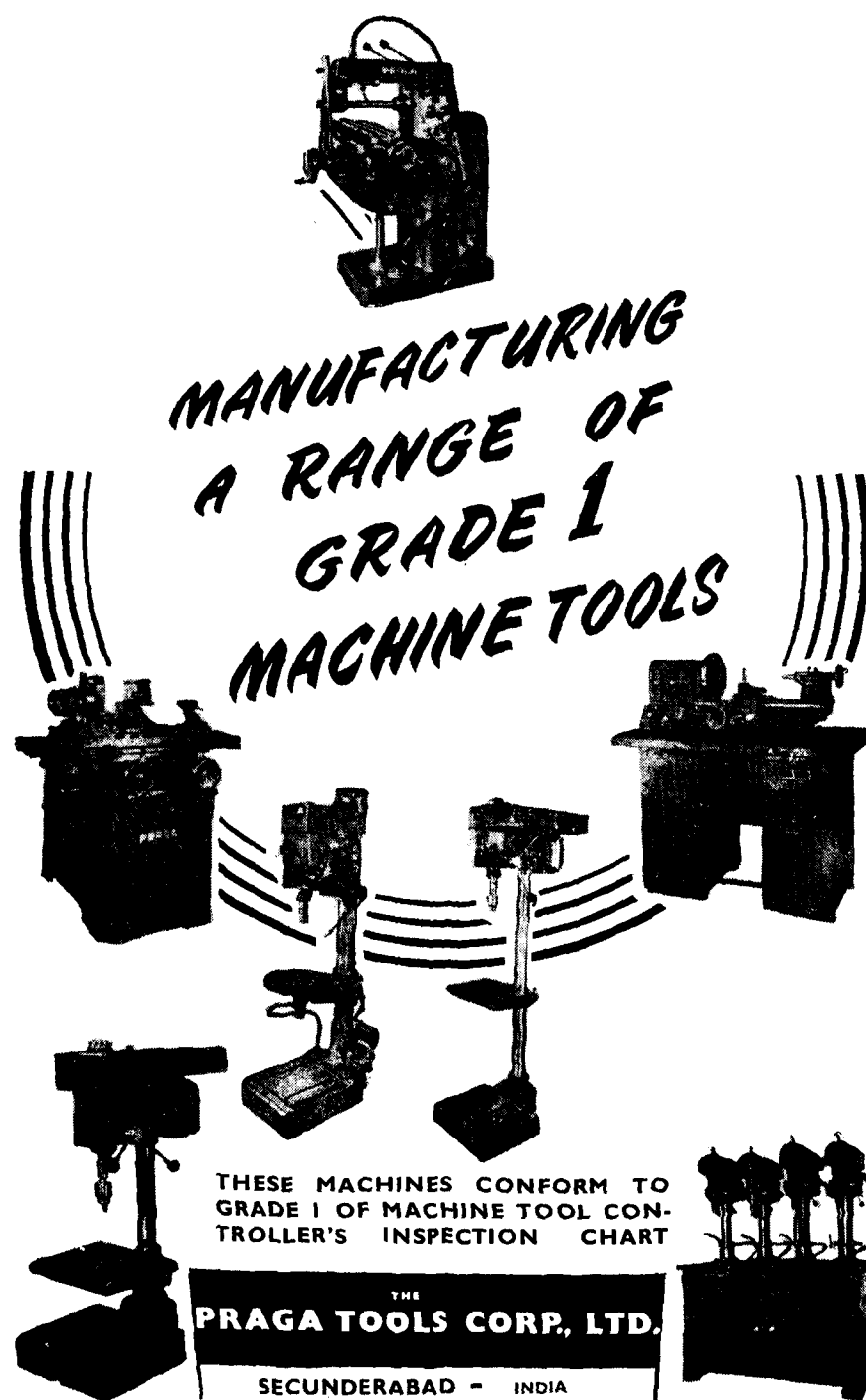
THE ALUMINIUM INDUSTRIES LTD
India's largest manufacturers of
aluminium cables and accessories
KUNDARA KERALA STATE

Managing Agents:

SESHASAYEE BROS. (TRAV.) PRIVATE LTD

AL-421

MANUFACTURING
A RANGE OF
GRADE 1
MACHINE TOOLS



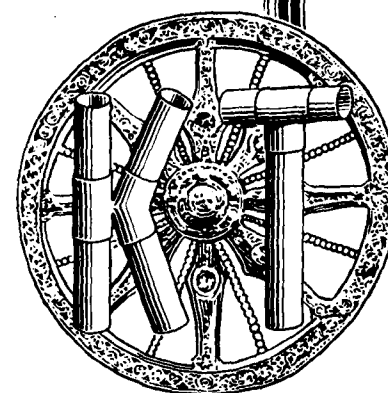
THESE MACHINES CONFORM TO
GRADE 1 OF MACHINE TOOL CON-
TROLLER'S INSPECTION CHART

PRAGA TOOLS CORP. LTD.

