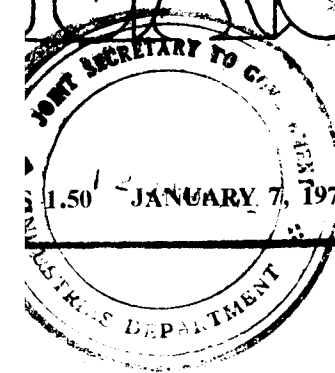


1494

EASTERN **1** ECONOMIST



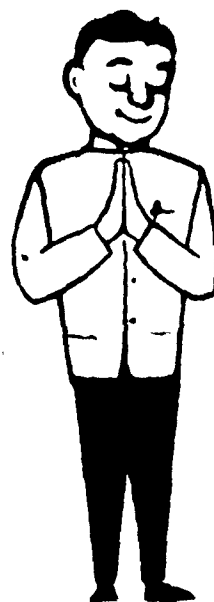
Aid and All That
Outlook for Jute Industry
Political Bulls and Bears
Planning for Posterity



POST-WAR POSTURES

New Year Greetings

to all our
shareholders, patrons
and friends.



Vijaya Bank Ltd.

Admn. Office: Race Course Road, Bangalore-1.

Chairman: M. SUNDER RAM SHETTY

JANUARY 7, 1972

Aid and All That	3
Economic Climate in West Bengal	4
Integrated Regional Development	5
Outlook for Jute Industry	6
Political Bulls and Bears —V. Balasubramanian	8
Planning for Posterity —R. V. Murthy	8
Economy of W. Bengal—and Bangla Desh —Our Special Correspondent	12
WINDOW ON THE WORLD	14
New Developments in Old Year. Off the Sheep's Back?	
THE MOVING FINGER WRITES	17
TRADE WINDS	18
Emergency Risks Insurance; National Income; Tea Corporation; Annual Plans; New Bottle Making Plant; Dollar Devaluation; Hike on India- Jap. Freight; Indo-UK Trade Pact; Indo-German Agreement; IDA Credits; National Defence Fund.	
COMPANY AFFAIRS	21
Bihar Alloy Steels; Gramophone Company; East India Hotels; Skol Breweries; CICO, SICOM Debentures; Seven Seas Transportation; Incheck Tyres; Premier Auto; Unit Prices; Licences and Letters of Intent.	
COMPANY MEETINGS	25
Golden Tobacco Co. Ltd. Parrys Confectionery Ltd.	
COMPANY NOTICE	28
Upper Ganges Sugar Mills Ltd.	
RECORDS AND STATISTICS	31
Mid-Term Appraisal of Fourth Plan. Liberalisation of Licensing Policy.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

AID AND ALL THAT

IN POLITICS, national and international, in diplomacy and in the political direction of war, the Prime Minister has demonstrated her capacity to take big and bold decisions. In these fields she has shown her ability to comprehend facts and make policies in the light of her understanding of them. Here information has become knowledge which has blossomed into wisdom. It still remains to be shown that her intellectual processes are similarly realistic and positive where her management of the nation's economic affairs are concerned. On the contrary, her judgment seems to be hampered by prejudices or ill-digested information.

For instance, at a recent press conference, she unreasonably took objection to the use of the word 'aid' as a description of the development assistance received by developing nations. Mrs Gandhi said that India was being given only long-term credits and that she had been repaying them. Apart from the fact that this is factually incorrect in that grants, involving no repayments by the recipient countries, have formed a fair element of development assistance, the loans themselves have been given on terms which are not strictly commercial. At least political considerations, if not the philanthropic, have been certainly entering the picture. The English language of course is flexible enough and if Mrs Gandhi is allergic to the term 'aid', the offending sound could be dispensed with, but the substance would still remain.

It is natural perhaps that the Prime Minister should have developed a certain sensitivity to the idea of development assistance from foreign governments because of Washington's crude and cavalier behaviour recently. It is also legitimate that India should feel annoyed by the behaviour, for instance, of Japan. It is not exactly pleasant for the Indian people to be made to feel that they can be taken for granted by the assisting countries who would chop or change development assistance agreements at will. Nevertheless, it is the responsibility of the government of India and the Prime Minister to maintain a sense of proportion. Development assistance rendered by foreign governments has certainly been helpful and Mrs Gandhi herself has conceded that this had been so at least in the past. It is certainly open to the government of India to review this matter of development assistance and make appropriate changes in national policies if they are considered necessary and desirable. No useful purpose, however, would be served by importing emotion into the matter or by treating 'aid' as a dirty idea or even a dirty word.

The plain fact is that our country's saving potential is not strong enough for our requirements of rapid economic growth. Eminent economists, such as Mr Kuznets, have been quoted in support of the view that international capital movements have not been of much significance to the economic growth that has been taking place in many countries. What Mr Kuznets and those of his school of thought have actually been trying to say seems to be rather different. They have been arguing that foreign capital can be no substitute for the mobilisation or proper utilisation of the human skills in the home economies. We have now the practical examples of Japan and West Germany which have been able to go up the economic ladder as much through the skills, hard work and other human as well as material resources of their people as by making efficient use of available foreign capital and technology at least in the earlier years of their economic reconstruction. If the Prime Minister believes that the country should not continue to be heavily dependent on foreign economic assistance on an inter-governmental basis, it is up to her government to explore ways and means of securing external resources in more acceptable forms. There is need, for instance, for internationalising development assistance by expanding the scope and strengthening the role of multinational agencies. There is room again for stimulating the flow into our economy of foreign private capital on commercial terms. There are also prospects of a steadily expanding export effort. In addition to all these it is possible also to entertain inter-governmental economic assistance from friendly countries, without becoming unduly dependent on such assistance. No feeling of national vanity or governmental apathy can justifiably deny the nation these means of augmenting its development resources.

The Prime Minister has been saying in her post-victory perorations that the country must now resume its war on poverty. She has exhorted the people to work hard and produce more. It is possible that the government could profit by the Prime Minister recalling her own attitudes to the conduct of the recent war. Just as she gave the military planners and the commanders in the field the broad

political directions and then left them to their business, she should now give freedom similarly to the productive forces in the economy to go out and fulfil themselves. Unfortunately, Mrs Gandhi seems inclined to make light of the gravity of the economic task before the country. She believes, evidently, that the people will somehow be able to feed themselves, find some kind of employment sooner or later and, broadly speaking, go on gaining a little here and a little there in terms of better living. She does not seem to appreciate adequately the implications of the population growth, the low rate of savings or the political or administrative bottlenecks to the expansion of business activity. She still seems to believe far too much in the artificial arithmetic of planning which has sought to cover up the gaps in the nation's economic performance with the rags of tattered targets.

Last week the Ministry of Industrial Development brought out a list of industries the production curbs on which have been eliminated or liberalised. This will no doubt be celebrated in some quarters as a famous victory for the government's commitment to increased production. But the question must be asked why there should have been these curbs at all in the first place and, more important still, why the government should be trying to do the right thing with the economy only in bits and pieces. Has not the time come for a set of policies which will give overriding priority to industrial expansion and production? Far too many young men are still unemployed in our country; far too many people eat less and live less well than they ought to; there are avoidable shortages of raw materials for consumer goods; inflation is eating into the growth of capital or the substance of social welfare.

Mrs Gandhi has ridiculed the idea of big and small powers and she has wisely warned her countrymen against indulging in unproductive notions of India becoming a big power. Let us then dream differently, let us think of an India which even if not affluent will at least be able to provide the wherewithal of a civilised existence to its people. In a New Year message, the Prime Minister has exhorted the people of this country to accept challenges, work hard and become tough and purposive in the process. This is certainly good advice. Let us then choose the right challenges and not merely battle for the sake of battling. Let us not create avoidable troubles and difficulties for ourselves mainly for the sake of proving that we can be tough. Let us work hard by any means, but let us also work hard

in an intelligent way so that our effort is rewarding and our achievements satisfying enough. Let us, to put it firmly, keep politics and economic management apart just as we had kept

politics and the waging of war apart. It is only when this is done, the phrase 'war on poverty' will come to mean more than a political slogan of perpetual electioneering.

Economic Climate in West Bengal

THE PUBLICATIONS DIVISION of the Ministry of Information and Broadcasting recently issued a 38-page brochure entitled, "Economic Climate in West Bengal". The Division says that this brochure has been prepared with a view to promoting an objective assessment of West Bengal's growth potential and its outlook for the future. Such a study has been considered necessary because, according to the Division, news coverage of West Bengal has tended to be somewhat negative, with an exaggerated emphasis on the "flight of capital" and the "sad economic plight" of the state.

But will the brochure have the desired effect? Although it was prepared in March 1971, it has been released only in the middle of October. Most of its data have become out-of-date. Besides, the brochure does not bring out a correct picture of the economic situation as it has prevailed in the recent months.

The statistics of industrial production do not cover even the full year 1969. The figures are given only up to the six months of 1969 and they do not also refer to all the major industries in the state. The brochure says that there has been "a steady increase" in the number of small scale units from 3,517 in 1961-62 to 16,810 in 1969-70. But the fact is that most of them are languishing for want of orders or raw materials. A survey by the Reserve Bank sometime ago had revealed that the bulk of the small industries in Howrah was facing a critical situation and that their machinery had become obsolete. About 2000 of the 3100 major machines employed by the 200 sample units were more than 15 years old and over 1,000 were more than 30 years old. Even when finance was available for modernising the machinery, the owners of the most small units in Howrah showed no willingness to avail themselves of it. A survey by the University of Calcutta some time ago showed that in about 40 per cent of Howrah's small engineering units there was either no stock of raw material and other consumables or the value of the such stocks was Rs. 100 at the most. Another recent study disclosed that about 30 per cent of the small units in Howrah were running without power. There are about 300 units still lying closed for one reason or the other and

the attempts to reopen them have so far made little progress.

The chapter on power production seems misleading. It shows that the generation of power increased from 4080.4 million Kwh in 1965-66 to 5291.4 million Kwh in 1967-68. But in the recent years, industries in West Bengal have been facing an acute shortage of power. Sharp and sudden cuts in power supply have become quite common and even vital industries like jute have suffered seriously in production and export due to lack of electricity. The brochure says that since 1968-69 there has been "a near stagnation in the sale of electricity in the Greater Calcutta area which is the industrial hub of West Bengal". It gives no indication of what is being done to ensure the uninterrupted supply of power to the industries in this region.

Dealing with industrial relations in West Bengal, the brochure points out that the percentage of man-days lost in this state as compared to all-India increased from 39.60 in 1967-68 to 58.71 in 1969-70. Out of 17 million man-days lost in India in 1970 due to strikes and lock-outs, 11.5 million were in West Bengal. Most of industrial disputes in West Bengal were politically motivated, arising from fierce rivalry among the trade unions. The average per capita annual earnings of factory workers in West Bengal increased from Rs 1,180 in 1958 to Rs 2,245 in 1968. There has been a further improvement in the subsequent years. But the higher earnings generally have not been accompanied by a rising productivity. On the other hand, there has been a decline in productivity in many industries and even in the maintenance of discipline.

The brochure reveals that the in-

vestment on the central industrial projects in West Bengal increased from Rs 5.9 crores in the first Plan to Rs 135.0 crores in the third Plan, the investment during 1951-59 being Rs 466.1 crores. These investments have been mainly in the Durgapur Steel Plant, National Instruments, Hindustan Cables, and Mining and Allied Machinery Project, Durgapur. But no assessment has been made as to how far these investments have really proved productive. Nor is there any indication of the centre's intention to step up its investment in West Bengal. There have been persistent demands from industrial organisations in Calcutta that the government of India should set up a petrochemical complex, a shipyard and also a free trade zone—all in Haldia—which would give a tremendous boost to the state's economy especially to the engineering industry. But New Delhi has yet to make up its mind because of lack of resources and uncertainty about the political set-up of the state.

The brochure should have highlighted the incentives made available by the government of West Bengal for setting up new industries. Though these incentives are not as attractive and comprehensive as those offered by other states like Maharashtra, Tamil Nadu

The feature "Books Briefly" will appear in our issue dated January 14, 1972.

and Punjab, the fact that West Bengal is doing something positive to woo investors should be widely publicised. But the brochure has dealt with this aspect in a routine manner under the heading "Employment situation".

The brochure devotes just one sentence to the Rs 140-crore Calcutta Metropolitan Development Plan which is of great importance to the economic growth of West Bengal. The Research and Reference Division of the Ministry of Information and Broadcasting does not seem to have realised the significance of the CMDA's attempt to improve Calcutta from the point of view of the development of West Bengal's economy.

The brochure says that West Bengal's economic situation shows a few dark spots and many bright ones. The dark spots are obvious enough but the bright ones have not been highlighted. Incidentally, it is worth noting that neither the government of India nor the West Bengal government has cared to publicise the 16-point programme for the state's economic revival, announced towards the end of August last year.

"The points" in the programme have not been spelt out. Most of them continue to remain vague. For example, the programme said that the entire West Bengal except Calcutta, Howrah and the 24 Parganas would be treated as backward for getting concessional finance from the financial institutions set up under official auspices. But since no gazette notification has yet been made on this point, it has not been possible to implement it.

There are many other aspects of the 16-point programme on which clarification and action are overdue. Exam-

ples are: identification of industries with growth potential, vitalising the West Bengal Industrial Development Corporation and the Small-Scale Industries Development Corporation, assessment of the "realistic requirements" of the state for iron and steel and other raw materials; and measures to raise productivity and improve management-labour relations. The government of India should give immediate attention to these matters and, at the same time, intensify its efforts to improve law and order to create a climate congenial for economic expansion in this state.

Integrated Regional Development

THE CONCLUSION of new agreements with Ceylon and Nepal for developing closer trade and economic relations will be helpful in bringing about integrated industrial and agricultural development and effective use of water resources. The union Minister for Irrigation and Power, Dr K.L. Rao, has latterly been exploring the possibilities for augmenting power resources of a country which is not rich in oil resources and which will have to rely to a greater extent than now in the coming years on electricity and coal. The agreement with Nepal recently concluded will be greatly beneficial to UP and Bihar as the outstanding issues relating to the utilisation of the waters of Kosi and Gandak have been resolved and a vast network of canals will be constructed over a period which will be helpful in not only minimising the damage that will be caused by floods in north Bihar but also providing assured irrigation facilities to a region which has suffered from severe droughts and floods in the past few years and increase substantially the output of many agricultural commodities. Equally important are the power resources that will be the by-product of the irrigation schemes and under the arrangement 50 per cent of electricity generated will be made available to Bihar.

However, the new projects for harnessing the waters of the Karnali and Sharda rivers in west Nepal have great significance from the point of view of power generation, as it is visualised that as much as 3 million kw of capacity can be created with an outlay of Rs 300 crores. This investment should be considered highly remunerative as there are not many projects in India which can create such a large block of power at a cost of only Rs 1000 per kw of capacity. The Sharavathy Project in Mysore is among the cheapest and most important in south-east Asia and the capital cost of the project which was construc-

ted some years back (though two generating sets out of the total of ten are still to be installed) will have a cost which will be even slightly higher than that of the new projects now proposed in Nepal.

No details are available about how the large blocks of power generated in Nepal territory will be shared between the two countries but it is quite likely that the bulk will have to be exported to UP which can absorb any surplus. Nepal will obviously benefit from the export of surplus power. Already, India has helped this neighbouring country in constructing hydel projects and there should be no difficulty in implementing the new schemes by providing the necessary technical and financial assistance. The materials required for the dams are easily available while the equipment needed for the power stations can also be fabricated by the heavy electrical units in the public sector. The finances required will presumably have to be found by India as it will be the main beneficiary. There will, of course, have to be a clear understanding of how this investment will be serviced and in what manner exported power will be charged on a royalty or other basis. The financial resources will understandably have to form part of future plans.

A similar approach has been adopted in our relations with Ceylon, when Dr K.L. Rao, union Minister for Irrigation and Power, visited that country and had discussion with Prime Minister, Mrs Srimavo Bandaranayake. It is now recognised that closer links can be established between India and Ceylon to mutual advantage by helping the latter in the construction of power and irrigation schemes. Dr Rao has indicated that a cable link between the island and India can be easily laid at no great cost and the power systems of the two countries integrated on the

**EASTERN ECONOMIST
WISHES
ITS READERS
A HAPPY
NEW YEAR**

disadvantages is that partners of such firms are taxed under the Income Tax Act as individuals and they remain liable for all debts of the firm jointly and severally. The firm's name does not do much in establishing an identifiable entity as happens in a company (limited) and the reputé of the partners holds the key in this respect.

(5) **Registered Firms**—Have rather similar formal characteristics as an unregistered firm except that the relationship of partners is more formalised and that the tax authorities distinguish between registered and unregistered firms in the matter of taxation.

(6) **The Unitary Concerns**—Are owned in the name of one man and for all dealings the owner himself and his property remain liable.

Whatever form is chosen or adopted for the enterprise, all relevant details thereof are required to be given in the feasibility study including the names of persons behind it, directors, partners or owners as the case may be, and the extent of their contribution.

Sources of Finance

The sources of funds contemplated by the entrepreneurs would require mention with respect to different types of funds such as share capital or simply capital in the cases of companies or other forms respectively, loans — secured and unsecured — from private parties, relatives, friends and the financial institutions and banks for fixed and working capital purposes. The terms and conditions attached to such loans with respect to repayment thereof and the interest on loans from different sources at concessional and other rates may be stated in detail and duly taken into account in the profitability statement forming part of the study and referred to later in this discussion.

The recipient will have to calculate the most economic sources either jointly as a source-mix or as an individual source. Reference will have to be made to the policies, schemes and procedures evolved by financial institutions and nationalised and other commercial banks including the State Bank of India for fixed and working capital and short-term credit. Careful consideration will have to be given to the need for providing "margin money" by the entrepreneur to the extent of 25 per cent or more for the purposes for which accommodation from banks may be sought, for credit in particular, such as sales on credit and stickiness of sundry debtors.

Apparently, such schemes of liberalised credit as have been drawn by the State Bank of India have not evoked the desired public response, since libe-

ralised credit schemes have been in operation from 1957. The terms and conditions offered by the NSIC should also be studied closely particularly if its good offices are utilised for procuring plant and machinery on hire-purchase terms from abroad or from indigenous sources.

Selection of Industry

Selection of industry is a major problem and a lot would depend on the technical and/or operational background of the entrepreneurs. It may be mentioned here that the chemical industries have remained more profitable than others in the public and private sectors as one gathers from the annual reports regarding the former and the studies in company finances as regards the latter. Indeed, there are possibilities that even in the small-scale sector, chemicals are a more profitable line than others. It is, however, necessary to predetermine whether there are economies of small scale in particular lines and how small should be the unit within the range of Rs 7.5 lakhs for plant and machinery. The other requisites such as land and buildings, electricity, water and communications may vary from industry to industry and may be accommodated in the investment plans as also in those for individual items in their physical aspects.

After the industry has been selected and location for starting the unit decided upon, the entrepreneur has to consider other details. Before discussing details it is appropriate to say a few words about location. Recently, a kind of carrot and stick policy has been adopted by the government in regard to rural, semi-urban and urban areas and also to undeveloped and developed regions or districts. Various incentives are now given to entrepreneurs desirous of establishing large and small-scale units in undeveloped districts or regions, including preferential treatment, differential interest rates on loans given, etc. The facilities for the developed, urban or semi-urban areas are subject to discouragement of various kinds such as higher interest rates on loans, lower priority and so on. The entrepreneurs seeking to establish units in favoured areas i.e. rural areas or undeveloped regions will have to calculate the benefits of such spreading out in terms of:

- (a) rebates, etc. on taxes imposed by states and the centre, including indirect and direct taxes;
- (b) priority in factor supply, such as machinery and materials;
- (c) preferential advance of loans by the financial institutions and banks and at lower rates;
- (d) freight concessions for bringing

machinery and materials;

(e) cheaper rates of power and water as against:

- (i) possible absence of local market;
- (ii) higher selling and distribution charges;
- (iii) inexperienced or unskilled labour;
- (iv) higher cost of repairs, renewals, etc.
- (v) possible withdrawal of incentives on the expiry of a certain period.

(vi) The absence of large units in the vicinity may come in the way of establishing ancillary relationship, an advantage that the urban or semi-urban units may have. It is possible to demonstrate the advantages and disadvantages in precise terms with reference to the location selected *vis-a-vis* another in or around a city.

Operational Details

The machinery required may be mentioned in terms of brand name or other description, the number of machines of each type, the sources of supply thereof, placement of orders, scheduled delivery of the machines, technical specifications, prices, spares and components, methods of payment agreed to, and such other details. For this purpose, quotations invited from different suppliers will be a good guide. The operational details stated in the quotations for machinery should be carefully studied in deciding which type of machines will be purchased. There should be comparative studies of machines of various types and involving different prices as to the advantages and disadvantages of each. In this context, the following pointers should be taken:

- (a) Capital cost involved in each type.
- (b) Technical efficiency.
- (c) Life of machinery.
- (d) Employment generation.
- (e) Productivity in ideal conditions.
- (f) Mode of payment.
- (g) Delivery schedule.
- (h) Installation charges.
- (i) Repairs, replacements and renewals.
- (j) Maintenance expenditure.
- (k) Spare parts, components, etc. and sources.
- (l) Mobility of the set-up and the type of building, etc., in which the machinery may be installed, whether a hired accommodation is enough or it has to be specially built.

The processes of manufacture should be given in the study with details of raw materials and other inputs number of workers in each process, wastage of materials in each, purchase and sale of semi-processed

materials and the output over a period of time or per run of the process, the work-in-progress, raw materials in stock, sale of finished goods and finished goods in stock. Materials consumption may be stated in a separate schedule indicating all relevant particulars such as price, sources of supply, etc. Similarly, separate statements should also be prepared for sales, closing and finished stocks, prices of each product sold, etc., for inclusion in the profitability statement. Classification of costs into prime cost and overheads of different types for each product in the product-mix and the sales realisation on each product sold would help the entrepreneur to decide the product-mix and sales-mix as the unit starts operating.

All these details would require to be given for some years in the feasibility study. No important question should be left out of consideration in this context. Those factors which have a tendency to go out of gear over a period of time such as prices, taxes, markets, etc., should be subject to a close scrutiny and the feasibility study should not give any unduly optimistic picture in an attempt to establish that the project is viable techno-economically. In fact, contingencies should be provided for and escalation clauses entered, in the body of the study itself.

The profitability statement appended to the study must be a truthful depiction of the working results as anti-

pated over a period of five to ten years. Starting from the sales plus closing stock, all the items of cost are to be deducted to find the profit. These elements will have been given in detail in separate schedules with explanations and assumptions behind each item. These figures should be shown in the profitability statement. Such items as interest on loan capital, taxation, etc., will also have to be reckoned before finding the profit, for distribution among owners or for keeping in reserve. This statement is an important part of the study and should be prepared with all seriousness.

The fund flow statement shows the receipts of the proposed unit from various sources such as capital, loan, sales proceeds, depreciation, reserves, on the one hand, and disbursements on different accounts such as payment for fixed assets, including deferred payment to trade creditors, payments for materials, labour payments for taxes, duties, etc. on the other. The balance would show the availability or otherwise of funds for financing working capital needs. Planning for working capital will have to be made carefully so that neither excessive cash and liquid funds are carried nor is it stuck up due to stringency of funds.

Thus, all these details truthfully presented in the feasibility study would substantiate its nickname, "an enterprise on paper".

International Finance : A Seminar

A CORRESPONDENT

A THREE-DAY seminar on International Monetary Developments over the last forty years was held (January 23-25) at the School of Commerce, University of Rajasthan, Jaipur, under the auspices of the Department of Economic Administration and Financial Management. In a message to the seminar Mr. H. Lal, Secretary, Ministry of Foreign Trade, pointed out that a properly functioning international monetary system was an essential prerequisite of sustained growth in world output and trade. Both developed and developing countries had an equal stake in the smooth functioning of the international monetary system. However, the state of the world monetary system during the last ten years or so had been far from healthy, he stated. The system had experienced serious strains during this period. The emergence of difficulties in its functioning had, no doubt, led to a remarkable growth of international monetary co-operation both within and outside the IMF. However, as the events of the last few months had demonstrated the growth

of co-operation had not been adequate enough to deal with the underlying strains which had been building up with the passage of time, he said.

Mr Lal indicated that developing countries were worried about some recent happenings for more than one reason. First of all, poor countries did not possess well-developed institutional mechanism of forward exchange markets that would enable them to deal effectively with a situation of prolonged uncertainty in the foreign exchange markets so that the continuation of this uncertainty was bound to affect their ability to expand and diversify their exports. Secondly, there was a danger that the situation might degenerate into a trade war among the developed countries with disastrous consequences for entire world community. Mr Lal stated that developing countries at their recent meeting at Lima, firmly took the view that it was indispensable to the restoration of stability and confidence of the international monetary system that there should be an early

return to orderly and stable exchange rate arrangements.

Professor A. B. Lal, Vice-Chancellor of University of Rajasthan observed in his inaugural address that the last forty years had seen the currency chaos emanating from the Great Depression as also the emergence of an elaborate international monetary system, particularly after the Second World War. It had to be seen if this machinery could continue long, he said. Devaluations and revaluations and all kinds of juggling with the international monetary systems had been used as diplomatic weapons for meeting the national ends, he pointed out.

At the first technical session on 'International Liquidity: The Gold Base and Alternatives', Prof. Om Prakash, Dean of the University Studies in Commerce and Director of the Seminar, traced the concept of notional International Currency Units (ICU) in terms of which the values of various national currencies could be fixed, refixed or allowed to float. He felt that such a system could be made to work merely on the basis of book-keeping countries; but, if the traditionalists had hesitation in launching on such an experiment straightway, the same could be supported by commodity reserves held by the IMF or a sister agency such as the International Commodity Reserves Agency. The list of acceptable commodities could be drawn up and modified from time to time, on the basis of important items entering international trade. Dr Brahmanand, on the other hand, strongly advocated the continuance of gold as the basis of international liquidity. He described such a system as "neutral" which in his view, should work to the advantage of underdeveloped countries.