SECUNDERABAD - INDIA

Kalinga Tubes

for
GAS & WATER



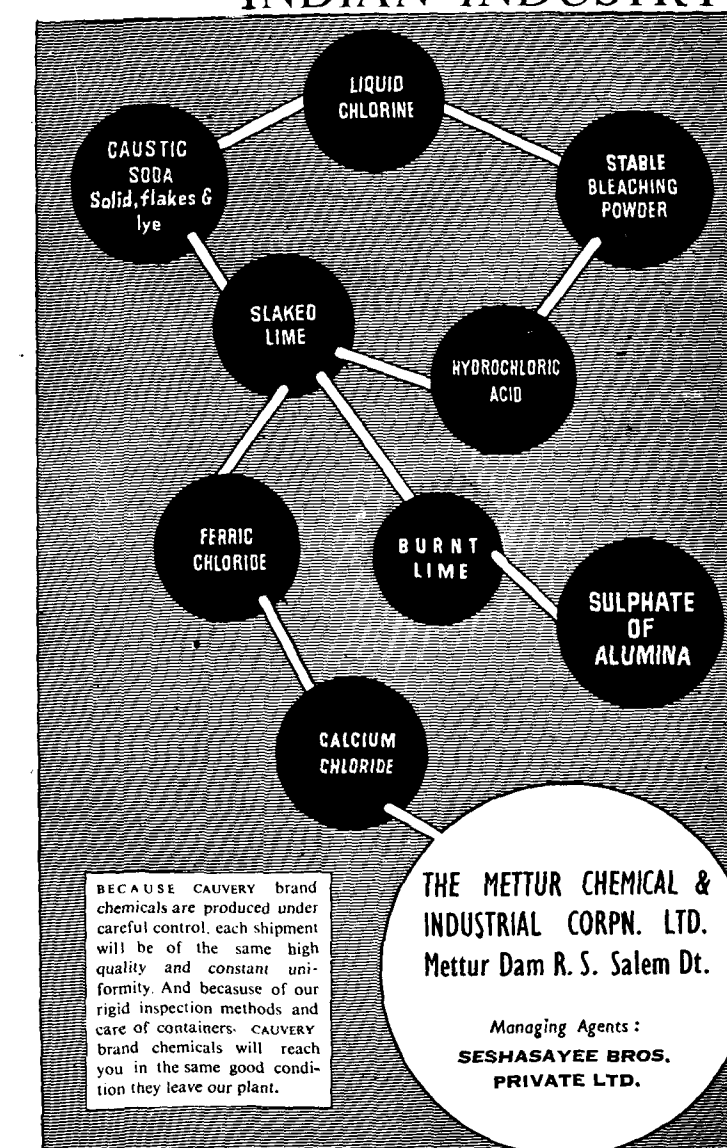
Quality tubes $\frac{1}{2}$ " to 2",
black and galvanized,
conforming to British
Standard specifications

KALINGA TUBES LTD.

33, CHITTARANJAN AVENUE, CALCUTTA-12
WORKS: P. O. CHOUDWAR, CUTTACK (ORISSA)



CAUVERY brand
CHEMICALS...for
INDIAN INDUSTRY



BECAUSE CAUVERY brand
chemicals are produced under
careful control, each shipment
will be of the same high
quality and constant uni-
formity. And because of our
rigid inspection methods and
care of containers, CAUVERY
brand chemicals will reach
you in the same good condi-
tion they leave our plant.