Devaluation : Accounting Change

During the second technical session on 'The Rationale of Devaluations' Professor B.R. Shenoy, Director, Economics Research Centre, New Delhi, who was the chairman of the session, pointed out that devaluation was merely an accounting change. It was not right for politicians to consider it as national humiliation. In fact, it was the creation of purchasing power through the printing press which should be considered as national humiliation. Dr H.C. Sharma of University School of Commerce, Jaipur, observed that a vigorous campaign for austerity and 'Swadeshi' should be launched. That alone could save the country from future devaluations. While both Prof Om Prakash and Prof Raj Krishna of Rajasthan University, Jaipur, were not in favour of devaluations as such, they differed

Political Bulls and Bears

V. BALASUBRAMANIAN

THE OLD year saw much liveliness in the country's political stock exchanges, particularly the New Delhi one. There were shocks, surprises and strange happenings. It was not a particularly successful year for investors who had sought the help of investment consultants, market experts and the like. But those who had put their faith in astrologers, palmists and their kind managed to fare better. Follows thumb-nail sketches of the position and prospects of the more important scrips as at the close of business on December 31, 1971:

Indira Extraordinaries :

A spectacular market leader throughout the year. Soared to new heights on March 10 and has never looked back since. Touched the year's peak on December 16 thanks to impressive bonus declarations. Possibly slightly overpriced at present and while the scope for further capital appreciation seems rather limited, the prospects of the dividend being maintained are excellent.

Jag Ram Preferreds :

A consistent performer. Has been enjoying solid investment support. Wider fluctuations may be ruled out and those who may be looking for short-term gains are likely to be disappointed.

Yeshwant Deferreds :

Has been quietly steady for some time now, but basically is highly sensitive to the market barometer. Has more than an average chance of sudden capital appreciation. May be recommended for both investors and speculators.

Swaran Ordinaries :

Safe and unexciting. Has been holding its ground in dull trading. The ideal scrip for cautious investors anxious to make provision for old age.

Fourth Plan Subras :

A tricky counter. Ruling firm at present but it is advisable to book profits at higher levels. Professional guidance necessary if investors do not want to risk having their fingers burnt.

Nijalingappa (Partly Paid) :

Has been steadily losing ground in

Reproduced by courtesy
The Hindustan Times in which
this skit was published on January 3.

listless trading. Investors are advised to cut their losses.

Organisation Morarjis :

Company may be wound up shortly. Holdings may be liquidated and proceeds invested in state lottery tickets.

Mafat-Tata-Birlas :

Have been under steady bear pressure, but values have been more or less maintained. Certain Turkish speculators are reported to have been selling short over a period. Year-end quotations show significant recovery from earlier low levels.

Modi-Mohan-Singhanias :

To be counted among growth shares. Knowledgeable sources forecast steady appreciation. Attractive proposition for investors who would like to make hay while the sun shines.

Nanda-Lal-Manekshawas :

Have registered strident advances in aggressive trading. Bears unable to meet commitments. Further dealings suspended for the present.

Dhar-Haksar VIPs :

Well fancied in a strong market.

Planning for Posterity

R. V. MURTHY

CONSCIOUSNESS of the uncontrolled growth of cities is almost universal but not so of what to do or how to go about to deal with the problem. "Ekistics", the name that the eminent and world renowned Greek architect, Dr Doxiadis, who recently came to this country to deliver the fourth series of the Sir Dorab Tata Memorial Lectures, has given to the science which deals with man in his total environment (and for the propagation of which he has founded a new school in Greece) is still unknown, if not unheard of.

But the situation is not unrelievedly

It will pay shrewd or alert investors to keep track of company's expansion plans.

Brahmananda-Sukhadias :

The Bull market in this scrip abruptly came to an end during the year. Chances of recovery virtually nil. No transactions reported for some time.

South India Karunanidhis :

Decidedly over-bought at present but since the bears continue to be demoralised, the bulls are unlikely to find their resources extended in the near future.

Pondicherry Kumaramangalams :

Listed in the Engineering section during the year. A highly speculative counter. Dividend prospects uncertain although the working of the company is reported to have improved marginally after a spell of plant breakdowns and chronic labour trouble.

Mysore Hanumanthaiyas :

Latest financial statement makes depressing reading. Heavy losses are feared during the current accounting year. The scrip will continue to be under heavy bear pressure.

Assam Haques :

Working results have been unexpectedly poor. Over-capitalisation is suspected. Shortage of working funds has been a problem. An erratic scrip. Not recommended for conservative portfolios.

Shankar Siddharthas :

An active feature in the Miscellaneous section. Stray dealings reported; no consistent trend is discernible yet.

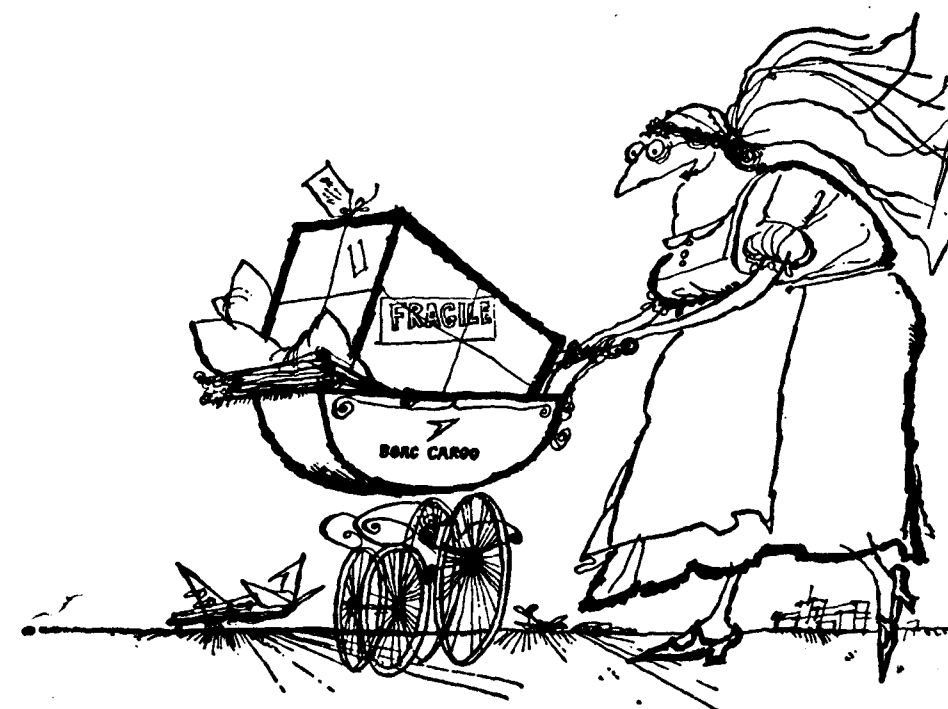
Lalit-Gokhales :

Also in the Miscellaneous section. They follow the leader. Recommended for small investors who are particular about the safety of their savings.

gloomy, for, once the consciousness of a problem is there, man's ingenuity will not take long to find a solution to it. There have been no less than three notable events designed to highlight the issue. The first was the series of three lectures delivered in India (two in Bombay and one in Delhi) by Dr Doxiadis.

According to the trustees of the Sir Dorab Tata Trust, who invited Dr Doxiadis to deliver these lectures, "with the inevitable migration of hundreds of millions of people from the countryside to cities and towns during the next hundred years, the problems of

Air care.



From the smallest parcel to the largest crate, your cargo gets V.I.P. treatment by trained staff all over the world, special loading and unloading equipment, and the super-care fully-automated Cargo Centre in London.

We know what good handling means to you — satisfied customers, no damage to valuable goods, and all that means faster profits, too.

Your cargo agent will tell you how BOAC takes good care of your cargo. Call him — soon.

Fastest off the ground.



NOW a 60-second contest for industrialists:



Given below are 10 of the problems industrialists often face, and the solutions to these are available from SICOM. Indicate the correct letters of alphabet of the SICOM solution against a particular problem. Remember, you've just 60 seconds.

Problems

- 1 You have the resources and you want to know what projects are profitable in Maharashtra.
- 2 You want a feasibility study made on your project and are willing to pay only 25% of the cost.
- 3 You need evaluation of an alternative site for your project.

- 4 You want to start a small or medium-scale industry and you need 75% capital assistance.
- 5 You know what industry to start but you don't know where in Maharashtra.
- 6 You want share capital participation and under-writing support.
- 7 You want short-term, medium-term or long-term loans on easy conditions.

- 8 You want to locate suppliers of raw materials.
- 9 You need interest-free loans (from the sales tax you pay) to set up another project.
- 10 You need expeditious clearances for various basic industrial needs like water, land, power, telephone, etc.

Solutions

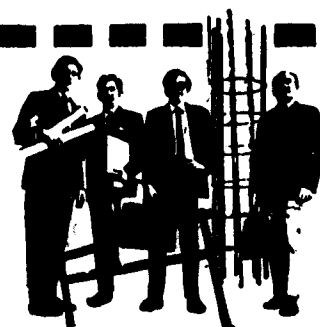
- (a) SICOM's Project Investigation Service.
- (b) SICOM's Capital Participation Scheme.
- (c) SICOM's Plant Location Service.
- (d) SICOM's Industrial Services Division.
- (e) Government of Maharashtra's Package Scheme of Incentives. (SICOM administered).
- (f) SICOM's flexible schemes for financial assistance.

For correct solution to any or all of these problems write to the Senior Development Officer.

SICOM - the moving force for developing industries



THE STATE INDUSTRIAL AND INVESTMENT CORPORATION OF MAHARASHTRA LIMITED
Nirmal, 1st Floor, Nariman Point, Bombay-1,
Tel: 298216. Telex: 011-3066.



**SICOM people
work hard
with expertise
and guts.
Like you.**

January 7, 1972

EASTERN ECONOMIST

11

urbanisation are amongst the most grievous and important facing the country". And so they felt that, at this stage of the country's development in which such process of migration has already assumed dramatic and in some places, disastrous proportions, the thinking and experience of an internationally eminent authority on the subject like Dr Doxiadis would be of great interest and potential value to the country. Those who heard this great architect are bound to endorse this view hundred per cent.

Secondly, there was a four-day conference in Tokyo of experts (representing municipal administrations) from four of the world's largest cities—New York, London, Chicago and Tokyo—to discuss their problems and achievements. It is interesting to note that all these cities have some things in common, namely, air and water pollution, noise, and absence of a place to put their rubbish—New York—25,000 tons per day; Tokyo—13,000 tons per day and London—270 million tons a year. So far, no reports of the solution to these problems, if any, were put forward, have reached here.

National Policy

Thirdly, state chief town planners in India discussed a national urbanisation policy for checking the uncontrolled growth of metropolitan cities recently and their recommendations (the most important of which was that "conscious efforts be directed to channel urban growth towards minimising the present disparities as well as checking further uncontrolled growth of metropolitan cities") have been endorsed by the latest Housing Ministers' Conference. A small working group of central and state town planners is shortly to be set up, it is reported, to go into the whole problem of urbanisation and suggest the framework of a national policy aimed at tackling it. It is just as well that the need for a national policy has been keenly felt at least now. Already the uneven distribution of urban population has led to grave backwardness and low living standards in some areas, while the haphazard growth of large cities in other areas has created problems of congestion, traffic bottlenecks, slums and unhealthy living environments.

Among other things on which the working group will be called upon to throw light will be, as per available information, the rate of urbanisation during the next few decades in the context of the economic development programmes, the measures required to deflect further urban expansion away from metropolitan cities and steps to promote the growth potential of medium and small towns as well as to ensure that no

village economy is impaired whilst planning an all round development of rural areas. What is necessary in all these matters is a frame of mind which, like that of Dr Doxiadis, both accepts as inevitable the development of large metropolitan cities and realises that this trend cannot be reversed. But the Greek architect had something more to offer too, to which a brief reference should be timely.

Looking Ahead

The great pragmatist that he is, Dr Doxiadis seems to be planning human settlements today having at the back of his mind conditions as might develop by 2100 AD. It is only by then, if at all, he believes, that there could be any levelling off in the world's population, assuming that all population control programmes succeed cent per cent—a big proviso indeed. Secondly, he is convinced that all problems should be viewed as entities and not in isolation. What we have to do, therefore, is "to consider man's relationship to the overall system within which he lives and of all the individual component parts themselves towards each other".

According to Dr Doxiadis, we have to learn from our ancients, men in former ages, two attributes in particular—courage and realism. Illustrating this, he said in the course of his lectures that, when those men undertook to organise relations between their villages and their fields, they saw to it that the village did not grow to such an extent that the fields available could not support the villagers and that the water supply was equitably shared between all the peasants to meet the needs of all their farms, thereby establishing an equilibrium in the village. Similarly, they showed courage in building up their cities.

If those people had sufficient courage to impose a plan on a city with a radius of one kilometre, because this was conditioned by the pedestrian who wanted to walk for ten minutes, the eminent Greek architect saw no reason why we today should not have the courage to impose a plan on the system with a radius of 50 to 100 kilometres, since we have now dwellers who travel over such distances. This, of course, presupposes the need for order within a larger unit, and we have to achieve such order. A laudable effort that nearly conforms to all these is the Twin City proposal near Bombay in Maharashtra.

In these days when Nobel Prize winners like Dr Norman E. Borlaug cross swords with eminent environmentalists like Mr. Sicco L. Mansholt, the ECM Vice-President, about the dangers of so common a pesticide as DDT, the

layman cannot but feel confounded. It is, therefore, comforting to hear an authority like Dr Doxiadis say that, while mankind has undoubtedly entered upon a phase during which it is suffering from the mistakes it has made in the treatment of its environments in the past, there is no use lamenting over the state of the emerging affairs. Lamentations, as he said, are of no use unless they lead on to a better path. First of all we must try to understand exactly what was done by mankind in the past. Man may continuously alter his course and derive new methods, but it is not easy to modify his basic attributes and character. Accordingly, the best plan would be to make the way man handled this problem of environment in the past the basis on which to chart our future course of action. In the past, man did not lament over his relationship with his environment, but sought to apprehend it correctly and to provide the right solution.

Objective Assessment

In dealing with the problem of human settlements, which form the frame of our life in the present and future, Dr Doxiadis's advice is that we must face this problem in as objective a manner as possible. To quote his own words, "We must try the scientific method of observation, theory and experimentation". No one would hesitate even for a moment to credit this great architect with a rare gift of observation, a fine mastery over theory and a superbly imaginative experimentation. After having built cities in 36 countries and offered services, in his capacity as consultant to the United Nations, which have helped raise the standard of living of some 70 million people, he may well be termed the modern Phedias, although he seemed to prefer styling himself as just a mason, a servant of human causes. Here is a theory he has formulated—that man in his action is guided by five principles. What are these five principles?

(i) The maximisation of man's potential contacts with other elements of nature (water, trees, etc.), with other people and with the works of man (buildings, roads, etc.).

(ii) The minimisation of the effort

A CORRECTION

In the first paragraph of the article entitled, "Canada and India's Exports" which appeared on page 6 of our special India-Canada Supplement dated December 10, 1971, it was stated that "By and large Canadian trade policy permits imports of goods from any country except South Africa." Kindly read "including" in place of "except" in this sentence. The error is regretted.

—The Editor

required for man's actual and potential contacts.

(iii) The optimization of man's personal space at every movement and locality where he lives.

(iv) The optimization of man's relationship with his environment, consisting of nature, society, shells (building and houses of all sorts) and networks (from roads to telecommunications).

(v) An attempt at the optimum synthesis of the above five principles in organising human settlements, such organising being dependent on time and space, practical requirements, and ability to create such a synthesis (which

has been adversely affected by the new forces which have entered man's settlements).

It should be possible for our town planners to draw upon this theory even as they could on their observation and try their hand at experimentation too. But in doing so, they must bear in mind the caution of that great architect that, as we are dealing with large numbers and with human happiness, "we must be much more careful in dealing with human settlements" than we seem to have demonstrated so far. Only thus can they hope to reverse the present trends towards worse quality and plan for human settlements of a much higher quality in the future.

Economy of W. Bengal—And Bangla Desh

OUR SPECIAL CORRESPONDENT

THE EMERGENCE of Bangla Desh as an independent country is expected to give an impetus to the economic development of West Bengal. The economies of the two Bengals are, in many respects, complementary to each other, and there is considerable scope for co-operation between the two over wide areas of activity. It is a great advantage for West Bengal to find a new market at its doorstep of about 75 million people whose requirements of various types of consumer goods and capital equipment are bound to increase considerably in the months ahead. But is West Bengal getting ready to play its new role as a major supplier of goods and services to Bangla Desh?

The economy of West Bengal is yet to recover fully from the adverse effects of the recent recession. About 300 industrial units still remain closed and many that function are sick. New investment in the state has been negligible and there have not been many instances of industries undertaking large-scale expansion.

Government Effort

The government of India and the state government have been making many attempts in the last two years to bring about the rapid revival of West Bengal's economy. But their schemes have lacked proper coordination and effective implementation. Incentives for industrial development are being announced piecemeal and there is little evidence yet of the administration at the central or state levels acting in a dynamic way to invigorate West Bengal's economy. It was in August 1970 that West Bengal first announced its scheme of incentives to attract new investment in the state. But these were drafted vaguely and loosely and they did not make any impact whatever on

the business community either in West Bengal or in other states. Then came the 16-point programme which was announced in August 1971. The highlights of this programme were the promise to release substantial orders on the wagon-building industry in West Bengal, construction of the second Howrah bridge, target to set up annually 2,000 small industrial units in the state, assurances of timely and sufficient supply of credit and raw materials, permission to work multiple shifts, and provision of concessional finance for industries to be set up in the backward areas. The 16-point programme also announced that the government would review its scheme of incentives and make them more attractive.

New Incentives

The new incentives, released in November, 1971, are more or less on the lines given by Maharashtra and most other state governments. The incentives relate mainly to preferences in state purchases, fiscal relief for new units and for the substantial expansion of the existing units, availability of land on long-term lease at growth centres, contribution towards the cost of feasibility studies, subsidy on power, term-loans and working capital loans for industries, and exemption from the payment of water rates. Business organisations in West Bengal have generally welcomed these incentives though they feel that the government should have made them more attractive in certain respects in view of the prolonged and persistent stagnation in the state's economy.

But neither New Delhi nor the government of West Bengal has yet shown much evidence of seriousness in imple-

menting the programme for the state's economic revival. Take the wagon industry, for instance. The 16-point programme specifically stated that "special steps" would be taken to augment the orders of wagons placed by the railways. But this assurance has not been carried out. In July 1971 the Railway Board had placed orders for 5,459 wagons. The prices offered were considered by the wagon industry to be uneconomic. Even so, the industry accepted the orders since otherwise there was the prospect of closure. But it is understood that the manufacturers of wagons have been unable to execute the orders because of the non-availability of imported wheel-sets, components, and steel.

Apart from the orders placed in last July, New Delhi was reported to have decided to order 11,000 wagons on the industry in West Bengal but till the end of December, manufacturers did not have any definite information about this decision. The absence of a steady and large flow of orders, unremunerative prices, and the difficulty in getting the raw materials have been crippling the efficient working of the wagon industry which is so important to the state's economy from the point of view of providing employment. Meanwhile, major industries like coal continue to be handicapped due to the shortage of wagons.

Role of Private Sector

The industrial development of West Bengal in the past has been brought about mainly by the initiative of the so-called large business houses. But they are now being prevented from contributing effectively to the state's industrial progress. The 16-point programme said that applications from the larger houses would be examined on merit. But so long as the restrictions imposed by monopoly legislation are not kept in abeyance in regard to West Bengal, the larger houses will be unable to play an effective part in the state's rapid growth. Except Calcutta, Howrah and the 24-Parganas the rest of the districts have made little progress in industrial development. Even in Howrah and 24-Parganas industrialisation is confined only to a few thanas. There is therefore an urgent need for new industries — large, medium, small — to come up all over the state, and both New Delhi and the state government should therefore take such measures as will give a strong impetus to industrial development.

It is unfortunate that while, on the one hand, incentives are being given for new industries, on the other hand, business confidence is being undermined in various ways. For example, the new power assumed by the government to

take over industrial undertakings without investigation, it is feared, is likely to have far-reaching implications. Industrial organisations have suggested that there should be at least some preliminary investigation and also some guidelines regarding the definition of "reckless investments", "diversion of funds" and similar phrases under which the government may seek to take over units. They have also suggested that the power given to the government to take over a unit which has remained closed only for three months may lead to many complications. It may, for example, encourage trade unions to instigate politically motivated strikes, which may lead to closure and take-over by the government.

The nationalisation of the management of the coking coal mines has already created nervousness not only in coal but also in other industries. The government should allay the legitimate apprehensions of the investors so that the expansion of the existing industries and the establishment of new ones can take place on the speed and the scale necessary to make

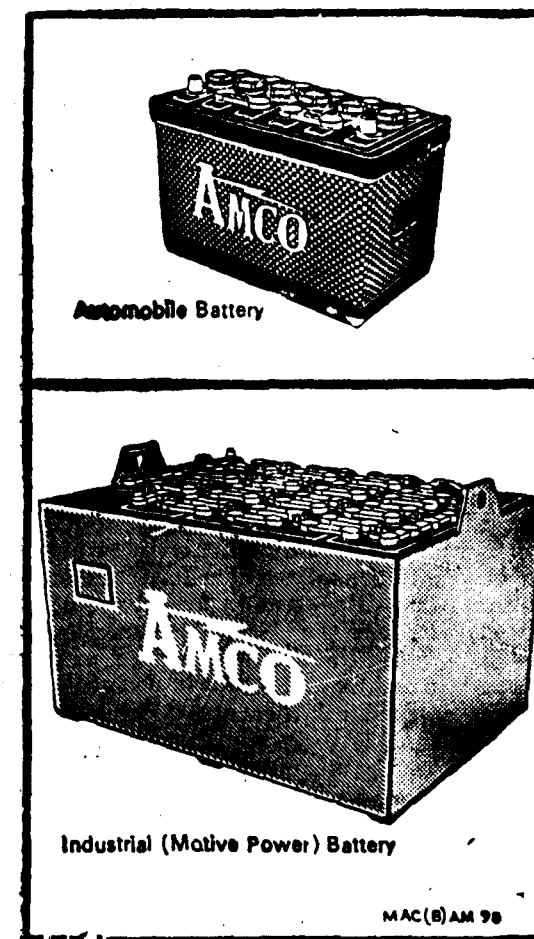
an immediate impact on employment and the standards of living.

West Bengal's economic revival has assumed urgency in view of the fact that this state has to play an important role in providing essential supplies to the new nation. West Bengal itself has to depend on other states for its requirements of cotton textiles, sugar, cement, mustard oil, iron and steel and many other items. But if the industries in West Bengal can be encouraged to make better utilisation of their capacity it can contribute much in promoting trade with Bangla Desh. For example, the supply of steel can be augmented substantially if the Durgapur Steel plant can work normally. The availability of cotton textiles also can be increased if the closed textile mills, which are about 30, are reopened and they are assured of adequate supply of raw cotton, credit and other facilities.

The engineering industries in West Bengal continue to be severely handicapped by scarcity of raw materials, power and transport facilities. Efforts therefore should be made to remove

these handicaps and enable them to maximise production. Provision of timely and adequate bank credit is also necessary to help West Bengal's industrial revival. Hitherto, the banks generally had been reluctant to advance money to industries in West Bengal because it was considered a 'bad risk'. Now this attitude should change. Banks and other financial institutions should not only provide liberal credit but should also play a positive role in setting up new industries and in effecting expansion of the existing ones.

The unsatisfactory law and order situation, which was a strong deterrent to economic activity, has recently improved. The administrative machinery of the state has also been toned up considerably under the energetic guidance of Mr Dias, the Governor. The climate has thus become more favourable than before for launching a massive programme for the state's industrial expansion: and it is for New Delhi to accelerate this process by appropriate changes in economic policies and their prompt implementation.



THOSE WHO WANT
THE BEST
DEPEND ON



AMCO
Power Plus BATTERIES

MANUFACTURED BY
THE PIONEERS OF INDIA'S BATTERY INDUSTRY
AMCO BATTERIES LTD.,
Unity Buildings, BANGALORE-2.

SERVICE — ENGINEERING — RESEARCH — LONG LIFE

WINDOW ON THE WORLD

New Developments in Old Year

E. B. BROOK

VIENNA.

MORE THAN usually the end of the old year in Europe presents itself as the beginning of new developments rather than as the completion of old ones.

The year 1971 has seen a series of significant decisions: by Britain, to join the Common Market and, with others, to convert the west European Six into Ten; as a result, the dissolution of the European Free Trade Association, set up by the Stockholm Agreement of 1958 as a counter-group to the Market, is beginning to disappear as its members either join the Market or seek agreements with it. In the USA, after declining for four months to meet the old Bretton Woods dollar parity against gold, the dollar has been devalued against gold and the Bretton Woods agreement of 1948 has passed into history.

Economic Flexibility

In east Europe, a slow increase in economic flexibility is visible. Hungary has successfully floated an international loan in Eurodollars, Yugoslavia hopes to make its dinar convertible internally by introducing an open foreign exchange market and also to raise a large Eurodollar loan with the aid of two US banks. It will not be long before Rumania and possibly Poland follow suit while the Soviet Union, having already suddenly increased its commerce with the USA, is negotiating far-reaching further increases and industrial-commercial co-operation to a scale that could exceed its economic relations with western Europe.

It is necessary to list these items of all-European development in 1971 in order to set the mammoth and portentous Group of Ten debate in perspective. To many, it has appeared not a little farcical that finance ministers and others from the most powerful trading countries were obliged to travel four times to three capitals before they could summon up the courage and sense to realign their currencies to the facts of international trade and the balance of commerce. In no area of life, it appears, are governments so obstinately conservative as over their funds. They will lend them, even donate them in good causes, but to admit that they no

longer buy as much as they used to is asking too much of world chancelleries.

The closing year has driven home a lesson that needed badly to be learnt while simultaneously breaking down or loosening up a few barriers—but not all. In Europe, the Market is going to be bigger, to have the stage to itself in the west while the eastern half becomes more amenable, while both west Europe and the USA, with their eyes on one another, make advances to the communists. Politics have had to run to keep up with the growing economic approach eastwards, with the German Federal Republic in the vanguard in showing adaptability. It is remarkable, and worth remark, that while, on the continent, the socialists, led by the German Chancellor Brandt, are in the forefront of this adaptability, the British socialists, led by Mr Wilson are at the back of the rearguard. It is remarkable, too, that in reaching commercial understandings with east European state industries Britain lags far behind the Germans, French, Italians and the Japanese.

The future is a tempting ground for speculation and there is much inspired guessing in Europe and elsewhere how the world will shape after the US dollar's devaluation against gold and the abandonment of its ten per cent surcharge (providing the international package agreement really goes through). At the moment, governments, exchanges and banks are picking themselves up carefully, feeling gently for bruises and cuts and moving, if at all, very cautiously.

French Reassured

The French appear, as usual, to be the most reassured. Their Finance Minister remarked after returning from the Ten's meeting in Washington, that the realignment of currencies and the devaluation of the dollar would not harm French commercial interests; French commerce is not quite so sure. The French position, he said, would at least be maintained. The Germans and the Dutch, who allowed their currencies to float realistically after President Nixon's decision on August 15 to abandon the dollar's parity, are pleased because their products will now be able to

sell more competitively. The British and the Italians, who "floated" only between narrow margins, are much less certain. The British fear they may have conceded too much (with a rise of 8.7 per cent against the dollar) to accommodate the USA and that there will have to be another shift soon, that the pound will have to be devalued again after Britain enters the Market in just over a year's time. Not all British bankers take this view and feel sterling will be strong enough to stomach the change.