**THE METTUR CHEMICAL &
INDUSTRIAL CORPN. LTD.**
Mettur Dam R. S. Salem Dt.

Managing Agents:
**SESHASAYEE BROS.
PRIVATE LTD.**

LEADING TEXTILE MILL GIN STORES, MACHINERY AND HARDWARE MERCHANTS

Refer your enquiries and orders for:

JOHN ORMEROD & SONS LTD. Manufacture:
"RAMS HEAD" Brand Stretchless Leather Belting, Endless Cone Drum Belts.
"RAMS HEAD" and "J. O. & S. CO." Brand Roller Skins, both Domestic, Welsh also Persian Combers.

JOHN ATKINSON & SONS (SOWERBY BRIDGE) LTD.
Roller Cloth, Clearer Cloth, Sizing Flannel, Endless Clearer Cloth, etc., etc.

KIRK & CO. (BLACKBURN), LTD.
Hard-ply Lignostone Jockey Pulley Bearings.

S. NOTON LIMITED.
"BULLDOG" Brand Highly Red Vulcanised Fibre Card Cans, 36" x 9", 36" x 10", 36" x 12", 36" x 14" and/or 36" x 16".
Also Steel Card Cans and Aluminium Anodised Card Cans.

THOMAS REEDER LIMITED.
Beaded Single Plate Pressed Steel Beam Flanges, also High Speed Warping Beams, all sizes.

THE CROWN SPG. & MFG. CO., LTD., BOMBAY.
Also "ASHA" Brand Cotton Healds and Steel Reels, all counts and sizes.

H. D. NARIMAN BROS.
"NORMAN" Highly Concentrated Cloth Stamping Paste, Standard Red and Blue colours only.

H. D. NARIMAN & SON.
"STAMPER" Cloth Stamping Paste Light Blue, Violet, Golden, Black, White, also Fast to Bleach Black Marking Ink and other auxiliaries.

GRADUATE PICKER WORKS.
"INACTA" Brand No. 4B Roundfoot Pattern Buffalo Pickers, also Drop Box Pickers.

STONE-WALLWORK LIMITED.
Metal Alloy Pins, P.J.V. Gears, etc.

PULROSE CO., LIMITED.
"ADELPHI" Flatcleaners, Lint Raising Machines, etc.

SUNDRIES.
Asbestos Yarn and Asbestos Plaited Packings. Belting Cement, Hair Belting. Expanding Front and Back, Straight and/or Zig Zag, Warping Combs, also for Sizing Machine. "EXCELSIOR" Brand Emery Fillet 1" and 1½" wide. English Pure Flax Canvas Fire Hose Pipe.

"ELECTRICUM" and "CARBORUNDUM COMPASS" Brand Emery Grinding Wheels. Heald Cord. "ORMES" Patent Hank Indicators. Leather Laces. Loom Sundries. Machinery Spare Parts for No. 90 and 50 High Speed Winding Machines. Roller Varnish. Ropes and Bandings, etc., etc.

ALTEX PRIVATE LIMITED

147, ESPLANADE ROAD - - - FORT, BOMBAY 1

Telephone No. 251082

BRANCH OFFICES: Ramolia Building, 2888/1, Relief Road, AHMEDABAD, 1.
Telephone No. 4750.

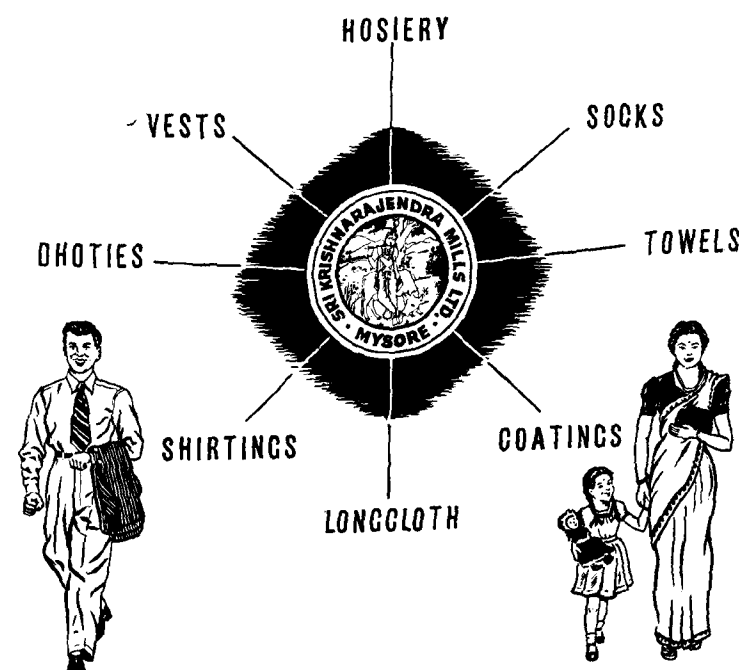
SUB-AGENTS: "ROSTRON & CO., LTD.", 10, Govt. Place, East, P.O. Box No. 508, CALCUTTA.
"KRISHNA TRADING CO.", Ishwar Bhawan, BEAWAR.
"TEXIND CO.", 79, Rue De Cantine, PONDICHERRY.