Other states are waiting to see what will happen. Smaller countries, such as Austria and Portugal, outside the Market, are waiting to see how exchanges and trade with their principal commercial partners are affected before deciding whether to change their parity rates and whether to go up or down. Generally, there is uncertainty and a slight bewilderment as people realise that the post war economic era is over with new circumstances emerging full of uncertainty. At present, several European nations are standing still because they are not certain in which direction to move; they are not blind to the fact that, despite the dollar's acknowledgement of weakness, east Europe retains it as its accounting medium. An effort to persuade Moscow to retain its trade with Austria in schillings was immediately rejected.

Confidence About Future

The most certain factors in the new situation are that the new regime of fixed parities will allow businessmen to be more confident about future commitments for some time; that there is no reason to think the new arrangements will be long lasting; that the principal advantage of devaluing the dollar against gold will be to increase the value of Special Drawing Rights. Britain will itself need the accommodation of these IMF Drawing Rights to help it tide over its commitment to the Market, to run down its sterling balances before joining.

The dollar devaluation is tied up with another reform that has become overdue—a concession by Europe of some trade to the USA. The Americans presented the Common Market with some formidable demands in Brussels earlier this month, demands which led to irritated talk of a monetary war, comments which now look peevish. The USA wants the Market to abolish the system of protection duties against grain imports from third countries; to give up plans to extend industrial free trade to non-candidate members of EFTA; to change its policy of granting association to less developed countries

which give tariff preferences to Market exports and to compensate for future increases in levies on American agricultural exports.

After their initial huff the Market Commissioners appear willing to offer some better tariff treatment for American fruit imports and to refrain from handing out export subsidies to their

farmers in such a way that would lead to trade distortions. There is still a long way to go before US approaches are anything like met—tariffs on food-stuffs have not yet been mentioned—but both parties appear to be in a more amenable mood and enter 1972 intent on an agreement instead of a trade war which was so often spoken of in the old year.

Off the Sheep's Back?

SHEEP AND WOOL still make up Australia's most important rural industry—but the halcyon days when Australia rode on the sheep's back are now but pleasant memories. Australia's 181,000,000 sheep still constitute nearly a sixth of the world's sheep numbers and produce 30 per cent of the world's wool. In spite of inroads into traditional markets for wool by man-made fibres, wool is still Australia's biggest single export-income earner. But a recent report, prepared by the Director, Special Projects, of the Australian Wool Board, Mr R.B. McMillan, covering the Australian wool situation for 1970-71, says widespread economic hardship is forcing some growers out of the industry.

The report says that the recent catastrophic fall in wool prices and the decline in profitability of wool growing has led to a reassessment of the future for many producers. Many have had to diversify their activities and others have abandoned wool growing. Comparisons over the past decade lend strong support to the report. At the opening week of wool sales in Australia, from August 30 to September 3, the average price realised was 27.87 cents a lb. Back in 1964 the average price at sales in Goulburn, then one of the largest wool-selling centres in New South Wales, was 75 pence (62 cent) a lb.

At the same sales the world record price for wool was established—1800 pence (1500 cents) a lb.

The sheep studs, which have played such an important role in the development of the Australian wool industry, are going through similar times. Boonoke stud in south-western New South Wales is Australia's largest stud, covering eight properties with a total of 228,000 acres and 60,000 stud Merino sheep. The company that controls Boonoke, F.S. Falkiner and Sons, has been up for sale since 1967 and a few years ago was valued at \$A20,000,000. Now \$A4,000,000 to a \$A5,000,000 would be considered reasonable price.

There are about 2700 different types of wool produced in Australia, varying from the superfine wool that attracted record prices some years ago to the coarser carpet and felting wools. Well over 100,000 Australians are still woolgrowers in that they own their own sheep properties and obtain most of their income from wool. An average woolgrower owns about 1000 acres of land on which he grazes about 1600 to 2000 sheep but, of course, the average is only statistical and some woolmen own more than 100,000 acres and 50,000 sheep while others might have less than 500 acres or 1000 sheep.

Merino sheep are the backbone of the Australian industry. More than 75 per cent of the country's sheep are purebred Merinos and another 10 to 15 per cent owe their origin to the Merino. Such is the respect for the Merino that when the Australian government lifted the long-standing ban on the export of Merino rams the Australian Council of Trade Unions (ACTU) objected. The ACTU refused to allow its members to handle the export of the sheep until the matter was debated in Federal Parliament, but consignments to overseas countries were spirited out in special airlifts.

The lifting of the ban was one revolutionary innovation in an industry that has undergone and will continue to undergo far-reaching changes. Changes so far-reaching that in 1970 the declining wool prices of the previous few years led to the establishment of the Australian Wool Commission to administer, among other things, a flexible reserve-price plan for wool sold at auction. This scheme ensures that the woolgrower gets not less than the reserve price set for his wool by the commission in the light of prevailing market trends.

Now the industry, which historians say can trace its world origins back about 4000 years, is at the crossroads in Australia. But whatever the outcome of the changes, Australia's association with wool—a comparative moment in time beginning in 1788 when the first sheep were brought ashore by the colonising British fleet—is expected to continue to play a major role in its future development. This is emphasised in figures which show the value of wool exports to Australia in 1969-70 was \$A740,000,000, excluding woolled sheep skins, or 18 per cent of all Australian exports.

(AIS)

THE BANK OF RAJASTHAN LTD.

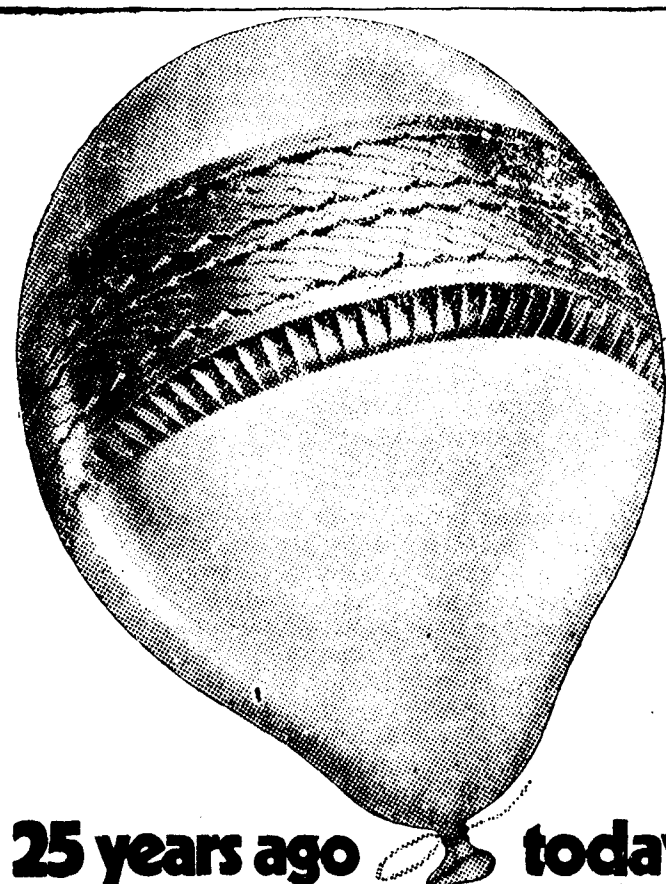
Regd. Office : UDAIPUR

Central Office : JAIPUR

ANNOUNCEMENT

We have the pleasure to announce that the Bank's 81st branch has been opened at R-17, South Extension II, New Delhi-49, on 30th December, 1971

S. D. MEHRA
Chairman



**25 years ago today
a balloon went up...**

...and it rained tyres.

1946. The late K.C. Mammen Mappillai decided to put air into rubber and call it a balloon. That was the beginning of MRF. Today, MRF is the largest Indian tyre-making unit of its kind. □ Twenty-five silver years... and already we're straining towards a golden future, where the sky's the limit. Twenty-five years hence,



will the Tyre with Muscle tread around the stars?

**THE SILVER YEARS
MADRAS RUBBER FACTORY LIMITED**
The makers of Mansfield,
the Tyre with Muscle.

Manufactured in collaboration with
Mansfield Tyre & Rubber Company, U.S.A.,
by MADRAS RUBBER FACTORY LIMITED
175/1 Anna Salai, Madras 2, India.

LINTAS-MSF. 32-145

The moving finger writes

AT THE Prime Minister's press conference last week I put this question: "Do you entertain fears that the personality cult in our country may get a further boost from certain recent developments?"

Mrs Gandhi retorted that she did not fear anything. This, of course, was no answer to my question. I am sure, however, that she caught the point.

It is entirely natural of course that a war should throw up its hero figures. It is perhaps natural too that a war should spawn its myths and legends. Right now a feeling is being sought to be created among our people that Mrs Gandhi pulled off the victory for our country in this war almost single-handed even as she had pulled off victory for her party in the mid-term poll. Through publicity, direct or indirect, through propaganda, subtle or not so subtle, an image is being fostered of the Prime Minister as the sole architect of the success, political and military, of our recent confrontation with Pakistan.

Now let it be far from me to grudge Mrs Gandhi due credit for her brave and brilliant leadership in the national crisis. But let me also raise the point whether it is good for the country that the Prime Minister's successful leadership during the war should be exploited for party purposes the way it is now being done.

A politically mature nation may have no difficulty in living sensibly with its prophets, priests and kings, but a country such as ours so prone to the deification of individuals, should not lightly be talked into seeing in its rulers figures larger than life. After Mrs Gandhi had managed to sweep the polls so spectacularly, it had become very difficult indeed to carry on any rational discussion of her economic or other policies since critics or sceptics could always be silenced with the finality of the claim that she had secured the people's mandate for doing whatever she wanted to do or did. Now that our image-makers have got a chance of portraying her as having won the war with Pakistan virtually on her own, it is going to be almost impossible for one who may not always be able to eye to eye with her to question the wisdom of any of her actions or policies, whether in the domestic sphere or in foreign affairs.

The slogan of "One nation and one

leader" no doubt had the necessary ring of reassurance when the country was at war, but it is surely not right that this total acceptance of the concept of a supreme leader should be allowed to continue to colour our thinking once the country gets back to the position of being able to do its normal political business in a normal way. It is for this reason that I am strongly of the view that the Prime Minister has the prime responsibility not merely for not encouraging but for discouraging positively through her words and actions the further growth and strengthening of the personality cult in our politics and public life. Now that the first flush of excitement—her's and others—is over, she should find it possible to help the people to see things in perspective. Even after all the credit that is due to her intelligent and inspiring leadership has been given, it would still remain true that the Indian success was essentially a national achievement and not the gift of a goddess to her devotees. India's democracy has been having a difficult time growing and things are not made easy for it by the readiness with which the weeds of hero worship tend to sprout in its soil.

At the press conference the Prime Minister was favoured with a suggestion that Gen. Manekshaw should be made a Field Marshal in recognition of his services in the recent war. It is possible that this remark was not made wholly seriously, but it is worth noting that a report that the government is in fact thinking of according Gen. Manekshaw what is described as the honorary rank of Field Marshal has appeared in at least one newspaper. Here again there is clear evidence of our national tendency to lose our sense of proportion at the least provocation. I am of course perfectly willing to go by the results of the war and would readily pay my tribute to the good general as a fine military planner and leader. All the same could it be that the eagerness of some of us to burn incense so lavishly at the political or military altars is due at least partly to the fact that we had been having an exaggerated notion of Pakistan's prowess or potential?

For many years now there has been a steady talk of Pakistan achieving military parity with us; so much so many of us in this country perhaps had come to believe that this parity

had in fact been achieved. Secondly the supply of military hardware by the United States to Islamabad had helped create the impression that Pakistan's war machine was being formidably equipped with sophisticated aircraft, missiles, tanks and other weaponry to which India could not possibly find a sufficiently effective counter. Finally we have not apparently been able to rid ourselves completely of the complex about the martial and non-martial races so sedulously fostered in the Indian consciousness during British rule in this country. Here it is amusing to recall that *The Economist* (London) was writing as late as the end of November last year of the fantastic credulousness of an Indian woman Prime Minister expecting a Pathan general, with the martial traditions of his race, to back down. It is because of all these fears and anxieties that we had been having that when victory finally came, so many of us became so naturally disposed to exaggerate the magnitude of this achievement.

What really are the facts? It had been obvious always that, in the event of there being fighting in the east, it would be very much within the capacity of our armed forces to secure decisive gains on this front. This being so, our having been able to rout Pakistani troops in Bangla Desh is in itself not an extraordinary military achievement especially when it is seen in terms of the liberation struggle as a whole. On the western front the battles were closely fought affairs with both sides suffering heavy casualties and while it is true that our country has made somewhat larger territorial gains, the fact has also to be taken into account that Pakistan's war machine was not by any means fully committed on this front. What was remarkable about the Indian success in this war was not the sweep of the victory in the east or the extent of the winnings in the west but certain refinements of strategy or tactics for which our General Staff and the field commanders could certainly take credit. Perhaps the most outstanding feature of this war was the highly effective coordination of the three Arms and it is only just that our nation should rate very highly and recognise generously the worth and achievements of those who had planned this coordination and looked after its implementation.

V.B.

Trade Winds

EMERGENCY RISKS INSURANCE

THE UNION government has fixed the rates of premium under the Emergency Risks (Goods) and (Undertakings) Insurance Schemes for the quarter commencing from January 1, 1972. The rates are six paise per hundred rupees or any part thereof of the sum insured in respect of goods establishments and 10 paise per hundred rupees or any part thereof of the sum insured for undertakings. Premium is to be paid in the nearest government treasury against challan under the head 'L-II-Miscellaneous-Emergency Risks (Goods) Insurance Scheme 1971-Insurance Premium' for Goods and 'L-II-Miscellaneous-Emergency Risks (Under takings) Insurance Scheme 1971-Insurance Premium' for Undertakings. The Oriental Fire & General Insurance Company Limited has been appointed government agent under these schemes whose nearest office or that of the Directorate of Emergency Risks Insurance Schemes, Government of India may be contacted for details. In places where there is no office of the Oriental Fire & General Insurance Co. Limited the nearest office of the Life Insurance Corporation of India may be contacted for details.

NATIONAL INCOME

'Quick estimates' of national income for the year 1970-71 at constant (1960-61) prices on the basis of the latest available data prepared by the Central Statistical Organisation, showed an increase of 4.7 per cent over the previous year, against 5.3 per cent in 1969-70 and 2.2 per cent in 1968-69. The net national product for India was estimated at Rs 18,755 crores with a per capita income of Rs 347 in 1970-71. The slight fall in the rate of growth in 1970-71 compared with 1969-70 was mainly due to a lower level of production in mining and quarrying and slower growth in the organised manufacturing sector which also led to slower growth in trading activity. Agriculture sector showed a growth of 5.2 per cent in 1970-71 compared with 5.1 per cent in 1969-70. Mining and quarrying, on the other hand, showed a fall of 1.2 per cent against a growth of 6.2 per cent in 1969-70. In consequence, there was a slower rate of growth of the order of 3.7 per cent in the non-agricultural industries. Due to the slower rate of growth in the national income, the rise in per capita income was somewhat

lower, 2.4 per cent compared with 2.9 per cent in 1969-70.

TEA CORPORATION

The Tea Trading Corporation of India, a public sector corporation, has been registered in Calcutta mainly to market packet teas in India and abroad. Total exports of tea from India in 1970 amounted to Rs 148.82 crores in value, of which tea in consumer packs (i.e. less than one kilo) was of the order of Rs 3.6 crores. The share of packet teas in total exports of tea is, thus, only about two per cent. While the new corporation will attempt to market tea mainly in packs in India and abroad, it will engage in the trading and marketing of tea in other forms also, such as, blended, instant and green tea and thus help in diversification of the export product and increasing the overall foreign exchange realisation. The corporation will undertake marketing direct or through other agencies. Regular research will be conducted for product development and market exploration. In course of time the corporation will establish its blending and packing units in India and abroad.

ANNUAL PLANS

Andhra Pradesh: The outlay for the annual Plan for 1972-73 of Andhra Pradesh will be of the order of Rs 105 crores. Central assistance for the state's Plan will be Rs 46.56 crores. This was agreed to at a meeting held recently between Mr C. Subramaniam, Minister of Planning and Deputy Chairman, Planning Commission and Mr P.V. Narasimha Rao, Chief Minister, Andhra Pradesh. The actuals for the year 1970-71 came to Rs 82.57 crores and the anticipated expenditure during 1971-72 is about Rs 104.79 crores. During the discussion, Mr Subramaniam explained the need for financial discipline especially in the context of the present difficult situation. The sector-wise break-up of the outlay for the state's annual Plan 1972-73 is as follows (Rs in lakhs): Agricultural Programmes 1226; Community Development, Co-operation and Panchayats 464; Irrigation and Power 6190; Industry and Mining 414; Transport and Communications 419; Social Services 1769; and Miscellaneous 18.

Uttar Pradesh: The outlay for the annual Plan 1972-73 of Uttar Pra-

desh will be Rs 225 crores. Central assistance for the annual Plan will be Rs 99.94 crores. A sum of Rs five crores would be added to the state Plan for special schemes for backward areas in the state. This was agreed to at a meeting held recently between Mr C. Subramaniam, Minister of Planning and Deputy Chairman, Planning Commission and Mr Kamla-pati Tripathi, Chief Minister of Uttar Pradesh. The state's fourth Plan which was of the order of Rs 965 crores has been reappraised by the state government at Rs 1032 crores. The Plan outlay for 1971-72 was Rs 209.15 crores. The expenditure during 1970-71 came to Rs 189.63 crores and the anticipated expenditure during 1971-72 is about Rs 219.42 crores. The distribution of outlay among various sectors of development for the state's annual Plan 1972-73 is as follows (Rs in lakhs): Agricultural Programmes 4100; Community Development, Co-operation and Panchayats 546; Irrigation & Power 11,220; Industry & Mining 736; Transport & Communications 1559; Social Services 3400; and Miscellaneous 467.

NEW BOTTLE MAKING PLANT

With the object of avoiding import of automatic bottle-making plant and machinery in future, the government has desired to encourage the creation of additional capacity for automatic bottle-making plant and machinery and ancillaries needed. Applications in the prescribed form have been accordingly invited from prospective entrepreneurs for the grant of licences under the Industries (Development & Regulation) Act, 1951, for the establishment of such capacity for the manufacture of automatic bottle-making plant and machinery and ancillaries needed for the purpose. All applications for grant of industrial licences should reach the Secretary, Ministry of Industrial Development, CLP Section, New Delhi before March 31, 1972.

DOLLAR DEVALUATION

The union government on December 20 decided to maintain the "existing rupee-sterling rates". A pound sterling would, as a result be worth Rs 18.9677 and the \$ Rs 7.279. The United States on December 19 devalued the dollar by 7.9 per cent and the price of gold per ounce was raised by 8.57 per cent to \$ 38 from \$ 35. The US also dropped the 10 per cent import surcharge. From the standpoint of foreign countries the most important part of the agreement by the Finance Ministers of the Group of Ten was the US decision to suspend the trade protection measure introduced by President Nixon last August. The New parities came into being on December 19

under the monetary agreement. The percentage changes in gold parities of these currencies are as under: German Mark : 4.61, Swiss Franc : 4.61, Japanese Yen : 7.66, Belgian Franc : 2.76, Dutch Guilder : 2.76, French Franc : no change, Pound Sterling : no change, Swedish Crown : 1.00, Italian Lira : 1.00, US \$: 7.89, Canadian \$ floating rate. In response to the American lifting of import surcharge, the Common Market, Canada and Japan have undertaken to make further trade concessions to the US, at a latter stage, in exchange for a formal devaluation of the dollar.

HIKE ON INDIA-JAP. FREIGHT

Following the devaluation of the dollar and revaluation of the yen, the India-Japan shipping conferences have decided to impose an 8.57 per cent surcharge on freight of all cargoes moving from India to Japan, with effect from January 1, 1972. In respect of Japan's imports received on the east coast, the surcharge has been fixed at 13 per cent and that on the west coast at 14 per cent. The Shipping Corporation of India, the only Indian member of these conferences, has opposed the surcharge in view of the fact that the percentage has been fixed rather hastily before the implications of the realignment of currencies are fully known.

INDO-U.K. TRADE PACT

The Indo-UK trade agreement, which was due to be terminated on December 31, 1971, has been given a new lease of life. This country has agreed to waive the clause in the agreement which stood in the way of Britain imposing a 15 per cent import duty on Indian cotton textiles. Following this, the UK has withdrawn the notice it gave for the termination of the agreement at the end of 1971. The British decision to continue with textile import quota has helped the signing of the agreement. Mr L. N. Mishra, Minister for Foreign Trade, wrote to his British counter-part on December 23 in this context.

INDO-GERMAN AGREEMENT

An Indo-German agreement concerning technical co-operation was signed recently by Mr M.G. Kaul, Additional Secretary, Ministry of Finance, for the government of India and Ambassador Guenter Diehl on behalf of the Federal Republic of Germany. The agreement will provide the general framework for the technical co-operation between India and the Federal Republic of Germany for the next five years and succeeds a similar such agreement of March 1966. The agreement provides for technical co-operation between India and Germany on a basis of equal part-

nership. Details regarding specific projects under this agreement will be laid down in separate agreements. Under the agreement W. Germany will provide experts, special equipment and scholarships for the advanced training of Indian experts in Germany. The value of German contributions under the old agreement amounted to Rs 57.4 crores (DM 280 million). This is apart from German financial assistance totalling Rs 1,085.51 crores (DM 5295.16 million). Areas to be given particular importance under the new agreement

will be the transfer of advanced industrial technology and German-Indian co-operation in research and applied science. The overall aim of the programme is to assist India in speeding up the process towards economic and technical self-reliance in those areas where assistance is still needed.

I.D.A. CREDITS

A credit of \$10.0 million from the International Development Association (IDA), will help to increase production

DO YOU SEEK EXPANDING NEW MARKETS

Then, advertise your goods in the **JOURNAL OF INDUSTRY AND TRADE** (Monthly), a prestige journal in colour devoted to the promotion of exports and aiming at publicity of Indian goods in overseas markets. The journal also presents a comprehensive picture of India's industrial progress. The journal is among the best commercial journals available to trade and those who make purchase decisions.

FOR SPACE RATES ETC., PLEASE CONTACT

**DIRECTOR, EXHIBITIONS AND
COMMERCIAL PUBLICITY
MINISTRY OF FOREIGN TRADE
UDYOG BHAVAN, NEW DELHI**

davp 71/468

of fertilizer, an important input essential to sustain the expansion of India's agricultural output. The IDA credit is for the expansion of the Gorakhpur unit of the Fertilizer Corporation of India (FCI), the largest fertilizer producer in the country. When completed in 1974, the \$16 million project will enable the Gorakhpur plant to produce 314,000 tons of urea per year — an increase of 134,000 tons from its present capacity. It will save about \$6.5 million in foreign exchange annually. The Gorakhpur project will help to fill part of the gap between domestic production and demand. Its output will be sold largely in northern India. The plant, which began operations in 1968, is one of the best operating divisions of FCI. It was financed with Japanese credit and funds from India and was built by Toyo Engineering Corporation of Japan, who will provide engineering and design assistance for the expansion too. Substantially all equipment will be procured on the basis of international competitive bidding. The present credit is the second industrial operation for the Bank or IDA in India's fertilizer industry. An IDA credit of \$20 million is assisting the second stage of an expansion programme of the Fertilisers and Chemicals, Travancore Limited, a public sector company, located in Cochin, Kerala.

Another credit of \$40.0 million from the IDA is proposed to provide agricultural credit for farmers in Mysore. It will be used to finance investment in minor irrigation, farm mechanisation and land levelling. This investment will

bring reliable irrigation and higher cropping intensity to 350,000 acres. About 123,500 acres of this area will be made more productive by the use of 2,000 tractors to be financed under the credit. Some 36,000 farmers will benefit by being able to grow more for their own consumption or for sale. Five previous IDA credits totaling \$146.4 million, made in fiscal years 1970 and 1971, are assisting similar credit programmes in the states of Andhra Pradesh, Haryana, Gujarat, Punjab and Tamil Nadu. Under the project being assisted by IDA, about 35,000 medium and long-term loans will be given to farmers for carrying out land levelling on 282,000 acres, for sinking 5,000 borewells and 5,000 dugwells and converting 6,000 existing dugwells into dug-cum-borewells and constructing 30 lift irrigation schemes. Investments in farm mechanisation will include the import of about 2,000 tractors and associated implements. The IDA credit will be extended to the government of India for a period of 50 years, including 10 years of grace. They will be interest free, but a service charge of 3/4 of one per cent will be made to cover IDA's administrative costs. The Agricultural Refinance Corporation (ARC), an agency established in 1963 to provide medium and long-term finance to agricultural credit institutions, will be the channel for IDA finance.

NATIONAL DEFENCE FUND

Mr G. D. Birla has sent to Prime Minister Indira Gandhi, a cheque for Rs 23 lakhs for the National Defence

Fund. In his letter accompanying the cheque, Mr Birla stated that he understood a gnat had cost Rs 23 lakhs but he left it to the Prime Minister to use the money in any way she considered best. Meanwhile Mr Ganga Prasad Birla has contributed Rs five lakhs to the National Defence Fund on behalf of the Hukum Chand Jute Mills in addition to the Rs 10 lakhs he donated last week as chairman of the Orient Paper Mills. The Birlas have contributed a further Rs 10 lakhs to the National Defence Fund. So far the Birla contributions total Rs 48 lakhs. Mr G. D. Birla also contributed Rs five lakhs towards Army Wives Welfare Fund.

Hindustan Lever has contributed Rs 10 lakhs to the National Defence Fund. A cheque for this amount was handed over by the chairman of the company to Mr P.N. Haksar, the Principal Secretary to the Prime Minister.

The Defence Minister, Mr Jagjivan Ram, received a gift of 1,000 Deluxe Woollen Blankets for the Armed Forces from The Coca-Cola Export Corporation general manager, Mr Kisan Mehta.

Mrs Sumati Morarjee, Director-in-Charge, the Scindia Steam Navigation Co. Ltd, has declared that the Scindias had decided to donate Rs seven lakhs for National Defence Fund and Rs three lakhs for the welfare of the personnel of Army, Navy and Air Force.

Godrej & Boyce Mfg. Co (P) Ltd has announced the donation of Rs five lakhs to the Prime Minister's National Defence Fund.

Company Affairs

BIHAR ALLOY STEELS

DR B. C. JAIN, Managing Director of Bihar Alloy Steels Ltd, has returned from Europe after completing placement of orders for the main machinery and equipment worth about Rs seven crores. Although the recent virtual devaluation of the rupee will slightly increase the cost of the equipment ordered, the present recession in Europe has helped the company obtain very favourable terms. Orders for the balance of imported machinery will be placed soon on receipt of the remaining import licences. Part of the indigenous machinery and equipment has also been ordered and orders for the balance will be placed over the next two months. Necessary steel required for the buildings has been partly procured and the construction work has started. The plant and machinery are expected to be delivered at site from the middle of 1972 onwards and the plant is expected to go into production, as scheduled, by the first quarter of 1974.

GRAMOPHONE COMPANY

The Gramophone Company of India Ltd entered the capital market on December 27, 1971 with an issue of 150,000 equity shares of Rs 10 each for cash at a premium of Rs eight per share. The issue was proposed to close on January 5, 1972 or earlier at the discretion of the directors but not before December 29, 1971. The company has an authorised capital of Rs 1.50 crores. Issued subscribed and paid-up capital is Rs 60 lakhs. Out of the present issue 37,500 equity shares of Rs 10 each for cash at a premium of Rs eight per share have been offered as rights shares for subscription by those members of the company who are resident in India on the condition that the equity shares to the extent not taken up by the members will also be available for meeting the applications from the public. Another 15,000 equity shares of Rs 10 each at a premium of Rs eight per share have been reserved for subscription by the employees of the company and artistes who were not beneficiaries of the previous issue and shares not taken by these persons will also be available for public. The balance of 97,500 equity shares of Rs 10 each at a premium of Rs eight per share are to be offered for public.

The company's factory is situated at Calcutta, where the factory of the Gramophone Co Ltd of the UK was situated.

ed. The company's present factory is up-to-date in all manufacturing techniques and is largely air-conditioned. The company has also installed in Bombay a record manufacturing unit of its own. The company also maintains recording studios and distribution depots of its own in Calcutta, Bombay, Delhi and Madras for gramophone records and other products. The company has also distribution depots of its own at Kanpur and Gauhati.

EAST INDIA HOTELS

East India Hotels Ltd, for the year ended March 31, 1971 recorded sales of the order of Rs 4.90 crores as against Rs 4.39 crores during the previous year. Gross operating profit was Rs 95.05 lakhs and net profit before interest was Rs 72.65 lakhs. The company proposed the payment of equity dividend at the rate of 10 per cent, same as last year. It will absorb Rs 18.77 lakhs. A sum of Rs 36 lakhs has been proposed to be transferred to reserve. The company is engaged in an expansion programme and to finance this, new capital was raised earlier this year. The shares offered to the public were heavily oversubscribed in the ratio of 4:1. Authorised share capital of the company is also being increased from Rs 4.50 crores to Rs 5.50 crores and there is a proposal to give bonus shares in the ratio of two new equity shares for every three fully paid shares. The bonus shares will rank *pari passu* with the existing shares. After the completion of the Oberoi Sheraton hotel in Bombay which is scheduled to open on August 15, 1972 earnings of East India Hotels are expected to more than double themselves after the hotel in Bombay has been in operation for a complete year.

SKOL BREWERIES

Skol Breweries Ltd, a company promoted in Maharashtra by Shaw Wallace and Co. Ltd, proposes to enter the capital market shortly with a public issue of Rs 66.75 lakhs comprising 367,500 equity shares of Rs 10 each (Rs 36.75 lakhs) and 30,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (Rs 30 lakhs). The company's authorised capital is Rs 1.20 crores (Rs 30 lakhs in preference shares and Rs 90 lakhs in equity shares). The issued and subscribed capital is Rs 10 lakhs. The present issue is for Rs 86.75 lakhs (Rs 30 lakhs in preference and Rs 56.75 lakhs in equity shares). Of this, equity shares of

Rs five lakhs have been reserved for allotment to the New India Assurance Co. for cash at par and equity shares of Rs 15 lakhs for allotment to SICOM for cash at par. The company proposes to set up its brewery near Bombay. The place has an easy access to Bombay by water and on the completion of the trans-Thana bridge the distance will be about 50 km by road to Bombay. The construction of the factory building has already commenced. The company hopes to start production in about one and a half years. The company holds a licence to manufacture beer with an annual capacity of 50,000 hectolitres. The capital outlay is estimated at Rs 2.15 crores, which will be met by share capital (Rs 1.20 crores), term loan from Bank of America (Rs 75 lakhs) and from SICOM (Rs 20 lakhs).

CIDCO, SICOM DEBENTURES

The City and Industrial Development Corporation of Maharashtra Ltd. (CIDCO), and The State Industrial and Investment Corporation of Maharashtra Ltd (SICOM) debenture issue of Rs 14 crores has been oversubscribed, the total applications amounting to Rs 15.38 crores. This is the first time that state institutions have raised finance without a government guarantee. The subscription for CIDCO totalled Rs 12.08 crores and for SICOM Rs 3.3 crores. The finance from the present issue will enable CIDCO to go ahead with its initial projects in the proposed new city on the mainland. SICOM's resources will help sustain the tempo of its existing operations in industrialising the under-developed region of Maharashtra.

SEVEN SEAS TRANSPORTATION

Seven Seas Transportation Ltd, a shipping company promoted recently will get a five-year Euro-dollar loan of about \$ 11 million from First National City Bank for the acquisition of a few ships in the 20,000 to 40,000 DWT range. Seven Seas proposes to enter tramp shipping on the lines of South India and Dempo. It will pay on its bank loan an interest of 1.75 per cent over the inter-bank rate for Euro-dollars in London. The capital outlay visualised by Seven Seas is of the order of Rs 9.70 crores, including a fleet cost of Rs nine crores. The long-term foreign exchange loan, estimated at Rs 8.10 crores before the recent parity changes, is to be supplemented by a share capital of Rs 1.60 crores, divided into Rs 40 lakhs of preference capital (40,000 9.5 per cent redeemable preference shares of Rs 100 each) and Rs 120 lakhs of ordinary capital (1.20 million shares of Rs 10 each). Of the ordinary capital, Rs 53 lakhs is proposed to be taken up by JK Chemicals and "friends and associates" and Rs 67 lakhs offered for

A WIDE SPECTRUM OF INFORMATION ON INDIA

The Times of India Directory and Yearbook including Who's Who is the most widely used reference book on India for over 116 years. Factually accurate, comprehensive and up-to-date it presents, in one handy volume, vital information on trade, industry, public affairs, commerce, banking, finance, agriculture, education, law and various professions.

The Times of India DIRECTORY & YEAR BOOK 1971

including WHO'S WHO

PRICE
Rs. 75.00
(POST FREE)

ORDER FORM **Post this today**

The Times of India Press
Books Division, P.O. Box 213, Bombay-1.

Please send one copy of 'The Times of India Directory & Yearbook 1971' by Regd. Book Post. A sum of Rs. 75.00 is sent herewith by cheque/RS sent separately by M.O.

Date Signature

Name & Address

The Times of India Press
Dr. Dadabhai Naoroji Road,
BOMBAY-1

Offices at:

- 407/1, Tirath Bhavan, Nanapeth Quartergate, POONA-2
- 130, Ashram Road, AHMEDABAD 9
- 30-A, Whites Road, Royapettah, MADRAS 14 • 13/1 & 13/2 Govt. Place East, CALCUTTA 1, Bahadur Shah Zaffar Marg, NEW DELHI 11

public subscription. The entire preference issue is to be offered to the public.

INCHECK TYRES

Incheck Tyres during the year ended June 30, 1971 recorded a rise in sales from Rs 9.93 crores to Rs 10.97 crores. The company however, incurred a loss of Rs 17.98 lakhs against a modest profit of Rs 1.64 lakhs in the previous year. After providing Rs 44.77 lakhs for depreciation there was a net loss of Rs 62.74 lakhs compared with the loss of Rs 38.05 lakhs in the previous year. After bringing in the previous years' loss of Rs 33.71 lakhs a deficit of Rs 96.46 lakhs has been carried forward. The loss is attributed to high material consumption and a substantial increase in expenses.

PREMIER AUTO

Two nominees of the Life Insurance Corporation of India were elected on the board of the Premier Automobiles Ltd. They are Mr M. V. Sohoni, Executive Director of the LIC and Mr R.S. Bhatt Chairman of the Unit Trust of India. Mr Lalchand Hirachand, chairman of the company told the annual general meeting in his preliminary remarks that following the desire of the LIC to nominate two directors on the board and not to raise the present strength of the board, two of the retiring directors who were eligible and had offered themselves for re-election, namely, Mr Pratap Bhogilal and Mr S. P. Mehta, had expressed their desire to retire. The resolutions for their re-election were therefore withdrawn.

UNIT PRICES

Sale and repurchase prices of the units of the Unit Trust of India have been raised by 5 paise each from December 27. The prices have been placed at Rs 10.80 and Rs 10.40 per unit respectively.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the three weeks ended September 18, 1971. The list contains names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU); New Articles (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

Non-Ferrous Industries

M/s Saru Smelting (P) Ltd: Sarunagar, Sardhana Road, Meerut. (Sarunagar, Uttar Pradesh).—Phosphor Bronze Rods/Wires—175 tonnes p.a. (COB); M/s Saru Smelting (P) Ltd: Sarunagar, Sardhana Road, Meerut. (Sarunagar, Uttar Pradesh).—(i) Non-Ferrous alloys including heavy and light alloys.—300 00 tonnes p.a.; (ii) Solder wires—150 00 tonnes p.a.; (iii) Silver brazing and welding rods/wires/strips, foils and preforms—75.08 tonnes p.a.

(COB); M/s Premier Die Casting and Engg. Co. Ltd: Post Bag No. 1, Maninagar, Ahmedabad. (Gujarat).—(i) Aluminium alloy die castings—50 tonnes p.a.; (ii) Zinc alloy die castings—12 tonnes p.a. (COB).

Electrical Equipment

M/s Indian Telephones Industries Ltd: Doorwani Nagar.—Bangalore. (Naini, Uttar Pradesh).—Telephones and allied equipment—5.5 lakhs Nos per annum. (NU); M/s Toshiba Anand Lamps Ltd: XXIII/376, Mahatma Gandhi Road, P.B. No. 1077, Ernakulam—Cochin-II. (Kerala) (Ernakulam, Kerala).—(i) GLS Lamps (15-250W)—4.5 m. Nos. p.a.; (ii) GLE Lamps (300-1500W)—1.16 m. Nos. p.a.; (iii) Train lighting, pigmy, night colour, decoration and candle lamps—3.00 m. Nos. p.a. (SE).

Telecommunications

M/s. Morris Electronics (P) Ltd: Bhosari Industrial Estate, Poona-26. (Maharashtra).—Hard Ferrites—50 tonnes p.a. (COB); M/s Gramophone Company of India Ltd: 5-Old Court, House Street, Calcutta-1 (West Bengal).—Record Players—expansion from the existing capacity of 36,000 to 96,000 (SE); M/s Semi Conductors Ltd: Radia House, 6, Rampart Row, Fort, Bombay-1. (Poona, Maharashtra).—(i) Radios—40,000 Nos. p.a., (ii) Inter communicating equipment—3,000 nos. p.a., (iii) Hi-fi stereo equipment—2,000 Nos. p.a., (iv) Hearing Aids—2,000 nos. p.a., (v) Electronic equipments like power pack, etc.—20,000 nos. p.a., (vi) Voltage Dependent Resistors—1 million nos. p.a. (NA).

Transportation

M/s. Sahney Kirkwood Commutators (P) Ltd: 27, Kirol, Near Vidya-Vihar Station, Bombay 86. (Kirol, Maharashtra).—Slip Rings—1,50,000 Nos. p.a. (NU); M/s. Teksons (P) Ltd: Modi Chambers, Bombay-4. (Majiwada, Thana—Maharashtra)—Radiators 22,000 Nos. p.a. (after expansion). (SE); M/s Schrader Scovill Duncan Ltd: "Nirmal", 17/18th Floor, Nari man Point, Bombay-1. (Mulan—Maharashtra).—(i) Air Cylinders—80 Nos. p.a., (ii) Air control valves—90 Nos. p.a., (iii) Air-filter Regulators/Lubricators—25 Nos. p.a., (iv) Misc. airline equipment—2075 Nos. p.a., (v) Tyre pressure gauge—510 Nos. p.a., (vi) Spark plug, tyre pumps—45 Nos. p.a., (vii) Ball feet air chuck—1060 Nos. p.a., (viii) Blow gun—1870 Nos. p.a., (ix) Check unit—585 Nos. p.a. (COB); M/s. Dunlop India Ltd: Dunlop House, Calcutta 16. (Ambattur Tamil Nadu).—Bicycle Rims—1.5 million Nos. p.a. (COB); M/s. Universal Radiators (P) Ltd: Nettupalayam Road, Coimbatore-11 (Tamilnadu) (Sanganur—Tamil Nadu). Radiators—1 7,200 Nos. p.a. (after expansion). (SE); M/s. Purolator India Ltd: Hauz Khas, P.O. Yusuf Sarai, New Delhi-16. (Hauz

Khas, Delhi).—(i) Filter assemblies 2,80,000 Nos. p.a., (ii) Filter elements 20,00,000 Nos. p.a. (after expansion). (SE); M/s. Killick Nixon Ltd: Killick House, Home St, Fort, Bombay-1 (Bombay—Maharashtra).—(i) Flexible Shaft Vibrators—600 Nos. per annum. (ii) Screen Board Vibrators—480 Nos. p.a. (iii) Platform Vibrators—120 Nos. p.a., (iv) Accessories to above, valued at Rs 22 lakhs p.a. (COB).

Machine Tools

M/s. American Refrigerators Co Ltd: Plot No. 38/39, Block D-2 MIDC, Chinchwad, Poona 19. (Poona—Maharashtra).—(i) Hydraulic punching presses group—90 tons, (ii) Hydraulic power copper and notcher bender, (iii) Hydraulic shear notcher bender, (iv) Hydraulic stationery press—12-23 tons capacity, (v) Multiple punching duplicator, (vi) Manual bench presses from 10 tons capacity onwards, (vii) Hand punches, (viii) Tooling for the above various tools of different sizes, (ix) Automatic power units. Worth Rs 15 lakhs per annum. (COB).

Earth Moving Machinery

The Managing Director, Bharat Earth Movers Ltd: Bangalore-17. (Mysore)—D-50 Crawler Tractors 90 HP. Expansion of capacity from 300 Nos to 700 Nos. p.a. (SE).

Commercial and Household Equipment

M/s. Electronics Ltd: Electronic House, 12-A, Connaught Place, New Delhi-1 (Faridabad—Haryana).—Bottle collars—1000 Nos. p.a. (SE); M/s. Feders Lloyd Corp. (P) Ltd: Punj House, M-13 Connaught Circus, New Delhi-1. (Kalkaji-Industrial Area, New Delhi—Delhi) Room air-conditioners of 1, 1½, 2, 2½ and 3 ton—4,000 Nos. p.a. (COB).

Fertilizers

M/s. Dharamsi Morarji Chemical Co Ltd: Prospect Chambers, 317/21, Dr. Dadabhai Naoroji Road, Bombay-1. (Sheva Nhova, Distt. Kolaba—Maharashtra).—(i) Diammonium Phosphate—2,50,000 tonnes p.a., (ii) NPK mixtures in the grade 15:15:15, 18:18:18 or 15:15:7½ or such other grades to be approved by the Deptt. of Agriculture of which most of the nitrogen content and the entire phosphatic content is to come from DMGC's own production of DAP—1,00,000 tonnes p.a. (NU).

Chemicals

M/s. Navin Fluorine Industries: Chemicals Divn., Mafatlal House, Backbay Reclamation, Bombay-20. (Bhestan, Gujarat).—(i) Synthetic Cryolite—3750 tonnes p.a., (ii) Aluminium Fluoride—1500 tonnes p.a., (iii) Sodium Fluoride—500 tonnes p.a., (iv) Hydrofluoric Acid—5000 tonnes p.a., (v) Sulphuric Acid and Oleum—20625 tonnes p.a., (vi) Fluorocarbon gases—mafron-11, mafron-12 and mafron-22—1500 tonnes p.a., (COB); M/s. Amar Dye-chem Ltd: Rang

Udyan, Setladevi Temple Road, P.B. No. 6471, Mahim, Bombay-16. (Maharashtra).—Binders for pigment printing emulsions—600 tonnes p.a. (NA); M/s. The Ballarpur Paper and Straw Board Mills Ltd: Thapar House, 124, Janpath, New Delhi-1. (Karwar—Mysore).—(i) Caustic Soda—33,000 tonnes p.a., (ii) Liquid Chlorine—16,500 tonnes p.a., (iii) Hydrochloric Acid—10,000 tonnes p.a. (NU); M/s. Travancore Electrochemical Industries Ltd: Das Chambers, 3rd floor, 25, Dalal Street, Bombay-1. (Chingavanam, Kottayam—Kerala). Calcium Carbide—Expansion from the existing capacity of 10,800 tons to 15,000 tonnes p.a. (SE).

Drugs & Pharmaceuticals

M/s. Alembic Chemical Works Co. Ltd: Alembic Road, Baroda. (Baroda—Gujarat).—Kanamycin—1 tonne only p.a. (NA).

Textiles

M/s. Rukmini Mills Ltd: Madurai. (Tamil Nadu).—Cotton Yarn—3360 spindles (SE); M/s. P.C. Bhandari: 45, Golf Links, New Delhi. (UP).—Tufted Carpets—72,000 yds. p. month. (NU).

Fermentation Industries

M/s. Haryana State Industrial Development Corporation Ltd: Bank of India Bldg., Bank Square, Sector-17, Chandigarh-17. (Panipat—Haryana).—Beer—50,000 H.L. p.a. (NU).

Food Processing Industries

M/s Hindustan Lever Ltd: Hindustan Lever House, 165/166, Backbay Reclamation, Bombay-20. (Etah—U.P.).—(i) Whole milk powder—100 tonnes p.a. (ii) Malted milk food—445 tonnes p.a. (iii) Ice cream mix—100 tonnes p.a. (COB); M/s. UP Beverages: 2, Ring Road, Lajpat Nagar IV, Part I, New Delhi-24. (Allahabad—UP).—Soft drinks, fruit juices and other beverages—127 million bottles p.a. (NU); M/s. Saras Foods Division of Power Cables (P) Ltd. 24, Brelvi Sayed Abdulla Road, P.B. No. 1522, Bombay-1. (Tundel—Gujarat). Processed fruits and vegetables—9,000 tonnes p.a. (NU).

Vegetable Oils

M/s. Prakash Binola Udyog: Shivanagar, Wardha (Maharashtra). (Maharashtra).—Cottonseed oil by expeller process—25,000 m. tonnes p.a. in terms of cotton-seeds. (NU); M/s. Modi Vanaspati Manufacturing Co.: Modinagar, UP (Modinagar—UP).—Vanaspati—100 tonnes per day. (COB).

Ceramics

Shri C. S. Sanghavi: 318/19, Chatu-shringi, Road, Poona-16. (Nasik—Maharashtra).—Vitrified ceramic floor tiles—6,000 tonnes p.a. (NU).

LETTERS OF INTENT

Ferrous Industries

M/s. Hindustan Wires Ltd: 16/5,

Chowringhee Road, Calcutta-13. (Sodepore, P.O. Sukchar, 24-Parganas, West Bengal).—18 SWG and thinner gauges of galvanised and other special types of wires—Expansion from 23,000 tonnes to 60,000 tonnes p.a. (SE); Shree Hanuman Industries: 178, Mahatma Gandhi Road, P.B. No. 6771, Calcutta-7. (Liluah, Howrah, West Bengal).—Galvanised steel pipes and tubes—Expansion from 16,000 tonnes to 24,000 tonnes p.a. after expansion. (SE); M/s. Hindustan Wires Ltd: 16/5,

Chowringhee Road, Calcutta-13. (Faridabad, Haryana)—18 SWG and thinner gauges of galvanised and other special types of wires—24,000 tonnes p.a. (NU); M/s. Burn & Co. Ltd: 12, Mission Row, Calcutta-1. (Howrah, West Bengal).—Cast steel freight bogies including parts thereof and break beams—1800 Nos. p.a. (NU).

Electrical Equipment

M/s. Jain Miniature Bulb Industries: 18A, Pokharpur, Kanpur-10. (Kanpur,

EARN 7 1/4%

ON 5-YEAR POST OFFICE TIME DEPOSITS

3 YEAR DEPOSITS 7% 1 YEAR DEPOSITS 6%

Interest up to Rs. 3000 in a year including interest on other taxable securities and deposits is **FREE OF INCOME-TAX.**

ASK YOUR POST OFFICE FOR DETAILS

NATIONAL SAVINGS ORGANIZATION

davp 71/291

UP)—1. Krypton gas filled minor cap lamps—1, million Nos. p.a., 2. Neon lamps—2 million nos. p.a. (NA); M/s. Jain Miniature Bulk Industries: 18A, Pokharpur, Kanpur-10. (Kanpur, UP)—1. Tungsten filaments—50 million metres p.a., 2. Lead-in-wires—100 million nos. p.a. (NA); M/s. Geep Flashlight Industries Ltd: 28, South Road, Allahabad. (Allahabad, UP). —Flashlight cases (torches)—5 million Nos. after expansion. (SE); Shri L. K. Khaitan: 96, Garden Reach Road, Calcutta-23. (UP/Rajasthan). —Midget electrodes—150 million Nos. p.a. (NU); M/s. Eastern Electronics (Delhi) Pvt. Ltd: 1-2, Industrial Area, NIT, Faridabad (Haryana) (Faridabad, Haryana)—Wire wound resistors fixed and variable—0.10 million Nos. p.a. (NU).

Telecommunications

M/s. Delton Cable Industries (P) Ltd: Delton House, Bharat Ram Rd., 24, Daryaganj, Delhi-6. (Faridabad, Haryana)—High Frequency/Radio Frequency Cables—1,000 Km p.a. (NA); Shri Sajjan Kumar Rajgarhia: C/o C.M. Rajgarhia, Giridih (Bihar). (Rajasthan). —Transistor Headers—6.0 million Nos. p.a. (NU).

Transportation

Maharani Durgeshwari Sahe, B.A.: Hathwa House, Patna-1. (Patna-Bihar)—Scooters—24,000 Nos. p.a. (NU); M/s. K. Kumaree & S. Luxmee, C/o M/s. Kalyandas Kanhaiyalal: 12, Park Lane, Lucknow (Delhi, Delhi). —Scooters of 150 cc—24,000 Nos. p.a. (NU); Shri M. C. Lalla: 115, Parbhat Road, Poona-4. (Dahisar, Maharashtra). —Scooters—24,000 Nos. p.a. (NU); M/s. Usha Automobile and Engg. (P) Ltd: 14-Princep Street, Calcutta-13. (Alwar, Rajasthan). —Gear boxes—27,000 tonnes, n.a. (NU); Shri Laxman Swarup Aggarwal: 68/1, Najafgarh Road, New Delhi-15. (Ghaziabad, UP). —Scooters—24,000 Nos. p.a. (NU); Shri Vinod Khanna: 3496, Chowri Bazar, Delhi-6. (Faridabad, Haryana). —(i) Pistons—5 lakhs Nos. p.a., (ii) Piston Rings—25 lakh Nos. p.a., (iii) Piston pins—5 lakhs Nos. p.a. (NU); Shri Ashok Kumar Dhawan: 45-54, Gaya Prasad St., Kanpur. (Kanpur, UP). —(i) Spark plugs for petrol engines—18,00,000 Nos. p.a. (ii) Compression ignition glow (heater) plugs for diesel engine—2,40,000 Nos. p.a. (NU); Shri N.D. Setty: Flat No. 5/215, St. Andrews Road, Bandra, Bombay-50. (Nasik, Maharashtra). —Bonded & coated abrasives for a capacity of 1265 tonnes of bonded abrasives and 1,50,000 pcs (313 reams) of coated abrasives (NU); M/s. Indo Berolina Ind. (P) Ltd: IBI House, S-86, Andheri, Kurla Road, Bombay-59. (AS) (Bombay, Maharashtra). —Ejectors—Rs. 15 lakhs p.a. (NA); M/s. Nathani Steel Yard: Ad-

joining Vidya-Vihar Railway Station (West), Bombay-77 (AS). (Vidyavihar, Bombay, Maharashtra). —(i) Hydraulic alligator shears—75 Nos. (ii) Hydraulic scrap baling press—6 Nos. p.a., (iii) briquetting press—2 Nos. p.a., (iv) Fragmentisers, crushers and swarf breakers—6 Nos. p.a., (v) Hydraulic guillotine scrap shears—3 Nos. p.a. (NA); M/s. Khandelwal Udyog Ltd: Plot No. 24, Kurla-Karol Road, Near Vidya Vihar Rly. Station, Ghatkopar (West), Bombay-86. (Bombay, Maharashtra). —(i) Gas Generator for protective and reactive atmosphere—15 units p.a., (ii) Hydrogen generating plants—15 units p.a., (iii) Burners for above—30 units p.a. (NA).

Engineering Industries

M/s. Greaves Cotton and Co. Ltd: 1, Forbes Street, P. Box. No. 91, Bombay-1. (Maharashtra). —(i) Diamond drill bits—10,000 Nos. p.a., (ii) Diamond wheel dressers—9,000 Nos. p.a., (iii) Oilfield diamond bits—300 Nos. p.a. (COB).

Chemicals

Shri Makkappuzha Vasudevan Pillai: Mukkappuzha, Ranni, Kerala. (Edayar, Kerala). —(i) Formic Acid—1200 tonnes p.a., (ii) Sodium Sulphate—1500 tonnes p.a. (NU); M/s. Das-Ichi Karkaria (P) Ltd: Library Building, New Marine Lines, Bombay-20-BR. (Maharashtra). —Cross linking agents for textiles (resin finish)—500 tonnes p.a. (NA); M/s. Eastern Oxygen and Acetylene Ltd: Post Box No. 45, P.O. Jharia, Dhanbad (Bihar). (Jabalpur-MP). —Dissolved Acetylene Gas—10 million cubic meters p.a. (NU).

Textiles

M/s. Shalimar Industries (P) Ltd: 25, Ganesh Chandra Avenue, Calcutta-13. (Rajasthan). Tufted carpets—22,56,000 Sq. yards p.a. (NU).