5/127 Avanashi Road, Post Box No. 219, COIMBATORE.
Telephone No. 510.

K. PODDAR, ESQ., 15/56 Civil Lines, Post Box No. 367, KANPUR.
VENUS TEXTILE TRADING CO., New Palasia, INDORE.

Telegrams: "BETEX"

Lively Centre OF INVITING FABRICS



TEXTILE Fabrics by "SRI KRISHNA" are a centre of attraction for Gents, Ladies and Children of all classes. Our fabrics are well known in the country for their cheapness, finish and durability. Expert handloom weavers all over the country prefer our **QUALITY YARNS** for uniform strength and evenness. Children equally with the grown-ups love our **HOSIERY** and **CLOTH** for feel, finish and comfort.

"SRI KRISHNA" makes fabrics—as cotton and silk fabrics should be made—for full value and satisfaction.

Sri Krishnarajendra Mills, Ltd.
MYSORE

20 YEARS' SERVICE

the amalgamated electricity company limited

1955-56

FIXED CAPITAL EXPENDITURE
Rs. 1,77,19,061

dividends

7 1/2% ORDINARY tax-free
5%-5 1/2% PREFERENCE tax-free.

N. C. Javeri & Co.
17-B, Horniman Circle, Fort,
BOMBAY-1.

"W.I.T."

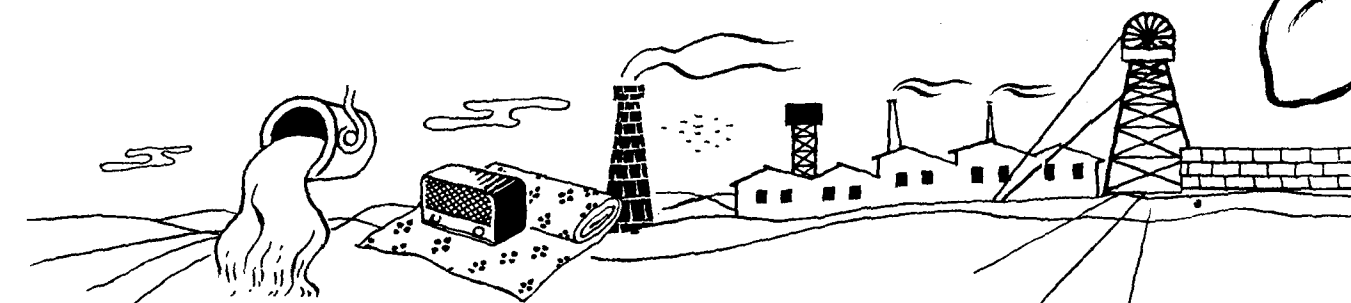
for

"WIT" CHROME PICKING BANDS, Plain and Hairy, Oak Tanned Bohemian Type and Chrome Spring BUFFERS, Chrome and Oak Tanned Leather LACES, Best quality Stretchless BELTINGS, RAW HIDE PICKERS, also Roller Skins of Guaranteed Genuine Quality, and Chamolia Leather. Enquire from their Selling Agents THE INDUSTRIAL LEATHER COMPANY PRIVATE LTD. 9, Ash Lane, Fort, BOMBAY. Tel. 254608.

The WESTERN INDIA TANNERIES LTD.
DHARAVI, BOMBAY.

Today India is humming with activity as never before. Virgin soil is being upturned and the industrial landscape is undergoing an overwhelming change. The factory-worker is straining his sinews at the wheels, the miner is putting forth an added swing to his pickaxe and the farmer is bent in an effort to obtain a greater yield from his land. The whole country is keyed to a symphony of greater production.

The National Plans have envisaged the colossal task of making India more prosperous. Thapar Industries spread throughout the country are endeavouring to contribute their best to this Scheme of Things.