Food Processing Industries

Suresh C. Goyal: 47, Banarsi Das Estate, Lucknow Road, Delhi-7. (Delhi). —(i) Soya Milk—2,100 tonnes p.a., (ii) Soya Powder—600 tonnes p.a. (NU); M/s. Unichem Laboratories Ltd: 4.5, 6, Jogeshwari Estate, Jogeshwari West, Bombay-60-(NB) (Ghaziabad, UP). —(i) Peanut Butter—1,000 tonnes p.a. (ii) High Protein Snacks—1,000 tonnes p.a. (NA); M/s. Banaskantha Distt. Co-operative Milk Producers Union Ltd: P.B. No. 20, Palanpur (Gujarat). (Palanpur, Gujarat). —(i) Milk Powder—4000 tonnes p.a., (ii) Casein—250 tonnes p.a., (iii) Butter—3,000 tonnes p.a., (iv) Ghee—600 tonnes p.a. (NU); M/s. Rohinton J.H.J. Bajina: M-35, Cusrow Baug, Fort, Bombay-1. (Maharashtra). —(i) Flash & canned products—9125 tonnes p.a., (ii) Sauces & pickles—1825 tonnes p.a., (iii) Shrimps & marine products—13505 tonnes p.a., (iv) Canned fruits & vegetables—4015 tonnes p.a.

(NU); Virbhadra Singhji: Nilambag. Bhavanagar (Gujarat) (Gujarat). —Dehydrated fruits and vegetables—700 tonnes p.a. (NU); The Secretary Mysore state Industrial Invest. & Develop. Corp. Ltd: 36, Cunningham Road, Bangalore-1B. (Mysore). —(i) Starch from maize—7,500 tonnes p.a., (ii) By products—Fedder—3600 tonnes p.a., (iii) Cornoil—300 tonnes p.a., (iv) oil cake—510 tonnes p.a. (NU).

Rubber Goods

Shri S. V. Lathia: C/o Lathia Industrial Supplies Co. (P) Ltd, 108/110, Naroda Industrial Estate, Naroda, Ahmedabad. (Gujarat State) (Vapi, Gujarat). —(i) Printing Rubber Blankets for textile industries—100 Nos. p.a. (ii) Rubber/Ebonite rollers complete with shell as well as recovery for paper industries—5000 pcs. p.a., (iii) Rubber Lining of chemical plant and equipment—10,000 sq. metres p.a. (NU).

Glass

Shri H. A. Dharmsey: 168/170, Sheriff Devji Street, Chakla, Bombay-3. (Udhna, Surat, Gujarat). —(i) Glass staple fibre tissue—86.5 tonnes p.a. (ii) Glass fibre silvers—36 tonnes p.a. (NU).

Ceramics

M/s. Orissa Cement Ltd: 4, Scindia House, New Delhi-1. (Rajganpur, Sundergarh, Orissa). —Chemically bonded basic refractories—An additional capacity of 20,000 tonnes p.a. (Total capacity: 30,000 tonnes after expansion). (SE).

Cement

Smt. Nirmala R. Khaitan: Plot No. 15-A, 6th Floor, Jamnadas Mehta Road, Bombay-6-WB (Gujarat/Maharashtra/Mysore). —Wire woven compressed asbestos fibre jointings sheets—500 tonnes p.a. (NU).

LICENCES REVOKED/SURRENDERED

(Information pertains to particular licences only)

M/s. Industrial Machine Manufacturing Co., Calcutta—Machine Tools etc; M/s. Anilline Dyestuffs and Pharmaceuticals (P) Ltd, Bombay—2 Chloro-4, 6 Bis (Ethylaminio)—S-Triazine (Herbicides); M/s. Nitin Engg. Mfg. Co. (P) Ltd; Bombay-1-BR—Steel forging and garage tools; M/s. Gujarat Engg. Industries Ltd, Ahmedabad.—Steel Castings.

CHANGES IN THE NAMES OF OWNERS/UNDERTAKINGS

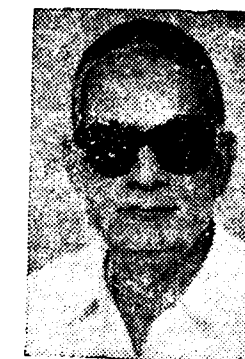
(Information pertains to particular licences only)

From M/s. Crookes Interfran Ltd. to M/s. Duphar-Interfran Ltd, Bombay; From M/s. Hero C cle Industries to M/s. Hero Cycles (P) Ltd.

COMPANY MEETINGS

GOLDEN TOBACCO COMPANY LIMITED

Speech by the Chairman, Shri Chatrabhuj Narsee, at the Sixteenth Annual General Meeting of the Company on 27th December 1971.



Shri Chatrabhuj Narsee

Ladies and Gentlemen,

I welcome you all to this Sixteenth Annual General Meeting of the Company which is the first such meeting after your Company became a Public Company in March 1971. The Statement of Accounts for the year 1970-71 and the Report of the Board of Directors have been in your hands for quite sometime. May I therefore take it that you have read them.

In the first two weeks of the current month historic events have taken place, namely the birth of free Bangla Desh and the emergence of India as a nation to be reckoned with. For all this we must pay our sincere tributes to our Prime Minister for her exemplary qualities of leadership, to our Armed Forces for their valour and supreme sacrifice, to the public at large for its discipline and fortitude, and to the Government and the People of U.S.S.R. for their unstinted and consistent support.

In this context I cannot but commend and quote an extract from the editorial of ECONOMIC TIMES of 17th December:

"India's triumph also serves notice on the world. This country cannot be taken for granted any more. It is a power to be reckoned with—at any rate, in this region. Persistently, for decades, there has been a concerted attempt to bamboozle this country, hamstring its industrial growth and to decry any attempt of the national leadership to fulfil the country's destined goal".

In the most critical hours of our national life a bitter realisation has come to the people in this country that it is the nation's own strength that ultimately counts and not the dependence on any foreign interests, however friendly they may profess to be. This is very true of the political freedom of the country, and more so of its economic freedom.

Company's Background

I consider it necessary at this meeting to acquaint you briefly with the

background of your Company and the cigarette industry in general.

In 1930 when the Swadeshi Movement launched by Mahatma Gandhi was in full swing and was spear-headed by boycott of foreign goods, Golden Tobacco was founded by my father, the late Seth Narsee Monjee. Self-reliance is therefore the very foundation on which the edifice of your Company has been built. Starting with five men and a borrowed capital of Rupees Five thousand, the Company grew from strength to strength, overcoming many a hurdle in its way: mainly the then alien rule which was against the development of indigenous industry and the monopoly enjoyed by the foreign companies, which by their vast resources and influence are still able to carry out their main object of eliminating competition, by means fair or foul. If your Company could survive the onslaught it was because of the indomitable spirit of the founder of your Company, the grim determination of the management to face challenges, the full mobilisation of resources and the all-pervading team spirit.

We had our reverses, yet we have fared well as will be obvious from the Accounts presented to you.

Foreign Monopoly

It is a pity that the cigarette industry even 24 years after the attainment of independence, is still dominated to the extent of 80% of its production, market and total resources, by substantially foreign-owned and controlled companies. It was this crucial point on which hinged what one calls a 'controversy' in the cigarette industry. Particularly for the benefit of our new shareholders I would like to recount the salient points at issue.

In August 1970 the Chairman of Indian Cigarette Manufacturers Association brought to light the plight of indigenous cigarette manufacturers and pleaded for the implementation of declared Government policies, namely:

(i) The expected increase in demand for cigarettes shall be taken care of by

encouraging production by 100% Indian-owned companies alone;

(ii) Under the provisions of the Monopolies and Restrictive Trade Practices Act no further expansion shall be permitted to any group which is already a dominant/monopolistic undertaking;

(iii) The foreign-owned monopoly cannot produce in excess of their registered installed capacity which it has been doing in direct contravention of the Industries (Development and Regulation) Act and to the great detriment of the indigenous sector which has 70% idle capacity;

(iv) The relaxation sanctioned in the 1965 emergency for over-production/diversification to the extent of 25% of installed capacity stands withdrawn in case of large industrial houses and foreign-owned companies.

I.C.M.A. also pointed out that:

(a) The foreign-owned cigarette monopoly affiliated to a powerful world combine, has wiped out over 200 indigenous cigarette factories in the past four decades;

(b) The cigarette production is controlled to the extent of 80% by substantially foreign-owned companies. the share of the foreign monopoly alone being as much as 70%;

(c) Crores of Rupees in foreign exchange have been drained away in the form of remittances of dividends, profits, royalties etc. and the drain has been increasing year after year. To add to it, the reserves and accumulated profits constitute a further liability in foreign exchange for repatriation in the years to come;

(d) The share of the foreign-owned and foreign-controlled cigarette companies went up from 68% in 1965 to 80% in 1969;

(e) The monopoly hinders the growth of the indigenous sector by restrictive trade practices and its power which is inherent in any monopoly. Therefore the production of the foreign mono-

poly with the inter-connected undertakings must be pegged and the future demand must be earmarked only for 100% Indian companies in consistency with the government's declared policy and socialistic objectives.

Such a measure is not without a precedent, because in the essential commodity industries like Soap and Match, the production of foreign monopolies was effectively pegged soon after independence, with the result that the indigenous sectors of these industries came up and flourished in no time. One is left wondering why such a step was not taken in case of cigarette industry.

When these facts were placed before the people and the Government in the national interests, the foreign monopoly got enraged and chose to embark on a tirade against your Company through massive propaganda. It was then that your Company was constrained in its own business interest to rebut the allegations and charges.

The Crusade and After

A positive outcome of our crusade is that it created awakening in the public at large as regards the futility of dependence on foreign capital or know-how, particularly in consumer industries where it results in exploitation and domination which are not in the national interest. This is now underlined by the attitude of some of the nations during the recent emergency of which you are all fully aware.

It is unfortunate that as if this was not enough, the foreign-owned and controlled companies have now adopted new techniques of brain-washing to make our people believe that they are Indian companies and are working in the national interest. I would now like to touch briefly on some aspects of this new development.

The real character of a Company is determined by its ownership and control. A substantially foreign-owned and controlled company cannot become an Indian company just by Indianising its name or by Indianising its Chairmanship or Board of Directors or by such other gimmicks.

An Inviolable Sanctity

There is a widespread feeling against open or subtle commercialisation of the country's proud name by adopting it for a company or a brand name. I hope and trust that before long the Union Government will take concrete steps to prevent such violations of the sanctity of our country's name for the ostensible purpose of identification with the country and its national aspirations.

Your Company is truly a national company by virtue of its cent-per-cent

Indian ownership, control, management and know-how. Your Company therefore need not make loud claims of lending a helping hand to any sector of our national life. We are an integral part of each of these sectors and are interwoven with them.

The people of this country with their innate common sense and keen sense of discrimination cannot be taken in by any make-believe stories or by any image-building antics. They know what is what. Healthy employer-employee relations, giving legitimate assistance to the suppliers of raw materials, helping development of ancillary units which contribute to the prosperity of the parent unit, extending fair treatment to the trade, working hard to make the business profitable for those who own the Company, contributing to the exchequer and supporting policies of the Government, are pre-requisites for the success of any business organisation. I am therefore pained by the audacity of those who make loud proclamations of these normal activities which to my mind are only acts of self-aggrandisement.

Accent on Self-Reliance

What is of paramount importance is not the material achievement and its publicity, but the ideal one lives and works for—whether as an individual, as an organisation or as a nation. As already pointed out earlier by me, your Company from its very inception has been advocating and working for the ideal of Swadeshim from which stems true self-reliance and we shall continue to assert that the pride of place in every economic activity must go to the indigenous sector in this free country. This legitimate right and justice cannot any longer be denied.

Our Performance

Coming to the operational side of your Company, you will observe that the sales turnover increased from Rs. 32.68 crores to Rs. 39.60 crores during the year under review. The profit before tax, after providing for depreciation and development rebate, increased from Rs. 111.96 lacs to Rs. 131.66 lacs. The two important factors which affect profitability are the heavy and increasing impost of Central Excise on tobacco, cigarettes and various materials used in the manufacture of cigarettes and the rising costs due to general inflationary trend.

The sales of your Company during July/November 1971 was Rs. 17.45 crores as against Rs. 14.37 crores for the corresponding period last year. In spite of the temporary setbacks like floods in various States, cyclone in the Eastern coast, tense situation on the

Eastern and Western borders and the resultant demoralising effect on the traders as reflected by their unwillingness to keep normal stocks and also the financial stringency, we have been able to maintain the level of our sales. The month of December witnessed an active war on the country's borders hampering normal trade activities and also movement of goods. These effects will not last long, now that the victory of our Armed Forces has cut short the war.

The temporary surcharge of 15% on unmanufactured tobacco levied by the Union Finance Minister on 13th December 1971 adds to our costs, but this levy is being absorbed instead of being passed on to the consumers. In a national emergency one should willingly give and give till it hurts.

Our new cigarette factory at Baroda is under construction and is expected to go on stream by the middle of next year. Apart from the nine brands which we now manufacture and market, we have plans under way to add to the range.

Record Export of Panama

You are aware that your Company achieved a record of exporting 400 million Panama cigarettes to U.S.S.R. in a short period of 7 months and earned foreign exchange to the tune of Rupees One Crore. The U.S.S.R. is expected to extend further the scope for import of consumer goods from India under the new trade pact and your Company is naturally hopeful of securing further orders in future.

Your Company has its main Tobacco Purchasing Division at Guntur, 4 tobacco redrying plants, 8 grading and stripping depots and a network of 32 buying points spread all over Andhra Pradesh. We also have tobacco buying establishments in Gujarat and Mysore States. In order to carry out successfully the functions relating to our requirement of tobacco, the main raw material, we extend to the tobacco cultivators of the regions our cooperation by way of financial loans for purchase of inputs like fertilisers and improved seeds, construction of barns for tobacco curing, aiding in scientific and improved methods of cultivation and, most important of all, helping them secure fair price for their produce. All this in the face of the monopolistic control even in the cigarette tobacco trade by a foreign monopoly.

Bright Prospects

With the implementation of the recently declared policy of the Government of India to encourage only wholly Indian owned companies to take care of the increase in demand

of cigarettes, the chequered history of the indigenous cigarette industry is a thing of the past. I now foresee a very bright future for this sector. This optimism of mine is further justified by several other contributory factors like the rapid urbanisation aided by the green revolution, changes in the living habits and the changing pattern of income distribution leaving more and

more discretionary spending power in an increasing number of hands.

Before I conclude, I would like to place on record my sincere thanks to my colleagues on the Board and the employees of the Company for their devotion, loyalty and hard work and for the continuing harmony in their relationship built up by healthy traditions over the years. I must also express

on behalf of your Company our deep gratitude to the trade and the millions of our patrons whose active support and cooperation largely contribute to what we are and to what we will be in the years to come.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

ATTRACTIVE INTEREST & TAX BENEFITS

through Bank Series of 7-YEAR NATIONAL SAVINGS CERTIFICATES II, III & IV ISSUES

- ★ 5% on II and III Issues — Tax Free
- ★ 7½% on IV Issue — Interest upto Rs. 3000 in a year including interest on other taxable securities is FREE OF INCOME-TAX.
- ★ Facilities of nomination, pledging, etc.

Available at
**STATE BANK OF INDIA
AND ITS SUBSIDIARY BANKS**
Issued by
NATIONAL SAVINGS ORGANISATION



PARRYS CONFECTIONERY LIMITED

The Seventeenth Annual General Meeting of the Company was held on 29th December 1971 at Madras. In his circulated statement, the Chairman, Mr. H.V.R. Iengar, made the following points.

The results for the year show a profit of Rs 15,51,342. The profit after tax is Rs 6,11,378 compared with Rs 6,75,693 last year.

The increase in sugar prices after decontrol in May 1971 and prices of other raw materials pushed up the cost of production. A corresponding increase in selling prices was not possible and would have meant a decline in sales. However, the net profit after tax was sufficient to declare the same dividend as last year viz. 18%. After meeting the dividend,

Rs 50,000 has been transferred to General Reserve and Rs 39,000 to Development Reserve leaving a surplus of Rs 18,610 carried forward.

Lack of adequate supplies of cellophane led to curtailment of production and the factory could not work to full capacity, rendering about ten percent of the labour surplus.

Machinery worth Rs 5.5 lakhs was imported during the year.

The Malaysian factory went into production in December and initial

sales were satisfactory.

Prospects for the current year are likely to be affected by the new sugar policy which will entail the confectionery industry having to depend on high priced free market sugar. Nevertheless efforts will be made to continue the present level of profitability.

N.B: This does not purport to be a report of the proceedings of the General Meeting.

(The full text of the speech has been sent to all shareholders.)

COMPANY NOTICE

UPPER GANGES SUGAR MILLS LIMITED

NOTICE

Notice is hereby given that the Thirty-ninth Annual General Meeting of Upper Ganges Sugar Mills Ltd, will be held on Wednesday, the 12th January, 1972 at 2-30 P.M. at 21A, Ballygunge Place, Calcutta for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1971.

2. To declare dividends.

3. To elect directors in place of Shri R. K. Kanoria and Shri P. K. Khaitan who retire by rotation and being eligible offer themselves for re-election.

4. To appoint Auditors and fix their remuneration.

As Special Business:

To consider and if thought fit, to pass with or without modification the following resolutions as Ordinary Resolutions:

5. Resolved that the Company hereby approves the appointment of the following parties as distributors for the sale of Confectionery and Milk Products manufactured by Morton Confectionery and Milk Products Factory at Marhowrah (of which the Company is the lessee) for the period and on the terms and conditions and for the areas

as set out in the standard distributorship agreement subject to any variation that may be made in the terms including changes in areas:—

M/s. Punjab Biscuit Factory, Lakhimpur Kheri.

M/s. Verma Swadeshi Biscuit Factory, Agra.

M/s. Tayal General Stores, Modinagar.

M/s. Badridas Rajendralal, Barnala.

M/s. Gopaldas Vijendra Kumar, Patiala.

M/s. Kishanchand Agarwal & Sons, Ferozepur.

M/s. Grand Agencies, Meerut Cantt.

M/s. Balkishandas Shyamrattan, Kalimpong.

M/s. A. Das & Co., Allahabad.

M/s. Indian Trading Co., Sirsa.

M/s. Bansal Agencies, Dhampur.

M/s. Light House, Dalsinghara.

6. Resolved that the Board of Directors be and they are hereby authorised to contribute and/or subscribe to any institution, organisation or fund for any scientific research, charitable or other purposes not directly relating to the business of the Company or to the welfare of its employees, from time to time upto a total of Rs. 7 lacs in any financial year notwithstanding that such amounts in any financial year will exceed 5% of

the Company's average net profits as determined in accordance with the provisions of the Companies Act, 1956, during the three financial years immediately preceding.

By Order of the Board,
S. N. GUPTA
Secretary.

21A, Ballygunge Place,
Calcutta, the 11th December, 1971.

Notes:—

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of members of the Company will remain closed from the 7th January, 1972 to 12th January, 1972 both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 12th January, 1972 or to their mandatees on or after the 2nd February, 1972.

Explanatory Statement has been forwarded to the shareholders.

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

**manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood**

**Regd. Office :
BIRLAGRAM, NAGDA (M. P.)**

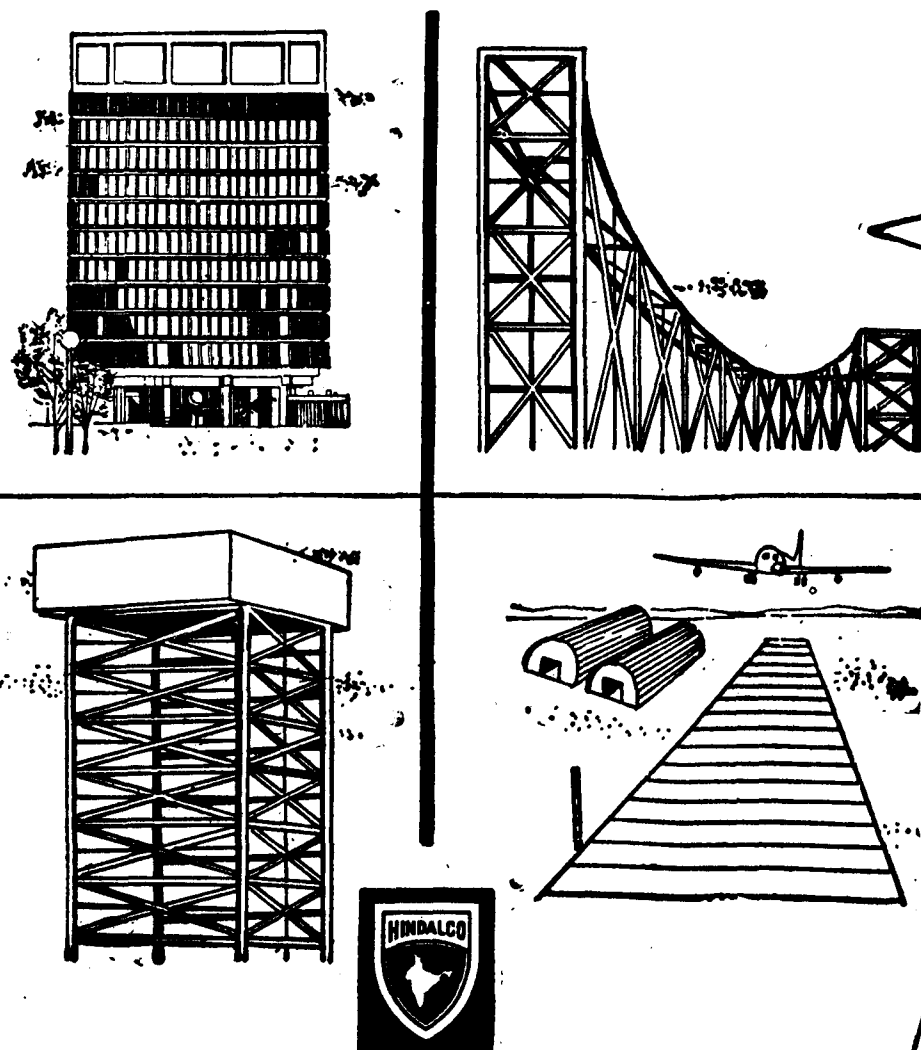
Gram : 'WOODPULP', Calicut.

Phone : 3971-74

ALUMINIUM IN CONSTRUCTION & STRUCTURAL USES

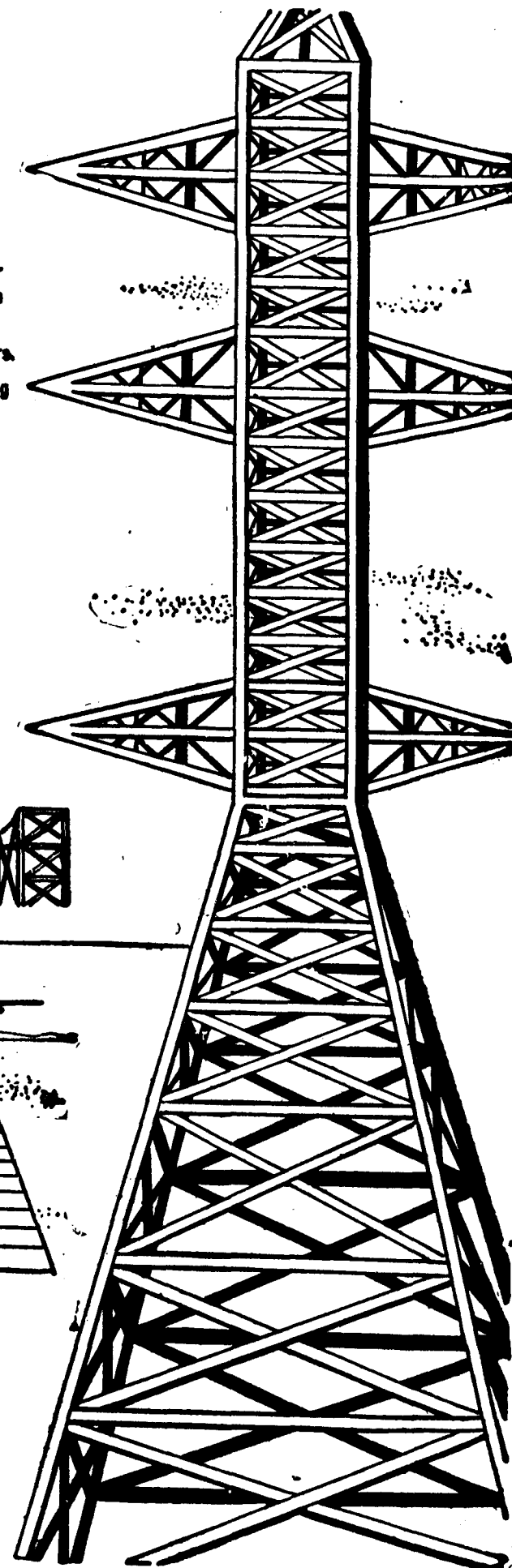
For Building & Construction, HINDALCO offers Semi-fabricated aluminium products (sheets and extruded shapes) in a wide range to suit diverse jobs. High strength-to-weight ratio and low maintenance costs make Aluminium the ideal choice of modern builders and architects. Besides, for making buildings cool in summer and warm in winter, aluminium panels are being increasingly used today in modern sky-scrapers. HINDALCO Semi-fabricated products are so versatile that they can be used in making almost anything, from landing mat for Aeroplane in an emergency defence purpose to drainage culverts in farms for Agricultural purposes.

MODERN BUILDERS SPECIFY HINDALCO ALUMINIUM.



HINDUSTAN ALUMINIUM CORPORATION LTD.

P.O. RENUKOOT ■ DIST. MIRZAPUR ■ U.P.



RECORDS AND STATISTICS

Mid-Term Appraisal of Fourth Plan

A REVIEW of the fourth five-year Plan released to the press in December 1971 indicated that the Indian economy had failed to reach the assigned targets during the first two years of the Plan period. While on the food front, the achievement was satisfactory, major failures were recorded in industry, infrastructure and social services. However, some of the calculations set out in the reappraisal of the Plan have been made irrelevant by such new developments, as the enormous expenditure on refugees from Bangla Desh and the Indo-Pakistan war. The decision by the USA and some other countries to suspend economic assistance to our country is also expected to alter the course of the Plan as indicated in the mid-term appraisal. A summary of the physical progress of the Plan as assessed by the Planning Commission is given below:—

The fulfilment of the physical targets in different sectors taken individually and collectively is one of the important tests of the Plan's success. In terms of aggregate real income, the performance of the economy during the first two years of the Plan was slightly below the targeted rate of 5.5 per cent a year. However, this was the result of good agricultural production and more especially of food grains. In the sphere of industry, performance has been decidedly below expectation. The progress in infrastructure and social

services has also fallen behind the Plan schedule.

The mid-term appraisal of the Plan suggests that while in many sectors performance in the remaining years can be improved (the appropriate means are discussed at some length in the relevant chapters), there will be substantial short-falls in fulfilling Plan targets in practically all branches of the economy. The physical progress achieved so far in major sectors and likely prospects for the remaining years, as emerging from the appraisal, are briefly indicated in the following paragraphs.

The growth of crop production in the first two years of the Plan has on the whole been satisfactory. The index of output rose by 7.0 per cent in 1969-70 and the corresponding increase in 1970-71 is expected to be 6.7%. Much of this was the result of good harvests of foodgrains, which reached the record level of nearly 108 million tonnes in 1970-71.

The performance as between different foodgrains has by no means been uniform. While wheat output continues to maintain a vigorous growth, that of rice, the country's most important cereal, has recorded only a small increase over the base production. The output of pulses has remained more or less stagnant. Among the commercial crops, sugarcane output can be considered

reasonably satisfactory but the performance of fibres and oilseeds is well below expectation. In fact, the output of jute and cotton during the first two years of the Plan was below the base level output assumed in the fourth Plan projections. The output of oilseeds in 1970-71 was only slightly higher than the base level.

The trend of output depends on the rate at which programmes for irrigation, fertilisers, high yielding varieties and other requirements of increased production are carried through. The progress in irrigation and fertilisers are, as of now, below the targets of the Plan. In the first three years of the Plan, only 40 per cent of the targeted additions to irrigation potential and about 44 per cent of postulated additions to area actually irrigated have been achieved. Since a number of projects are scheduled to be completed towards the end of the Plan, a substantial improvement of performance is likely in the remaining years. Nevertheless, increases in cost of projects have affected the irrigation programmes and several irrigation schemes have had to be rescheduled. This has led to slowing down of several projects. Some of the projects scheduled to be completed in the fourth Plan are now expected to spill-over into the fifth Plan. Consequently there would be a slight shortfall in the fulfilment of targets for both potential and utilisation from major and medium projects. The progress of minor irrigation schemes especially energisation of pumps, is, however, quite satisfactory.

The target for high-yielding varieties is likely to be fulfilled in the case of

TABLE I
SELECTED PHYSICAL TARGETS AND ACHIEVEMENTS

Sl. No.	Item	Unit	Fourth Plan target	1968-69 (actuals)	1969-70 (actuals)	1970-71 (anticipated)	1971-72 target	1973-74 (likely achievement)	Shortfall
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1.	Foodgrains production	Million Tonnes	129.0	94.0	99.5	107.8	112.0	122 to 125	(—)3.0 to 7.0
2.	Rice	-do-	52.0	38.8	40.4	42.5	NA	NA	NA
3.	Wheat	-do-	24.0	18.6	20.1	23.3	NA	NA	NA
4.	Pulses	-do-	15.0	10.4	11.7	11.6	NA	NA	NA
5.	Cotton	Million Bales	8.0	5.14	5.23	5.56	6.20	6.2 to 6.6	(—)1.4 to 1.8
6.	Jute	-do-	7.4	2.93	5.65	4.91	6.40	6.0 to 6.2	(—)1.2 to 1.4
7.	Oilseeds	Million Tonnes	10.5	6.8	7.7	9.12	9.5	9.5 to 10.0	(—)0.5 to 1.0
8.	Sugar Cane	-do-	15.0	12.8	13.8	13.2	13.7	13.5 to 14.0	(—)1.0 to 1.5
9.	Nitrogenous Fertilisers	-do-	3.20	1.14	1.36	1.49	2.0	2.60	(—)0.60
10.	Phosphatic	-do-	1.40	0.39	0.42	0.46	0.80	0.81	(—)0.59
11.	Potassic	-do-	0.90	0.16	0.21	0.23	0.40	0.52	(—)0.38
12.	Minor irrigation	Million Hectares	7.20	1.37	1.21	1.47	1.58	7.20	—
13.	Potential (gross)	-do-	23.3	18.5	19.15	19.75	20.39	22.9	(*)0.4
14.	Utilisation (gross)	-do-	20.9	16.8	17.14	17.68	18.36	NA	NA

wheat; but shortfalls are expected in rice and jowar. Fertiliser consumption which is a major source of additional production, has not increased as planned. The targets are not likely to be reached. The likely consumption of nitrogenous fertilisers in 1973-74 is now reckoned at 2.60 million tonnes (N) as against the original target of 3.20 million tonnes (N). Against the Plan target of 1.4 million tonnes (P₂O₅) for phosphatic fertilisers, actual achievements are likely to be around 0.8 million tonnes (P₂O₅).

Table I (page 31) indicates progress under important items.

The shortfall in physical programmes will naturally affect the realisation of production targets. Taken in conjunction with recent performance of different crops, it is anticipated that foodgrains output will reach 122-125 million tonnes by 1973-74—a shortfall of 4-7 million tonnes. The shortfall in fibres and oilseeds is likely to be relatively greater.

Progress has also been uneven as between regions. States like Gujarat, Rajasthan and Haryana have accomplished their entire fourth Plan targets relating to additional foodgrains production. At the other extreme are states like Andhra Pradesh, Bihar, Kerala,

Maharashtra and Orissa which, by the end of the second year of the Plan, have failed to reach even the assumed base year levels. In part this reflects differences in the quality of Planning and implementation; but it also reflects deficiencies in the techniques of forecasting and target-setting at the State level.

Industrial Performance

The overall performance of the industrial sector in the first half of the Plan period was unsatisfactory. At the beginning there were signs of recovery in industrial production. The index of industrial output rose by 6.6 per cent in 1968-69 and by 6.9 per cent in 1969-70. The rate of growth, however, declined to about 3.5 per cent in 1970-71. A further slump in the rate of growth was noticed in the first half of 1971. The index is subject to a number of limitations; it conceals some significant developments in certain newer fields; it does not reflect adequately the substantial contribution of some of the new industries set up since 1960—the base year for the current index; and it does not reflect the dynamism in the small-scale sector. It is also true that the poor record of overall industrial growth is largely the result of stagnation or even decline in the output of textiles, steel and transport equip-

ment. The fact nevertheless, remains that the growth is well below the Plan target (8-10 per cent a year). More disturbingly, the growth rate has declined.

The progress of production in the core sector is given in Table II.

Many of the industries in this category e.g. alloy and special steel, aluminium, nitrogenous fertiliser, agricultural tractors, power tillers, newsprint, coking coal and petroleum have registered an increase in production during the first two years of the Plan. However, there was a decline in production of several other items including copper, zinc, machine tools and most important of all, iron and steel.

The fall in steel production was mainly due to the operational difficulties of some steel plants in the public sector and the deteriorating labour situation. Corrective measures (as suggested in the relevant chapter) are being taken. It is anticipated that the rate of capacity utilisation of the existing plants would substantially improve in the remaining years of the Plan. Because of these problems and the delay on the Bokaro plant, steel output in 1973-74 is likely to fall considerably short of the target.

A review of progress of other core industries suggests that the targets for

TABLE II

PRODUCTION TARGETS AND ACHIEVEMENTS IN THE CORE-SECTOR

Sl. No.	Item	Unit	1973-74 target	1969-70 (actuals)	1970-71 (actuals)	1971-72 (anticipated)	1973-74 (likely achievement)	Surplus/shortfall 1973-74
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1.	Steel ingots	Million Tonnes	10.80	6.43	6.11	6.75	8.25	-2.50
2.	Finished steel	-do-	8.10	4.80	4.47	5.60	6.70	-1.40
3.	Pig iron for sale	-do-	3.80	1.40	1.25	1.40	3.30	-0.50
4.	Alloy and special steel	1000 tonnes	220.00	140.40	200.00	200.00	247.00	+27.00
5.	Aluminium	-do-	220.00	135.00	168.70	179.80	210.00	-10.00
6.	Copper	-do-	31.00	9.80	9.33	9.50	26.00	-5.00
7.	Zinc	-do-	70.00	23.70	23.40	30.00	38.00	-32.00
8.	Chemical machinery	Rs. Million	275.00	133.00	170.00	220.00	325.00	+50.00
9.	Printing machinery	-do-	80.00	2.40	3.50	6.60	24.00	-56.00
10.	Machine tools	-do-	650.00	272.00	230.00	420.00	600.00	50.00
11.	Nitrogenous fertilizers	1000 tonnes	2500.00	715.00	930.00	1130.00	1800.00	-700.00
12.	Phosphatic fertilizers	-do-	900.00	221.50	229.00	300.00	458.00	-442.00
13.	Agricultural tractors	1000 Nos.	50.00	17.10	20.00	35.00	50.00	-
14.	Newsprint	1000 tonnes	150.00	38.92	40.00	55.00	65.00	-85.00
15.	Iron ore	Million Tonnes	51.40	28.00	28.00	30.00	40.00	-11.40
16.	Coking coal	-do-	25.40	17.00	18.18	19.00	21.00	-4.40
17.	Petroleum (crude throughput)	-do-	26.00	16.20	18.00	19.00	21.50	-4.50
18.	Petrochemicals :—							
	(a) D.M.T.	1000 Tonnes	20.00	—	—	—	18.00	-2.00
	(b) Caprolactum	-do-	23.00	—	—	—	—	-23.00
	(c) Acrylonitrile	-do-	16.00	—	—	—	—	-16.00
	(d) Synthetic Rubber	-do-	70.00	28.60	30.00	31.00	36.00	-34.00

many of them will not be reached on schedule. Substantial shortfalls are indicated in non-ferrous metals, iron ore, some of the industrial machinery items, fertilizers, newsprint, petrochemicals and petroleum. These shortfalls are, expected to be made good in the early years of the fifth Plan. Production targets for alloy and special steel and chemical machinery are likely to be exceeded. With regard to electronics, it is expected that the target set for all the items under this head would be reached by 1973-74.

Table III indicates progress in selected non-core industries.

In the non-core sector, although the overall performance was poor in 1970-71 as compared to 1969-70, increases in production have been achieved in a number of industries such as cotton textile machinery, sugar machinery, commercial vehicles, automobile tyres, electric transformers, electric motors,

electric fans, storage batteries, radio receivers, paper and paper board and cement. Further step-up in production is anticipated in 1971-72.

On the other hand, there has been a fall in output in 1970-71 as compared to 1969-70 in cement machinery, power-driven pumps, sewing machines, diesel engines, sulphuric acid and sugar. Even, here, significant recoveries are expected in most of these industries during 1971-72.

Cotton textiles, a major consumer industry which also has a large weight in the index of industrial production, is more or less stagnant. Production of mill cloth was around 4200 million metres in 1969-70 and 1970-71 and is expected to be about 4300 million metres in 1971-72. The rate of progress is obviously inadequate to reach to the Plan target of 5100 million metres of cotton cloth in the organised sector. The likely achievement may be about

4500 million metres. This setback in cotton textile industry is mainly due to the serious shortage of cotton and partly to power shortage in certain area in the north.

An assessment of the likely achievements of production in the non-core sector of industries by 1973-74 reveals that the Plan targets would be fulfilled in respect of a number of industries such as power-driven pumps, electric transformers, electric motors, paper and paper-board, cement, automobile tyres, jute manufactures, sugar and vanaspati. However there might be substantial shortfalls in many others, notably in cement machinery, steel castings and forgings, diesel engines, bicycles, electric fans, sulphuric acid and cotton cloth.

It is clear that the Plan-target of increase in overall industrial production is not likely, to be realised. However, given concerted efforts at creating a

TABLE III

PRODUCTION TARGETS AND ACHIEVEMENTS IN OTHER THAN CORE SECTOR

Sl. No.	Industry	Unit	1969-70 (actuals)	1970-71 (actuals)	1971-72 (anticipated)	1973-74 (Target)	1973-74 (likely achievement)	Shortfall excess
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1.	Cotton textile machinery	Rs. Million	204	315	300	450	400	-50
2.	Cement machinery	-do-	98	89.3	100	190	150	-40
3.	Sugar machinery	-do-	124	152.8	170	210	190	-20
4.	Steel castings	'000 Tonnes	46	52	75	225	155	-70
5.	Steel forgings	-do-	60	69	80	220	100	-120
6.	Power driven pumps (organised sector)	1000 Nos.	333	280	400	450	450	-
7.	Diesel engines	-do-	133.4	67.4	70	200	80	-120
8.	Commercial vehicles	-do-	35.5	41.5	45	85	60	-25
9.	Bicycles (organised sector)	-do-	1914	2084	2300	3200	2700	-500
10.	Sewing machines (organised sector)	-do-	327	235	380	600	500	-100
11.	Electric fans (organised sector)	-do-	1552	1720	2000	3000	2500	-500
12.	Storage batteries (organised sector)	-do-	927	1000	1100	1800	1500	-300
13.	Radio receivers (organised sector)	-do-	1749	1830	2250	3800	3250	-550
14.	Electric transformers (above 38 kv)	Mill. Kva	2.5	3.0	4.0	6.4	6.4	-
15.	Electric transformers (38 kv & below)	Mill. Kva	3.8	6.5	7.0	5.5	5.5	-
16.	Electric motors (above 200 HP)	Mill. H.P.	0.2	0.3	0.4	0.68	0.68	-
17.	Electric motors (200 HP and below)	-do-	2.42	3.0	3.5	2.72	3.82	+1.1
18.	Sulphuric acid	1000 Tonnes	1129	1116	1350	2500	1750	-750
19.	Paper and paper board	-do-	724	756	800	850	850	-
20.	Cement	Mill. tonnes	13.81	14.36	15.50	18	18	-
21.	Automobile tyres	Mill. Nos.	3.99	4.15	4.5	6	6	-
22.	Cotton cloth (mill sector)	Mill. Metres	4192	4200	4300	5100	4500	-600
23.	Jute manufactures	1000 tonnes	944	1050	1100	1400	1400	-
24.	Sugar	-do-	4260	3765	3400	4700	4700	-
25.	Vanaspati	-do-	477	525	550	625	625	-

climate of expansion and at speeding up the implementation of projects, the 1973-74 targets for key industries and for overall industrial production could be reached in the early part of the fifth Plan.

The progress in the capacity for electricity generated during the first three years of the Plan is given below:

Year	Target	Actual	Cumulative Total
		(million Kw)	
1969-70	1.63	1.22	15.524
1970-71	1.32	0.97	16.502
1971-72	1.18	1.18*	17.6819*

*anticipated.

Power Shortages

The shortfall in generation capacity during the first two years was mainly on account of the slow progress on projects. This in turn was primarily due to delay in the delivery of plant and equipment from the manufacturing units. Delay in the commissioning of the major power projects, particularly in the northern region, and the consequent shortfall in generating capacity has led to a serious power shortage in that region which affected the production of important industries like fertilisers and cotton textiles. The situation is expected to improve in the latter part of the Plan when a number of schemes will be completed. Total generating capacity in 1973-74 is likely to be around 21.2 million Kw. against a target of 23 million Kw.

The achievement in regard to rural electrification is summarised below:

	Villages electrified	
	During the year	Cumulative total
As on 31.3.1969	..	71,410
During 1969-70	18,567	89,977
During 1970-71	15,461	1,05,438
During 1971-72	17,661	1,23,099

It is anticipated that as many as 1,58,000 villages covering 43 per cent of the rural population might be electrified by the end of 1973-74. The Plan target for energisation of 12.5 lakh

additional pump-sets would be realised by 1973-74.

Transport and Communications

The growth of freight traffic under railways in the first two years of the Plan has been below expectation. Against the targets of 214 million tonnes in 1969-70 and 217 million tonnes in 1970-71, the achievements of traffic were 208 million tonnes and 199 freight million tonnes respectively. This is mainly due to short-falls in production of major commodities like steel, coal, and iron ore for export. Since the Plan targets for industries, especially for steel, coal, cement, iron ore and fertilisers, are not likely to be realised, the level of freight traffic at the end of the Plan is likely to be below the targeted 265 million tonnes. On current reckoning the traffic in 1973-74 may be around 240 million tonnes.

The passenger traffic on the railways, however, has registered an increase. The originating traffic increased by 5.7 per cent in 1970-71 and six per cent in 1971-72. It is expected that the Plan target in terms of originating passenger traffic might be exceeded.

The traffic handled in major ports increased from 54.6 million tonnes in 1969-70 to 56.0 million tonnes in 1970-71 and is expected to reach a level of 61 million tonnes in 1971-72. The expectation is that the Plan target of 77 million tonnes might be nearly achieved.

As regards shipping, the expectation was that the tonnage would increase from 2.14 million Grt in 1968-69 to about 3.5 million Grt in 1973-74 with another 0.5 million Grt on order. The progress in the first three years has been rather slow. By 1971-72 the operational tonnage is expected to reach 2.5 million Grt. On present indications, the target of 3.5 million Grt of opera-

tional tonnage for 1973-74 will be reached a year later.

The fourth Plan envisaged raising enrolment in the age-group 6-14 years from 67.76 million at the commencement of the Plan to 86.68 million at the end of the Plan. At the primary stage, 95 per cent of the fourth Plan target of enrolling 13.8 million additional students will be achieved. The enrolment target for girls is, however, not likely to be realised. Keeping in view the likely achievements during the first three years (1969-72), the target of 5.46 million additional enrolment at the middle school stage may not be achieved fully. The anticipated achievement is about 4.65 million.

Uneven Progress

The progress in different states has been uneven. In relation to the Plan targets, progress has been particularly slow in Assam, Mysore and Punjab.

The target of additional enrolment of 3.3 million children in classes IX-XI may be fully achieved. There has also been rapid expansion of facilities for higher education. The number of students in arts, science and commerce classes rose from 1.7 million in 1968-69 to about 2.1 million in 1970-71. For the Plan as a whole, the increase is likely to be less than original expectation.

In the case of teacher education, the prevalence of considerable unemployment among trained teachers in many states has led to a reduction of the intake in training institutions and in some cases extension of the period of training from one year to two years. The real problem here is not so much of quantitative expansion as of qualitative improvement.

The main emphasis in technical education during the fourth Plan has also

TABLE IV
ENROLMENT—TARGETS AND ACHIEVEMENTS
(Figures in millions)

	Fourth Plan targets (addl. enrolment)	1969-71 Achievement	1971-72 Target	1969-74 Anticipated	Col. 5 as % of Col. 2
(1)	(2)	(3)	(4)	(5)	(6)
Classes I-V (6-11 years)	13.80	4.99	2.64	13.08	95
Classes VI-VIII (11-14 years)	5.46	1.63	0.97	4.65	85
Classes IX-XI : (14-17 years)	3.27	1.13	0.69	3.27	100
University Education (arts, science and commerce)	1.08	0.39	0.17	0.92	85

zen on improving quality. In view of unemployment among engineers, there is been virtually no expansion in the enrolment in engineering colleges and polytechnics. Progress towards improving the quality of technical education has been very slow. The main reason would appear to be inadequate financial provisions in state plans.

The progress of scholarship programmes, which are important in helping poor and meritorious students take advantage of educational opportunities as not been satisfactory. Against the total allocation of Rs 14.73 crores by the Ministry of Education, the likely achievement is expected to be only Rs 6.24 crores. Similarly, under the JGC scheme, against a target of Rs 7.75 crores the expected outlay is placed at Rs 1.36 crores.

While the expansion of facilities for the training of doctors and nurses is in line with Plan targets, progress in strengthening primary health services and in programmes for control of communicable diseases is not commensurate with the targets. During the first two years of the Plan, against a target of 264 primary health centres, only 169 were established. During these two years, 10,500 beds have been added against five-year target of about 26,000. The slow progress in the Communicable Disease Programme so far has been due to delay in finalisation of Plan schemes and resultant delays in sanction and release of funds to the implementing agencies. By clearing these bottlenecks, it should be possible in the remaining years to achieve quicker progress.

A greatly intensified programme for family planning is one of the distinctive features of the Plan. The aim was to establish a country-wide infrastructure to provide family planning advice and services and to spread the use of contraceptive methods. The progress so far has not been adequate both in

financial and physical terms. The publicity programme has clearly led to mass awareness of family planning. But the actual use of contraceptive methods is not spreading as fast as expected and desired. While there is evidence of a rapid increase in the use of conventional contraceptives, the sterilisation and IUCD programmes have not made satisfactory progress. In fact, the annual rate of sterilisations and IUCD insertions has remained nearly stagnant over the last few years. In relation to annual Plan targets, the performance is disturbingly poor.

The progress on urban water supply has been fairly satisfactory except for the metropolitan cities like Bombay, Madras, Hyderabad and Delhi. In the rural areas, more than 6000 villages were provided with piped water supply, benefiting a population of 51 lakhs. Wells were constructed or renovated in nearly 12,000 villages, benefiting an additional population of 25 lakhs.

In the special welfare sector, child welfare has been accorded high priority. An important development is the emphasis on removal of mal-nutrition among pre-school children. Two programmes have been under implementation since January 1971. In the programme for feeding pre-school children through Balwadis, about 1.2 lakh children are being provided with nutritional facilities at 3301 institutions by the Indian Council of Child Welfare, Harijan Sevak Sangh, Bhartiya Adimajati Sevak Sangh and the Central Social Welfare Board. As part of the second programme for crash nutrition feeding among children in the age group of 0-6 years and for expectant mothers in slums and tribal areas, about 6.5 lakh children were covered in 1970-71. In 1971-72, a target of 20 lakh children is aimed at.

The programme for grants-in-aid to voluntary organisations, administered by the Central Social Welfare Board,

TABLE V
SELECTED PHYSICAL TARGETS AND ACHIEVEMENTS

Sl. No.	Items	Unit	Fourth Plan target	Progress		1971-72 Target/anticipated achievement	1973-74 (likely achievement)
1	2	3	4	5	6	7	8
Agriculture & Allied Programmes							
1. Foodgrains	Mill. tonnes		129.00	99.50	107.82	112.0	122 to 125
2. Oilseeds	"		10.50	7.73	9.12	9.50	9.50 to 10.00
3. Sugarcane (gur)	Mill. bales		15.00	13.78	13.19	13.70	13.50 to 14.00
4. Cotton	"		8.00	5.23	5.56	6.20	6.20 to 6.60
5. Jute	"		7.40	5.65	4.91	6.40	6.00 to 6.20
6. High-yielding varieties programme	Mill. hectares		25.00	11.41	14.61	18.00	25.00
7. Multiple cropping (additional)	"		9.00	1.52	1.59	1.90	9.00
8. Minor Irrigation (additional)	"		7.20	1.21	1.47	1.58	7.20
9. Soil conservation (additional)	"		5.65	1.05	1.25	1.25	5.65

(Contd.)

was continued. Against the Plan provision of Rs 6.5 crores, disbursements during the first three years are estimated to be around Rs four crores.

Quantitatively, the Plan targets are likely to be achieved. There are, however, qualitative aspects which need greater attention. There is scope for improvement in the field-counselling services as also in the formulation and evaluation of grant-in-aid policy.

Shortfalls are expected in schemes for the welfare of physically handicapped, especially for expansion and establishment of national centres for the blind, deaf, the mentally retarded and the orthopaedically handicapped.

An assessment of progress of expenditure on programmes for the development of backward classes shows that the Plan allocation of Rs 60 crores will be fully utilised. Expenditure in excess of the Plan provision is anticipated under post-matric scholarships to scheduled castes and scheduled tribes students and schemes for the tribal development blocks.

For promotion of education among girls belonging to the backward communities, girls' hostels continue to be opened. In 1969-70, assistance was given for construction and expansion of 180 hostels. The Department of Social Welfare has reviewed the implementation of those schemes, liberalised the terms of assistance and extended the scheme to cover pre-matric and post-matric education.

For improving the placement of scheduled castes and scheduled tribes in the posts reserved for them, pre-examination training centres have been set up in 12 states and one union territory. There are two other centres for coaching candidates from these communities for the All-India and Central Services Examinations. There are four centres for confidence building, career guidance and pre-employment coaching.

SELECTED PHYSICAL TARGETS AND ACHIEVEMENTS (Contd.)

1	2	3	4	5	6	7	8
10. Consumption of fertilizers—Nitrogenous (in terms of N)	Mill. tonnes	3.20	1.36	1.49	1.78*	2.60	
11. Phosphatic (in terms of P_2O_5)	"	1.40	0.42	0.46	0.65*	0.81	
12. Pottasic (in terms of K_2O)	"	0.90	0.21	0.23	0.34*	0.52	
13. Plant protection	Mill. Hectares	80.00	34.61	43.20	50.76	80.00	
14. Short & medium term loans advanced	Rs. crores	750.00	538.50	601.06	650.00@	750.00	
Irrigation : Major & Medium							
15. Potential (gross) (cumulative)	Mill. hectares	23.3	19.15	19.75	20.39	22.9	
16. Utilisation (gross) (cumulative)	"	20.9	17.14	17.68	18.36	NA	
17. Installed capacity	Mill. Kw	23.2	15.441	16.49	17.67	21.15	
18. Pumpsets energised	'000 Nos.	2337	1354	1629	1959	2337	
Industry & Minerals							
19. Steel ingots	Mill. tonnes	10.8	6.43	6.1	6.75*	8.25	
20. Finished steel	"	8.1	4.8	4.47	5.6*	6.7	
21. Alloy & special steel	'000 tonnes	220	140.4	200.0	200.0*	247.0	
22. Aluminium	"	220	135.0	168.7	179.8*	210.0	
23. Copper	"	31.0	9.8	9.33	9.5*	26.0	
24. Zinc	"	70.0	23.7	23.4	30.8*	38.0	
25. Metallurgical and other heavy engg. machinery	"	75.0	18.0	20.0	25.0*	40.0	
26. Agricultural tractors	'000 Nos.	50.0	17.1	20.0	35.0*	50.0	
27. Turbines (thermal)	Mill. Kw	1.30	0.32	—	—	—	
28. Turbines (hydro)	"	1.65	—	—	—	—	
29. Production of nitrogenous fertilizers (in terms of N)	'000 tonnes	2500	7159	730.0	1130.0*	1800	
30. Production of phosphatic fertilizers (in terms of P_2O_5)	"	900	221.5	229.0	300.0*	458.0	
31. Sulphuric acid	"	25.00	1129	1116	1350*	1750	
32. Coking coal	Mill. tonnes	25.4	17.0	18.8	19.0*	21.0	
33. Iron ore	"	51.4	28.0	28.0	30.0*	40.0	
34. Production of crude petroleum	"	8.5	6.7	7.0	7.5*	8.5	
35. Refining capacity (in terms of throughput)	"	26.0	16.2	18.0	19.0*	21.0	
36. Machine tools (organised sector)	Rs. million	650.0	272.0	230.0	420.0*	600.0	
37. Ball and roller bearings	Mill. Nos.	20.0	14.0	18.2	18.0*	21.0	
38. Power driven pumps (organised sector)	'000 Nos.	450.0	333.0	280.0	400	450	
39. Diesel engines (stationary and organised sector)	"	200.0	133.4	67.4	70.0*	80.0	
40. Commercial vehicles	"	85.0	35.5	41.5	45.0*	60.0	
41. Electric transformers—above 33 Kv	Mill. Kv	6.4	2.5	3.0	4.0*	6.4	
42. Electric transformers—13 Kv and below	"	5.5	3.8	6.5	7.0*	5.5	
43. Electric motors—above 200HP	Mill. HP	0.6	0.20	0.30	0.4*	0.68	
44. Electric motors—200 HP & below	"	2.72	2.42	3.00	3.5	3.82	
45. Paper and paper board	'000 tonnes	850	724	756	800*	850	
46. Cement	Mill. tonnes	18.0	13.81	14.36	15.5*	18.0	
47. Cotton cloth (mill sector)	Mill. metres	5100.0	4192	4200	4300*	4500	
48. Jute textiles	'000 tonnes	1400.0	944.0	1050.0	1100.0*	1400	
49. Sugar	"	4700.0	4260.0	3765	3400*	4700	
Village & Small Industries							
50. Production of handloom, powerloom, khadi cloth	Mill. Meters	4250	3600	3760	3810*	3900	
51. Raw silk	Mill. Kgs	3.0	2.30	2.85	3.00*	3.20	
Transport and Communications							
52. Railways : traffic originating	Mill. tonnes	265.0	207.9	199.0	208.0*	240.0	
53. Major ports : traffic handled	"	77.0	54.6	56.0	61.0*	76.7	
54. Shipping tonnage	Mill. GRT	3.5	2.3	2.4	2.5*	2.83	
Education							
55. Addl. enrolment in Classes I-V	Million	13.80	2.22	2.77	2.64	2.870 (13.08)†	
56. Addl. enrolment in Classes VI-VIII	"	5.46	0.79	0.84	0.97	1.05 (4.65)	
57. Addl. enrolment in Classes IX-IX	"	3.27	0.45	0.68	0.69	0.75 (3.27)	
58. University education (arts, science commerce courses)	"	1.08	0.17	0.22	0.17	0.22 (0.92)	
Health							
59. Hospitals beds	'000 Nos.	281.6	262.4	266.0	270.0	—	
60. Family Planning : Sterilisation	Mill. Nos.	—	1.42	1.28	—	—	
IUCD Insertions	"	—	0.46	0.46	—	—	

@Target of states & union territories for 1971-72 amounts to Rs 677.66 crores.