COAL • PAPER • SUGAR
TEXTILE • STARCH • SOAP
RADIOS • ELECTRICALS • SPIRITS
VANASPATHI • ENGINEERING
EXPORT & IMPORT

KARAM CHAND THAPAR & BROS. PRIVATE LTD.
12, INDIA EXCHANGE PLACE,
CALCUTTA-1

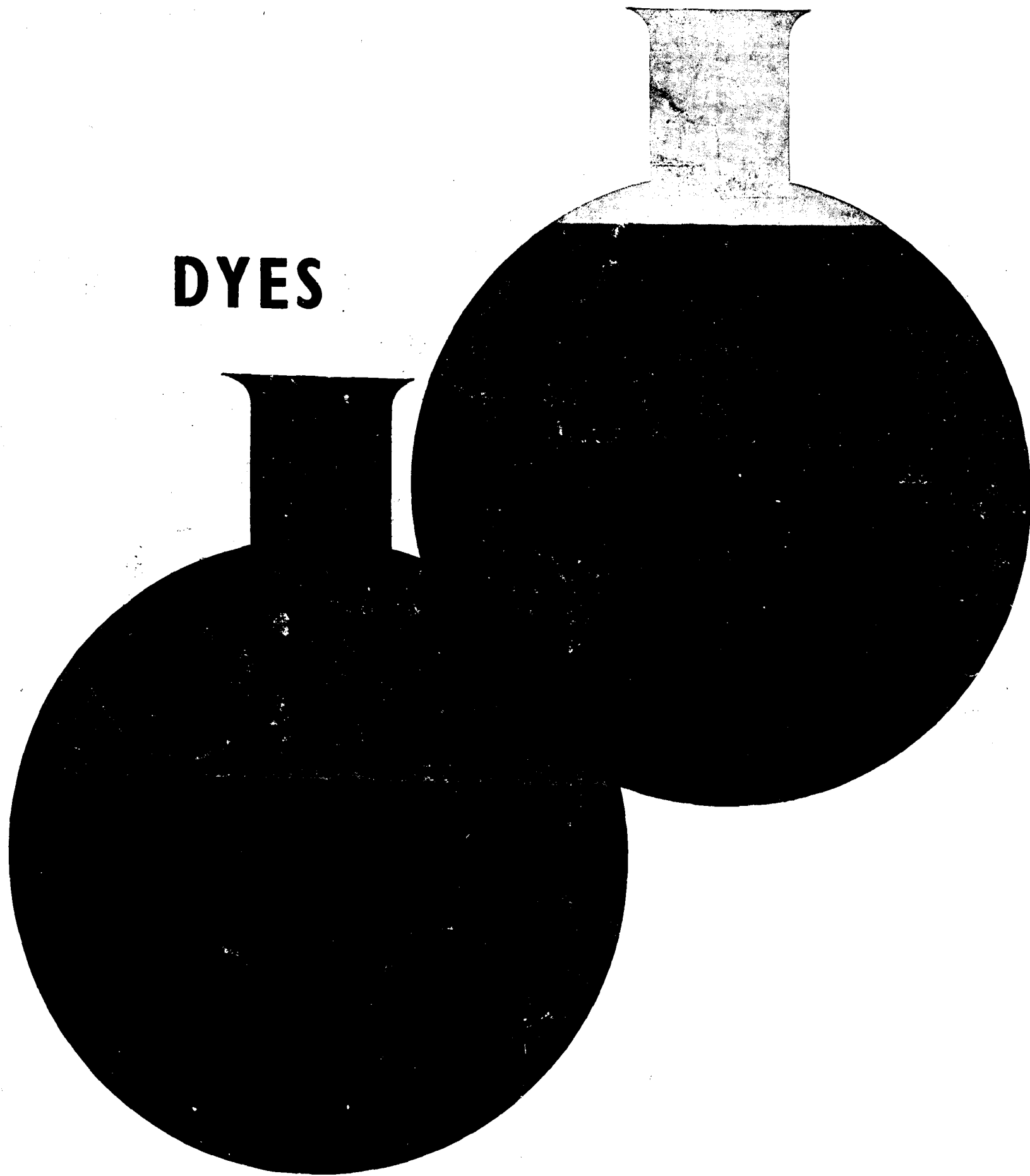


Reg. No. B3502

ATUL



DYES



THE **ATUL** PRODUCTS LTD

ATUL VIA BULSAR

WESTERN RLY.