*Anticipated achievement. †Cumulative total.

Liberalisation of Licensing Policy

ON JANUARY 1, 1972, the central Ministry of Industrial Development issued a circular which liberalised the licensing policy of the government. The industrial units in 54 industries were allowed increases in their licensing capacities on the basis of maximum utilisation of plant and machinery and, the present relaxation of up to 25 per cent of the licensed capacity was enhanced to 100 per cent. However, the relaxations will not apply automatically to the Large Business Houses and the foreign majority companies which will have to apply to the government for increase in production. The assurance has been given that all such applications would be quickly disposed of. Full text of the circular follows :—

The need for a fuller utilisation of the installed capacity in various industries in the country was being felt in the Ministry of Industrial Development for the last few months. A fuller utilisation of the installed capacity appeared to be desirable from various considerations. One of these was the fact that capital, and in many cases foreign exchange, had already been invested on the installation of this capacity and it appeared reasonable that better use of this investment of capital and foreign exchange should be made. The present slow rate of growth in organised industry and the need to take urgent steps for pushing up industrial production was another factor which was taken into consideration. In this connection, it was felt that while industrial licensing has been liberalised, and the pace of licensing stepped up considerably, the effect of these steps in the shape of increased industrial production would not start registering itself for another 2-3 years. Another consideration was the need to increase the availability of consumer goods in order to meet the growing requirements of the country.

Taking all the relevant factors into account, government has now decided that in respect of 54 important industries, mentioned in Annexure-

I, additional production would be allowed to the extent, and subject to the conditions, mentioned below:—

(a) Wherever the licence issued to a party has mentioned a certain capacity specifically on the basis of one or two shift working, the party would be allowed an increase in its licensed capacity on the basis of maximum utilisation of plant and machinery.

(b) In other cases, the present relaxation of up to 25 per cent of the licensed capacity has been enhanced to 100 per cent.

It is important to emphasise once again that the above two concessions are available only in respect of the 54 industries mentioned in Annexure-I; also they are subject to the following conditions —

(i) These relaxations will NOT be allowed in regard to the production of goods which have been reserved exclusively for the small-scale sector.

(ii) The relaxations will not apply automatically to the Larger Houses and the foreign majority companies. Such companies, may, however, apply to the Ministry of Industrial Development for being allowed an increase in production. Such applications will be considered quickly by a Task Force which will dispose of the applications in considerations of public interest—keeping in view also the requirements of the MRTP Act.

Industries other than those belonging to Larger Houses and foreign majority companies may start utilising these relaxations mentioned above immediately in respect of the 54 industries listed in Annexure-I without waiting for any further government approval, subject to the proviso that the relaxations will not be available in regard to any goods which have been reserved exclusively for the small-scale sector. A list of 128 items at present reserved for the small-scale sector is in Annexure-II. The allocation of additional scarce raw materials for the enhanced capacity will, however, be subject to the

same conditions as apply to the allocation of those materials for the existing capacity. It goes without saying that industries which use indigenous raw materials will be in a more favourable position, particularly at a time like the present when the availability of foreign exchange may be limited.

ANNEXURE-I

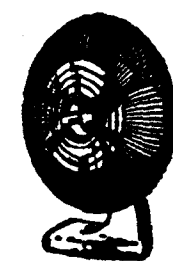
Industries Allowed Increases in Capacity

Motor cycles, Bicycles; Mopeds; Agricultural Tractors; Agricultural Machinery & Implements; Pumps and Compressors; Fertilizers; Pesticides; Basic Metals—Iron & Steel, Copper, Aluminium, Zinc and Lead; Industrial & Mining Machinery; Iron & Steel Castings, Forgings, Pipes & Structures; Internal Combustion Engines; Machine Tools and accessories; Workshop machinery & equipment other than machine tools; Small tools including cutting tools, power tools and other workshop tools; Coated and bonded abrasives and polishing wheels; Industrial Furnaces; Welding Electrodes; Ball and Roller Bearings; Trans-



a B.E.L. product

THE ORIENTAL
MERCANTILE CO., LTD.
Calcutta • Bombay
Dacca • Rangoon • Madras



B.E.L. 17 Amp

formers, Switchgears, Motors, Generators, Power capacitors, Rectifiers, relays and electric stampings, Electrical Cables & Wires; Storage batteries, Dry batteries; Electronic components; Construction & earth moving equipment; Cranes & hoist blocks; Industrial fasteners; Wire Ropes; Scientific & industrial instruments; Cement; Organic & inorganic heavy chemicals; Fine chemicals; Pulp, paper and newsprint; Synthetic Rubber; Tyres and tubes; Industrial explosives; Industrial gases; Drugs; Medical & Surgical equipment and appliances; Electro-medical & X-ray equipment; Refractories, Fire Bricks and insulators; Commercial vehicles—including Jeeps & three wheelers; Automobile ancillaries; Trawlers, Dredgers and fishing boats; Optical and laboratory glass & glass wool; Jute textiles; Canned and preserved fish; Sanitary cans; Paints & Varnishes and Enamels; Man-made fibres; Telecommunications equipment; Wagons; Industrial refrigeration equipment; Sugar; Cotton textiles,

ANNEXURE-II

List of Industries Reserved Exclusively for Development in the Small-Scale Sector

Absorbent Cotton; Automobile Radiators (except for expansion on merits); Barbed Wire; Beam Scale; Bichromates (except for exports); Bolts and Nuts (except for High Tensile and other special type); Conduit Pipes—Metallic, Domestic Electrical Appliances and Accessories such as electric iron, toasters, heaters, washing machines, etc other than vacuum cleaners, industrial washing and dry-cleaning machines etc; Dyes—(i) Azo Dyes (directs and acids), and (ii) Basic Dyes; (a) Electrical Wiring, accessories (b) Electrical light fittings (such as chokes, starters, reflectors etc.), Expanded Metal; Fire-works; Formulated Perfumery Compounds; Full P.V.C. Footwear (Chappals, Sandals and Shoes), except for export by predominantly export-oriented units; Glass Hollowware by semi-automatic process; Gun Metal Bushes; Hand Numbering Machines; Hand Stapling Machines; Hurricane Lanterns; Hypodermic Needles; Insecticide—Dusters and

Sprayers (Manual); Laundry Soap, Leather Footwear (except for expansion of the existing units for exports and new units for exports); Machine Screws (except for Socket Head and special types); Machine Shop Vices; Metal Clad Switches upto 30 Amps; Miniature Bulbs: (a) Miniature Vacuum Bulbs; (b) Torch Bulbs; (c) Radio Panel Bulbs; (d) Cycle Dynamo Bulbs; and (e) Decoration Bulbs; Paints and Varnishes—Dry Distempers, Red Lead, Red Oxide, Aluminium Paints, Bitumen Paints to ISI Specification, Wagon Blacks, Graphite Paints, Paste Paints; Palm Rosa Oil; Paper conversion products; Pine Oil (except for composite schemes); Plaster Boards; Plastic Processed Products:— (i) Bottle Caps, Buttons, Lamp-shade etc, produced by the compression moulding technique. (ii) Plastic articles manufactured from plastic sheets, rods or tubes by the fabrication technique excluding the technique of vacuum forming. (iii) Polythelene Films (films with a thickness of less than 0.10 mm) and products from the Film such as coloured printed film and bags. Blow-moulded containers and other similar products manufactured by the blow moulding technique (except for captive use, PVC containers and change over by existing units manufacturing metal containers to plastic containers) (v) Spectacle Frames from sheets by fabrication technique or by injection moulding. (vi) Manufacture of Polyester sheets for buttons and the processing of the sheets so produced to manufacture Buttons; Rivets of all types (Bifurcated); Rolling Shutters; Roofing, Flooring and Glazed Tiles (except plastic and ceramic tiles of sizes 4" x 4" and above); Safety Matches; Steel Wool; Students' Microscopes; Surgical Gloves (except Plastic); Telescopic Aerials (for Radio Receivers); Thermometers (upto 150° C); Water Meters; Welded Wire Mesh (except for expansion of existing units); Wire Brushes and Fibre Brushes; Wire Products—all Wire products such as Wire nails, Hob Nails, Panel Pins, Horse Shoe Nails; Wood Screws; Steel Furniture; Cycle Tyres and Tubes; Mechanical Toys; Aluminium Utensils; Fountain Pens and Ball Point Pens; Electric Horns; Hydraulic Jacks below 30 ton-

nes capacity; Tooth Paste; Pressure Die Castings (upto 4 K.G.); Drums and Barrels (upto 50 litre capacity); Tin Containers—unprinted (other than OTS); Cans upto 18 litre capacity; Flash Light Torch Cases (Plastic); Truck Body Building (wooden structure); Battery Cell Tester; Pressure Gauges (upto 50 lbs per sq inch); Low Tension Insulators; A.A. & A.C.S.R. Conductors (upto and including 19 strands); Electric Transmission Line Hardware (other than those manufactured in malleable castings); Grease Nipples and Grease Guns; Exhaust Mufflers; Zinc Oxide; Auto Leaf Springs; Chaff Cutter Blades; PVC & VIR Wires of Domestic type; Metal fittings for garments and leather goods; Weights; Sodium Silicate; Domestic Utensils (other than stainless steel); Steel-Measuring Tapes; Cashew Shell Oil; Room Coolers (Desert Type); Cotton Measuring Tapes; Rubberised Cloth; Household Knitting Machines; Para-Dichloro Benzene Balls; Potassium Silicate; Calcium Silicate.

Automobile Ancillaries

Fuel Tank Caps; Fuel Lines; Wiring Harness; Tail Lamp Assembly; Side Lamp Assembly; Stop Lamp Assembly; Horn Buttons; Bulb Horn; Seats for Bus and Trucks Ornamental fittings; Rear View Mirrors; Sun Shades; Sun Visor; Luggage Carrier; Tyre inflators (both hand and foot-operated); Ash (Trays; Hub Caps; Wind Shield Wipers (Arms and Blades only); Electrical Fuses; Electrical Fuse Boxes; Battery Cables and fittings; Spokes and Nipples; Steering Wheels; Spot Lamp assembly.

Garage Equipments

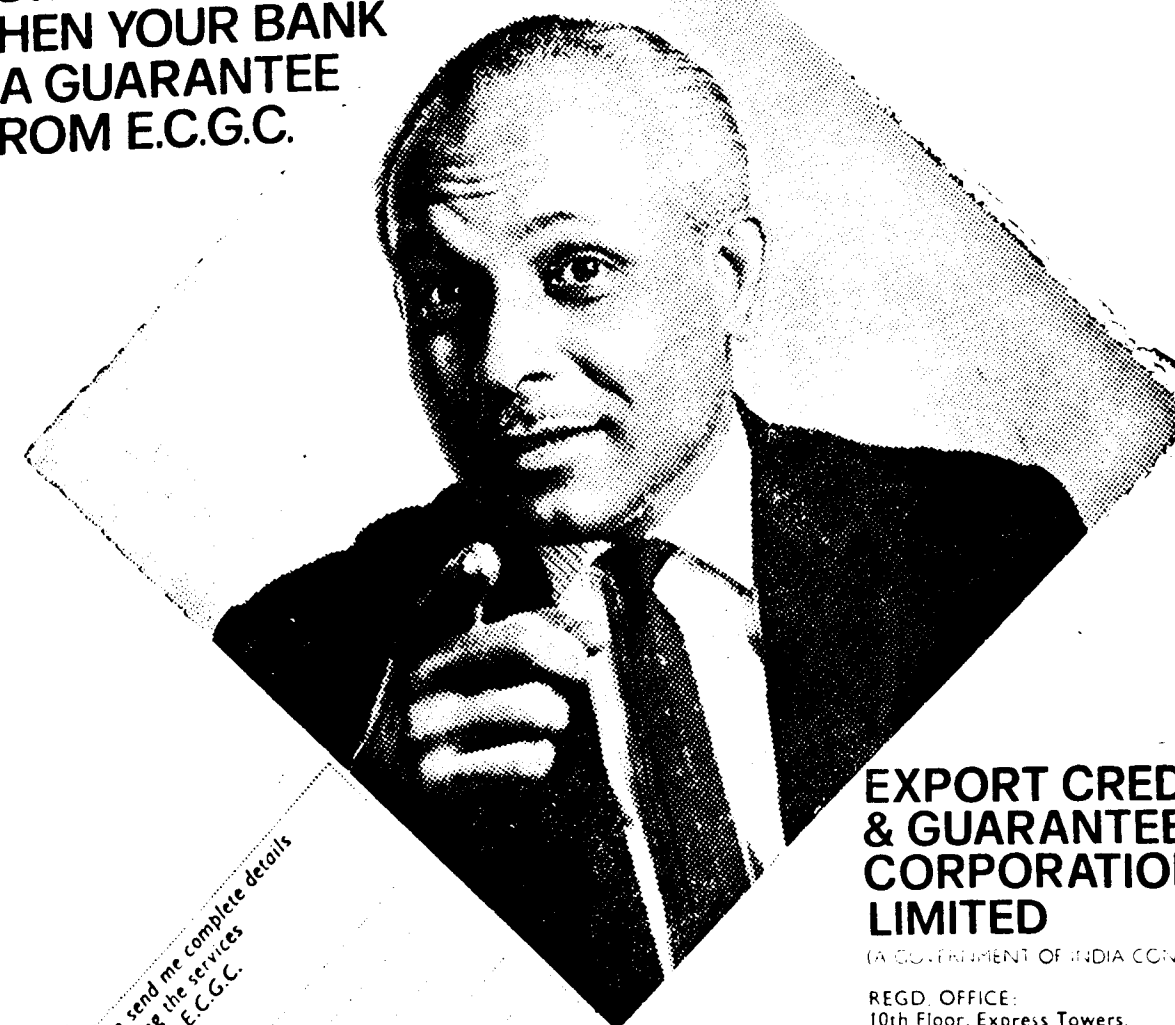
Armature Tester; Battery Terminal Lifters; Condensors and Resistance Testers; Fender Spoons and Hammers; Feeler Gauges; Flaring Tools; Gear Flushes; Puller of all types; Screw Extractors; Spark Plug Tester and Cleaners; Toe in Gauges; Stud Removers (extractors); Tyre Valve pull out tools; Tube Cutters; Flanging tools; Valve Lifters; Valve Replacing and Resetting Tools; Camber Testing Equipment; Ring Expanders; Ring Compressors.

Your export business depends to a large extent on how much credit you get from your banker. But the credit limit that your banker allows you may fall short of what you require to expand your business.

What you probably do not know is that your banker may be willing to raise your credit limit substantially if he can get your borrowings covered under an E.C.G.C. guarantee.

E.C.G.C. guarantees can help you in securing: packing credits, discounting facilities for your export bills, advances against duty drawback and other export benefits, and bank guarantees that you have to furnish in connection with export transactions.

**MR. EXPORTER
YOU CAN GET
HIGHER CREDIT LIMITS
FROM YOUR BANKER
WHEN YOUR BANK
TAKES A GUARANTEE
FROM E.C.G.C.**



EXPORT CREDIT & GUARANTEE CORPORATION LIMITED

(A GOVERNMENT OF INDIA CONCERN)

REGD. OFFICE:
10th Floor, Express Towers,
Nariman Point, Bombay 1 BR

BRANCHES:
BOMBAY 4, Rampart Row, Bombay-1
CALCUTTA Tata Centre, 10th Floor,
43, Chowringhee Road, Calcutta-16
NEW DELHI Chaudri House,
10-A, Curzon Road, New Delhi-1
MADRAS
Indian Bank Bldg., 1st Floor,
17th North Beach Road, Madras-1
ERNAKULAM
Chathuruthi Bldg., 1st Floor,
Mahatma Gandhi Rd., Ernakulam-11

Please send me complete details
regarding the services
offered by E.C.G.C.

NAME

ADDRESS

DEPT. ... E. E.

For complete details mail the coupon to your nearest branch office.





**DYES
CHEMICALS
PHARMACEUTICALS &
INTERMEDIATES**



REGISTERED TRADE MARK

THE ATUL PRODUCTS LIMITED ATUL, VIA. BULGAR, WESTERN RAILWAY

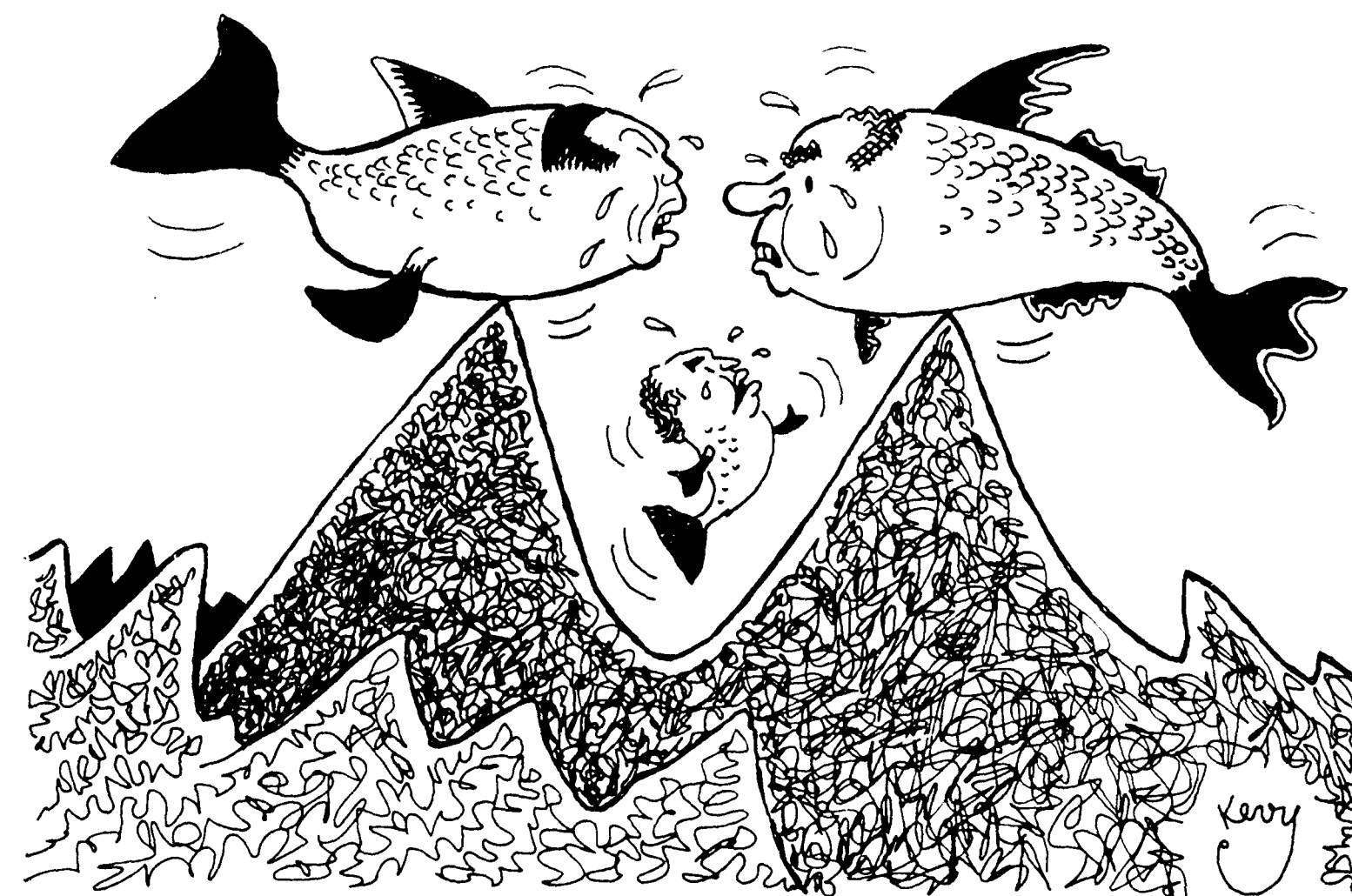
Member of the National Safety Council
SAFETY HELPS PRODUCTION

Printed and Published by R. P. Agarwala, on behalf of the Eastern Economist Ltd., United Commercial Bank Building,
Parliament Street, New Delhi, at the New India Press, Connaught Circus, New Delhi.
Editor : V. Balasubramanian

Registered at the G.P.O. London, as a newspaper

EASTERN 2 ECONOMIST

**Bangla Desh and All That
Plan Prospects
Exchange Rates and Indian Decisions
Facts on Technological Innovation**



Fishes out of (Bangla) Water

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

**manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood**

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

JANUARY 14, 1972

Bangla Desh and All That	43
Plan Prospects	44
Trade with Poland	46
The New State in Perspective —R. V. Murthy	47
Exchange Rates and Indian Decisions —A. Special Correspondent	48
WINDOW ON THE WORLD	50
Facts on Technological Innovation.	
THE MOVING FINGER WRITES	55
TRADE WINDS	56
New Currency Values; Issues of SDRs; No More PL 480 Imports; Cement Prices; Polish Economic Delegation; Indo-Greek Trade; Aluminium Plant at Korba; Sugar Production; Steel Targets: 1972-73; Targets for Rabi; Compost Manure Plant; Central Aid to GLIC; BOAC; Hoechst's Gift; Defence Fund Contribution; Small Savings; Locating Deep Cracks; Gujarat Financial Corp.; Names in the News.	
COMPANY AFFAIRS	59
Hindustan Aluminium; Curewel; Bestobell; Shree Bhawani; Indian Aluminium; Golden Tobacco; Ame- rican Universal; Bhopal Glass; Surrindra Stein; Travancore Electro; Licences and Letters of Intent.	
BOOKS BRIEFLY	64
Trade Union Politics; Books Received.	
COMPANY MEETING	69
The Associated Cement Companies Ltd.	
RECORDS AND STATISTICS	71
IDA Assistance for Indian Agriculture. Foreign Collaborations.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

BANGLA DESH AND ALL THAT

WITH THE return of Sheikh Mujibur Rehman to Dacca and the active assumption by him of the Presidency of Bangla Desh, it is only fair and proper that the government of India should try to rationalise its relations with the government of the new state as early as possible. A certain degree of sentiment was quite in order when the people of what was then East Pakistan had to suffer one of the most atrocious spells of military savagery in all the recorded history of human infamy and neighbouring India, having to cope with a flood of terror-stricken and destitute refugees, had itself to plunge into the Liberation struggle, braving in the process the hostility of governments of two of the world's largest military powers.

Emotionalism, however, must now give place to realism if the relations between Bangla Desh and India, whether as governments, or as peoples, are to be established to their mutual advantage and on an enduring basis. Fortunately, the leaders of the government of Bangla Desh even in the absence of Sheikh Mujibur Rehman, had been showing a fine spirit of national pride and a sense of self-reliance, consistent with the courage and fortitude which had characterised their people's struggle for freedom against heavy odds. The President of Bangla Desh himself, from the moment he ceased to be a prisoner of Pakistan, has very properly been asserting the independence and the sovereignty of the new nation and his determination to ensure that his government functions as a free and equal partner with other national governments in the world community.

It follows that India and its government should respect these wishes and feelings of the people and the government of Bangla Desh. The leaders of our government, particularly the Prime Minister, should resist the temptation, however inviting it may be, to play the role of a patron deity to Dacca. Apart from the fact that any attempt to do so will not serve the true interests of the new state, there is also the simple truth that India's resources are themselves severely limited. Our development process has been brutally halted for some time now. Our economy has been stagnating. Industries have not been able to work to full capacity. The unemployment situation is becoming more and more grave and simultaneously the shortages of essential commodities and the high prices of almost all articles of mass or middle class consumption have been cruelly squeezing the already austere living conditions of the people. In spite of this, the Indian people had to bear the burden of a shooting war with Pakistan as well as provide relief to about 10 million displaced persons for a period of more than nine months.

It is true that India had willingly borne the sacrifices demanded of it by the freedom struggle in Bangla Desh, but it is also true that, as a result, its national and household economies have had to bear very heavy burdens. It is high time that the Prime Minister and her colleagues had recognised this reality, particularly the fact that the government's economic programmes and fiscal policies are in shambles as a result of the *ad hoc* chopping and changing they have been subjected to. The government's capacity to guide the economy or regulate the stresses and strains acting on it is also now very poor and it will certainly take some time for New Delhi to get a grip on the situation.

In the circumstances the government will be deceiving the people of Bangla Desh as well as the people of India itself if its spokesmen were to indulge in loose talk about the nature or the extent of assistance it can render to the new state. However intense our national goodwill and neighbourly sentiments for Bangla Desh may be, we must realise that, while our country and our government should certainly contribute their share towards putting the new state on its feet, it is only massive international co-operation with the government and the people of Bangla Desh that will be able to deal with the problem of rehabilitating its economy and providing development resources to the state so that its people, through their initiative and hard work, may be able to build the nation. It is therefore the duty of the government of India to do what it can to assist Dacca in getting this international programme started and we are sure the government of Bangla Desh will be very keen indeed to follow the path of realism in this matter.

It would, indeed, be good both for Bangla Desh and India to note that, aid as such apart, there are so many fruitful economic links which can be forged between the two countries. A great deal is waiting to be done in the direction of fostering commerce and the free flow of goods and services across the Indo-Bangla Desh border. It is to be hoped that, in the coming weeks, we will hear more of this kind of economic co-operation between the two countries.

Plan Prospects

THE IMPLEMENTATION of the fourth Plan has been differently affected at various stages and it now appears that even with the best will the financial target for 1969-74 would not be reached, not to speak of the physical targets. In the first two years there was a serious shortfall in development expenditure, particularly in the central sector, and it has been indicated in the mid-term appraisal of the Planning Commission, released recently, that the outlay in the first year—1969-70—in the public sector was only Rs 2,199 crores, in the second year Rs 2,793 crores and in the third year Rs 3,158 crores. The outlays for 1970-72 are only estimates and in view of the known tardy progress of many projects and the uncertainties in the current year, the actual outlays may be much lower than these estimates. The shortfall would have been even more pronounced but for the fact that there has been overspending by some states.

The Planning Commission, therefore, is said to be anxious that there should be a stepping up of expenditure at least on continuing schemes and the tempo should be quickened in strategic directions to the extent possible. But even the Planning Commission's document, which was prepared before the new complications arose after the outbreak of hostilities with Pakistan and the commitments to Bangla Desh, is not confident of reaching even the financial target by 1973-74. It is apprehensive that any forcing of the pace of implementation would lead to deficit financing of staggering proportions and accentuate inflationary pressures which are already having undesirable effects in many directions. As only in the first year there was a small aggregate deficit financing of Rs 58 crores and in the second and third years this was estimated to be Rs 365 crores and Rs 383 crores respectively, it is felt that deficit financing in 1972-73 and 1973-74 should be restricted to Rs 400 crores, taking the total for the five-year period to Rs 1,206 crores or Rs 356 crores more than the original estimate. This quantum of

deficit financing has been assumed on the expectation that there will be fresh resource mobilisation of Rs 620 crores. It is, of course, estimated that foreign assistance will be only to the extent of Rs 845 crores, against an average of Rs 565 crores for the first three years. The outlay for the last two years is placed at Rs 6,506 crores. Even if this level of expenditure is achieved, the total outlay in 1969-74 would be only Rs 14,656 crores, as against the original estimate of Rs 15,902 crores.

There will, thus, be a shortfall of nearly Rs 1,250 crores in terms of current prices and it is reckoned that only 90 per cent of the Plan can be implemented in financial terms. This will not be a bad achievement having regard to the upsets in the current year. But the position has vastly changed since the Planning Commission's document was prepared. As has been indicated by the

union Minister for Planning, Mr C Subramaniam, new burdens have been thrown on the economy in the shape of heavy military expenditure in connection with the recent war, continuing heavy expenses on refugees and above all the new commitment to Bangla Desh for giving substantial assistance for its rehabilitation. Mr Subramaniam was naturally unwilling to commit himself to any specific approach to the Plan problems because of numerous imponderable factors and the necessity to redraft the Plan for the last two years in the light of the latest developments!

The central government, however, has more than fulfilled its obligations in respect of mobilisation of resources and if its budgetary position is now not so comfortable as it was sometime back and the ways and means position also is extremely strained, the difficulties are due to the diversion of large revenues from the centre to the states as a result of the recommendations of the Tyagi Commission, the intolerable burden of refugee expenditure and a bigger defence budget. It has been actually estimated in the Planning Commission's

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers will receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

**The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.**

document that on the basis of the taxes levied so far, the centre will be mobilising Rs 2,300 crores additionally, against the target of Rs 2,100 crores, though there will be a shortfall in the share of states, the amount likely to be realised, on present indications, being Rs 777 crores, against the target of Rs 1,098 crores. If the efforts of the central and state governments are taken together, the shortfall would not be appreciable and can even be made good by larger open market borrowings or an intensification of the small savings campaign, but the calculations regarding savings from current revenues have gone wrong because of big increases in non-Plan expenditure, particularly on account of the states.

It may be asked, therefore, what exactly are the prospects for the fourth Plan in the last two years and whether there will be a paucity of financial resources even for maintaining a level of expenditure of Rs 3,250 crores annually. A definite answer can be given, as Mr Subramaniam has observed, only in the light of developments in the next three months. However it is necessary to point out that the centre has managed a difficult situation so far without getting into serious trouble. There has already been a supplementary demand for Rs 100 crores in respect of refugees from Bangla Desh over and above Rs 260 crores included in the Plan document. There may be further expenditure on this account to the extent of another Rs 150 crores.

The defence bill may account for an extra amount of Rs 200 crores and rehabilitation expenditure in Bangla Desh for Rs 150 crores. This will add up to an extra expenditure of Rs 600 crores which if unmatched by fresh resources, should result in deficit financing of Rs 983 crores in 1971-72. There has, of course, been a supplementary budget which sought to raise Rs 135 crores in a full year and Rs 40 crores in the current year. Also, three issues of defence bonds have been made recently for Rs 110 crores, while it is likely that there will be larger receipts under the small savings campaign and an additional amount of Rs 50 crores by way of surpluses from public sector undertakings. It is likely that the buoyancy of tax revenues will enable

the mobilisation additionally of Rs 200 crores even with the rates of taxation proposed in May, 1971. On the credit side, therefore, there will be substantial support and the overrun may not be more than Rs 150 crores, taking the total of deficit financing to Rs 533 crores, against Rs 233 crores for the centre alone on the basis of the budget estimates. This order of deficit financing is, however, unlikely to materialise as there will be a shortfall in Plan expenditure by Rs 150 crores. The actual deficit therefore, may not be more than Rs 400 crores.

As the union Finance Minister, Mr Y.B. Chavan, has indicated that the new taxes levied in November and December will not be withdrawn and the banking system, the Life Insurance Corporation and provident funds will be in a position to put up additionally even Rs 200 crores for being invested in central and state government loans and bonds of public bodies, the Plan outlay can be safely maintained at Rs 3,250 crores in 1972-73, if not at a higher level. If there is again a record production

of foodgrains in the next year and the yield of cash crops also proves to be satisfactory, the additional commitments to Bangla Desh may not have a serious disturbing effect. There is, however, the danger of inflationary pressures asserting themselves awkwardly because industrial production has not been picking up well. It is only to be hoped that industrial labour will appreciate the significance of the new forces at work and take up the challenge for raising substantially industrial production with the existing facilities. If there can be an increase in the output of steel by one million tonnes in 1972-73, and there is a record production of raw cotton around 65 lakh bales, these two items alone can be helpful in releasing foreign exchange resources through a reduction in imports of the value of nearly Rs 200 crores in a year. There can also be a substantially higher level of production of fertilisers, gunnies, sugar, heavy chemicals, engineering goods and various other items. In that event, even a substantial reduction in foreign aid will not have a disturbing effect if there is

Eastern Economist 25 Years Ago

JANUARY 17, 1947

It was, we believe, Abraham Lincoln who said that one cannot swap horses in mid-stream, apparently the value of this advice has been lost upon the authorities in India, for here in the midst of most important tasks people have been constantly shifted from place to place. This week Dr John Matthai, Member for Industries and Supplies, who, during the last few weeks, had assiduously and patiently laboured hard to find remedies for the cloth shortage and had inspired public confidence in his ability to bring about a considerable improvement in the situation has left his job and taken over the Transport portfolio. No one can doubt that Mr C. Rajagopalachari, who succeeds to the Department, is well qualified for the task confronting him and that he will achieve results at least as quickly as his predecessor. But such constant changes in the administration at a time when problems are particularly pressing are not calculated to speedy and effective action. It will take some time at least for the new Member to familiarise himself with the essentials of the cotton policy that has recently undergone such a rapid change or to work out its details. What-

ever might have been the political justification of such changes, they cannot have a beneficial effect upon the economic policies and administration.

These observations are called for in view of the big decision that has been taken regarding the administration of textile control on the eve of Dr Matthai's relinquishing his office. The transfer of control from the Textile Control Board located in Bombay and composed mainly of representatives of industry, to a new machinery located at Delhi and composed in the main of representatives of provincial and State administrations, is a revolutionary change justified by the urgency to relieve the critical cloth position in the country. It will also perhaps be approved by large sections of the public. But it does seem unfortunate that the Minister responsible for such a major decision should not be there to implement it; and actual implementation has to be done by his successor who perhaps has had no hand in the formulation of such a policy.

also stimulation of exports. The situation is in no sense desperate but the fourth Plan can be salvaged and the country's commitment to Bangla Desh fulfilled only if there is accelerated growth in industrial production and the government encourages the existing industrial units to use their capacity

Trade with Poland

THE TRADE protocol signed recently by this country with Poland envisages the raising of the value of the exchange of goods between the two countries to about Rs 92 crores in 1972. The proposed turnover appears rather optimistic in view of the existing trade being Rs 45 to 50 crores annually. During 1970-71, the total value of trade between the two countries was Rs 50.13 crores. In the previous year it aggregated to Rs 44.90 crores. However, considering the expanding demand in Poland for various consumer products now available in this country, and the former's capacity to contribute to our economy to an increased extent, the proposed level of trade may not prove beyond reach.

The principal items of export from this country to Poland proposed in the protocol include railway wagons, textile machinery and accessories, hand tools and pneumatic tools, refrigerators and deep freezers, water coolers and bottle coolers. Poland has shown interest in new and non-traditional items because there has been all round prosperity in that country. The Polish harvest in 1971 has been excellent and grain purchases from farmers reached 3.80 million tonnes up to the end of September, recording an increase of nearly 50 per cent over 2.51 million tonnes purchased during the same period in 1970. There has also been a marked progress in various industries, particularly in coal — the principal industry of Poland — ship building and steel. A variety of consumer goods have brightened up the shops in Poland and this has been possible because the country's foreign trade position has improved remarkably.

The recent trade protocol, therefore, provides for increased exports from

fully and also implement expansion schemes which can yield results in a short period. If a pragmatic approach is adopted by the central and the state governments, the economy can forge ahead with a greater sense of self-reliance and proceed to implement future plans with greater confidence.

here of various engineering goods, including air-conditioning equipment, typewriters and industrial ventilators; sanitary fittings; glazed tiles; various plastic goods; linoleums; chemicals; drugs and medicines; sports goods; leather and other types of footwears; finished leather; tanned and semi-tanned hides and skins. India will also export to Poland traditional items of export such as jute goods (including jute cloth), cotton textiles, cotton yarn, carpets, ready-made garments, animal feed compounds, instant tea, processed mica, iron ore, de-oiled groundnut cakes and other de-oiled cakes.

The principal items of import from Poland will be urea, sulphur, rolled steel products, zinc, newsprint, ships and shipping equipment, mining machinery, dye intermediates, intermediates for pharmaceutical industry and such chemicals as sodium nitrate and caprolactum. Some of the items that appear regularly on the Polish export list are mining equipment, foundry installations, textile machines of certain kinds, industrial fittings, tractors and spare parts, marine craft and metallurgical products.

It would be significant to add that Poland has made considerable contribution to the development of certain sectors of Indian economy, particularly in the fields of coal mining and shipping. Within the framework of agreements on economic, scientific, and technological co-operation, Poland has granted to this country several credits throughout the last decade. Against these credits this country has received investment goods and complete industrial plants. For instance, Poland has assisted this country in the development of the Sudamdih and Monidih coking

coal mines of the National Coal Development Corporation. It has also helped in the setting up of a coking coal washery at Gidi. Power plants have been established with Polish assistance at Barauni and Nagpur — the Barauni thermal power plant with two blocks of 55,000 Kw and the Koradi thermal project at Nagpur with two turbo-alternators and equipment. Poland has as well supplied two complete boiler houses for the 50,000 Kw power stations at Paras and Bhusawal. It has made available ships to the Shipping Corporation of India and collaborated in the development of marine equipment in this country. Another significant assistance rendered has been in the form of the supply of fishing equipment to the Orissa Fisheries Development Company and in the training of its personnel. In the field of machine tools too Poland supplied equipment for two foundries to produce castings for machine tools at Kalamassery and Hyderabad for Hindustan Machine Tools. Besides, it has been providing equipment and technical assistance to several private firms engaged in the production of machine tools, steel structurals, electrical hoists, electric meters, capacitors and malleable iron castings. Tractors and motor cycles manufactured by Escorts are another example of industrial co-operation between Poland and this country.

INDIA'S TRADE WITH POLAND

(Rupees crores)

Year	Imports	Exports	Balance of trade
1965-66	21.51	14.36	-7.15
1966-67	17.87	13.50	-4.37
1967-68	23.75	22.01	-1.74
1968-69	21.83	24.88	+3.05
1969-70	23.56	21.34	-2.22
1970-71 (estimated)	27.99	22.14	-5.85

The New State in Perspective

R. V. MURTHY

THERE IS growing apprehension in informed business circles that both the powers that be and the politicians (especially of the party in power) in our country have been rousing unduly high expectations in the minds of the people of Bangla Desh by all manner of promises. The way in which some of them speak seems to suggest that even thousands of crores of rupees could be made available by India easily. As an expression of sympathy and fellow-feeling, perhaps, this is certainly commendable. But the question is: Is it realistic? If the answer is in the negative — and there can be no doubt as to that — has anyone who matters cared to anticipate awkward repercussions that are likely? People's disillusionment within our own country is one thing, while that of people in a newly independent neighbour known for their irrepressible emotion is quite another. Wisely — and quite timely too — has Mr Sisir Gupta, therefore, sounded a note of caution in his article on 'Hopes of Better Regional Relations'.* "The only way to make Indo-Bangla Desh relations a model of good neighbourliness", he says, "is to refrain from peddling such ideas of economic and other forms of co-operation as are apt to create awkward problems in the future".

Pressing Problems

Presently, Bangla Desh's economic problems are considerably more pressing than its social and political ones. Leaving aside, for the present, the no less urgent problems of employment and prices, these economic problems could be grouped under three main heads — industrial, agricultural and infrastructural. In the field of industry, it is comforting to read reports from eyewitnesses of the economic scene in Bangla Desh that, by and large, not much damage has occurred to plant and machinery. So, given the raw materials not locally procurable for the time being, the concerned industries — jute, cotton textiles, and tea — could be resuscitated without delay and without much monetary assistance from India. There is no gainsaying that these industries should receive the utmost priority, even if it is remembered that these are industries that are

competitors to our own industries. But a beginning in regional economic co-ordination may be made straightaway, availing ourselves of this fortuitous opportunity, to co-ordinate exports of goods turned out by these three industries in both the countries, so as to get the best out of the combined bargaining power in the world markets deriving therefrom. As Bangla Desh is still not in a position to pay for its purchases from India, Bangla Desh may be persuaded to give first priority to India in the matter of supply of raw jute, for example.

Food Production

In regard to agriculture in Bangla Desh, it is known that rice production has been badly hit by the recent hostilities with Pakistan. Here, we can very well extend our emergency plan for increasing rice production in and near Bangla Desh, while doing this, as per the plan submitted by the Indian Agricultural Research Institute to the union Food and Agriculture Ministry. Obviously the need is to rush fertilisers, pesticides and hybrid or good quality seeds, in most of which we are fortunately more self-reliant than ever before and, with some degree of self-denial, we could be of substantial help to Bangla Desh. But this is not likely to be a continuing burden on our resources, although, as in the case of all supplies to Bangla Desh currently, we may not receive cash in return.

In the sphere of infrastructure, already an understanding has been reached between India and Bangla Desh for the restoration of public utility services and transportation facilities. May be, this understanding has to be enlarged to encompass repairs of ports and harbours, as it is most essential that Bangla Desh should resume its exports from its own ports, both to save long transportation costs and to provide employment to the even normally large number of job-seekers whose ranks have suddenly swollen, thanks to the reckless ravages caused by razakars and regulars of the Pakistan army alike.

When industry, agriculture and infrastructure facilities are fully restored to normalcy — just this is not enough to provide all

the jobs needed to relieve unemployment in Bangla Desh — there will be so much purchasing power in the hands of people that unless this is matched by supplies of wage goods and other essentials, the economy of Bangla Desh may run the risk of a collapse under the cumulative weight of the millstone of its erstwhile greatly suppressed and now surpassing demand. Can we supply all these needs by ourselves even at the cost of some tightening of our belt? Clearly this is not possible. We have, therefore, to send as much as we can and also prevail upon other countries, at least those that appear to be friendly or neutral so far, to supply these essentials, of course, on credit. This exercise should not be very difficult, as the UK, the USSR and Japan have not been slow to recognise the market potential of this land of 75 millions and have already begun to sound Bangla Desh. Surely we cannot supply everything on credit ourselves and also provide additional loan to Bangla Desh to meet its payment obligations for supplies bought by it from other sources. Raising resources from within our country even out of genuine compassion for a friendly neighbour like Bangla Desh has its limitations, the more so when this country itself is not in such fine fettle economically as to afford this additional liability. Nor must we take that upon ourselves in the interests alike of our own economy and the prestige of a sovereign Bangla Desh.

ADB's Role

Is there an alternative then? Yes, there is an alternative. This is the time to press into service the good offices, first and primarily, of the Asian Development Bank and other international agencies. The Asian Development Bank's loans have been mainly for providing infrastructure facilities and if it can be made to underwrite at least this part of Bangla Desh's economic development (or is it reconstruction?) it will not only be of great help to Bangla Desh, but will also raise the ADB's image among Asian countries immeasurably. It is easy to take a too technical or legalistic view and ignore this suggestion, but such a stand would not only prove to be short-sighted, but also take many long years for the ADB to shake off the criticism of not living up to its obligation or reputation at the right time.

Another approach could be, at least for those countries who have recognised the potentialities of Bangla Desh and the possibilities of a bright future for it, to form an aid-Bangla Desh consortium under the auspices of the World Bank, if possible, or even independently

*The Times of India, December 28, 1971

of it, if need be, and assist this new entrant to the comity of independent nations to rise to its full stature.

While what has been said so far is the immediate task, there is also another task that may not, or rather cannot, be that immediate, but, at the same time, equally imperative. It is to create conditions eventually, if not early, that would make it possible for India, Bangla Desh, Pakistan, Ceylon, Burma and Nepal to form a South Asian Eco-

nomic Community and foster both mutual co-ordination and freedom from undue economic reliance on the big powers. One lesson that could not have escaped the attention of this generation of young independent countries of south Asia is that intense nationalism, unrelieved jealousy of each other, and internecine strife have not helped any one of them, while, at the same time, they have damaged the economic development of every one of them gravely and, may one hope, not irretrievably,

Exchange Rates and Indian Decisions

A SPECIAL CORRESPONDENT

THE CURRENCY realignments agreed to in Washington by the Group of Ten have resulted in the devaluation of the US dollar in terms of gold to the extent of 8.6 per cent. The gold parity of the sterling and the French franc has not been changed and this has led to the revaluation of these currencies by the same proportion against the dollar. The largest dose of revaluation is that of the yen — 16.9 per cent in relation to the dollar — followed by the German D. mark's 13.6 per cent and Belgian franc's and Dutch guilder's of 11.6 per cent each. The Italian lira and the Swedish kroner have appreciated by 7.48 per cent and the Swiss franc by 6.4 per cent. The above percentage figures have been arrived at after considering both the factors, namely revision in the price of gold and upvaluation of respective currencies in regard to their gold content. All the calculations except in respect of the Swiss franc are based on the parities prevailing on the eve of President Nixon's announcement about the dollar. The Swiss franc had been revalued once after August 15, 1971.

This is the culmination of President Nixon's action on August 15 suspending the gold convertibility of the dollar and bringing to a head the dollar crisis. This has effectively ended the system of international payments under the Bretton Woods Agreement on the basis of fixed parities in relation to US dollar of fixed gold content, assisted by the credit facilities and policy rulings of the International Monetary Fund.

Percentage Variation

In addition to the change in parities, the percentage variation either way has been increased from one to 2.25 per cent. Thus, the spread between the floor and the ceiling rates will now be 4.5 per cent. The European Common Market has already asked member-countries to restrict the variations bet-

ween the parities of the EEC members *inter se* at 1.5 per cent. This is necessary as the 4.5 per cent variation could result in a nine per cent variation between the values of two currencies within the Common Market if their exchange rates were at opposite ends of the individual permissible band spreads of 4.5 per cent.

India also could have a variation of up to nine per cent (in currencies other than the sterling), since the new parities have been expressed in terms of the sterling and the variation can be as much as nine per cent in relation to third currencies. This extent of fluctuation would have made it difficult for Indian exporters to operate with confidence if suitable forward cover facilities were not available. In this connection, the recent decision of the Reserve Bank to provide cheap forward cover of up to three months at a cost of only 20 paise per cent and for a total period of nine months at a total cost of approximately 40 paise per cent is a very welcome step and will in a large measure assist export promotion.

Interesting Study

The recent history of the world currency crisis makes a very interesting study. The American viewpoint is that restrictive trade practices of Europe and Japan *vis-a-vis* America as against American trade liberalisation was agreed to in the early stages of the post-war reconstruction period in order to assist economic revival. However, quotas and other restrictive practices, which were then permitted under the plea of balance of payments difficulties, resulted in the freeing of such restrictions within the European countries and also with third countries. With the growing prosperity of the European and the Japanese economies, there was reluctance to give up these restrictive trade practices. By the formation of the EEC and the EFTA and the granting of

associate or preferential status to other third countries, the American ability to maintain its trade surplus was seriously affected. The Americans feel that Europe and Japan are now very strong competitors and that American trade should not be at a disadvantage if the spirit of the GATT is given effect to. After all, it was American aid through the Marshall Plan which helped build up the competition.

Japan also has posed a particularly serious problem to the American economy because her products have been restricted from freer entry into the European countries. As a result, the US policy of trade liberalisation forced its economy to bear the brunt of the Japanese export thrust. A measure of the vital need for Japanese exports being allowed entry into the US markets is the eventual agreement by Japan to revalue the yen to the extent of 16.9 per cent in relation to the US dollar within a matter of four months after their first stoutly opposing even one per cent revaluation.

Surcharge Withdrawn

In return, the 10 per cent import surcharge levied on a great part of US imports has been withdrawn, as also the "Buy American" tax credit scheme. However, the importance of trade concessions is highlighted by the US administration's attempts to force an agreement with the EEC on a wide range of commodities before the US Senate next meets in the second half of January. The Senate will be required to ratify the change in the gold price of the US dollar and the administration would like to have substantial trade concessions to show in return for the devaluation of the dollar. In any event, the devaluation is expected to cut \$8,000 million a year off the payments deficit and to create between 300,000 and 700,000 new jobs after a two-year period. Further, the large multi-national American corporations would now find it more attractive to increase their investments within the USA. This would appease the unions who have long been asserting that these corporations are importing unemployment through their subsidiaries established overseas by using cheaper foreign labour.

From the European viewpoint, the estimated \$50,000 to 60,000 million Eurodollar market represents US currency held by foreigners which has enabled American foreign investments overseas to expand at an estimated annual rate of \$7,000 million in the form of large multi-national conglomerates. As against the dollar holdings by foreigners in the form of a depreciating currency, the American investments consist of key productive

industries operating profitably and with good growth prospects.

The period of float from August to December was also interesting. Trade in most commodities does not appear to be seriously affected by the float. The US import surcharge appears to have been the greater barrier. However, in industries like shipbuilding, new contracts could not be booked in view of exchange uncertainties. Commodity dealings where profit margins were very narrow became difficult owing to the exchange risks involved. The Japanese have always been highly rate-sensitive and have exploited the situation by invoicing their exports in terms of stronger currencies and imports in terms of weaker currencies, thereby benefiting by the resulting gain in difference.

Defeat for US Attempt

The realignments represent a defeat for the American attempt to get other countries of the world to substitute the US dollar for gold. The US balance of payments deficits were rendered more difficult by the burdens of the Vietnam war as well as by the erosion of the competitive ability of American industry by continual inflation right from 1965 onwards. The US accordingly introduced the two-tier gold system. In fact, the present devaluation in terms of gold has been described as increasing from \$35 to \$38 per ounce the price at which the US Treasury refuses to sell gold. They have also tried to get other currencies to revalue in terms of the dollar leaving the dollar unchanged. For a time, by a system of central bank swap arrangements and the flooding of dollars into the Euro currency market, an attempt was made to maintain an untenable position. The latest realignments still retain the dollar's importance as the world's leading currency. However, it can no longer be accepted as an effective substitute for gold. Instead, gold has been recognised as the basis of the monetary reserve system and this is a victory for the long-held and stoutly-insisted-upon French viewpoint. What has now emerged is that the gold reserves will have to be assisted by SDRs. The present arrangements are recognised as a short-term measure, but the need for a long-term solution still remains.

As far as India and the developing countries are concerned, they stand to lose relatively to the richer nations. The USA with a gold stockpile at \$10 billion, France with a monetary gold stockpile of \$3.5 billion, coupled with private gold hoardings estimated at \$5 billion, and the gold producing countries will be the principal recipients of the benefits of the gold revaluation. The

developing countries who hold dollars will suffer a loss of reserves to the extent of the devaluation of the US dollar. This would, of course, be offset by the revaluation of their holdings in other currencies which have moved up in relation to the US dollar. Also, in the allocation of SDRs, the developing countries get very much less proportionately to what the richer countries receive. In this context, it is heartening to learn that the Brookings report, prepared by a distinguished group of economists from Europe, America and Japan under the auspices of the Brookings Institute to provide a blue-print for a new economic order consequent on the monetary realignments, calls, *inter alia*, for special issues of IMF special drawing rights to the developing world and suggests that, if the outstanding dollar and sterling balances are funded with SDRs, the interest earned on them could be transferred to the AID effort. Incidentally, this vindicates the stand India has all along taken in regard to the allocation of SDRs.

Opposite Viewpoints

As for the Indian decision, there have been violently opposite viewpoints. On the one hand, it is said, that in view of our internal inflation, (since the rupee devaluation in 1966, the purchasing power of the rupee has been eroded) this was an appropriate occasion for us to devalue along with the dollar to the fullest extent of 8.57 per cent and that such would have been beneficial to our export effort. On the other hand, there is a feeling that we did not benefit at all from the last substantial devaluation of the rupee which has resulted in a large increase in the rupee value of our foreign debt burden and, therefore, we could have retained our parity in gold terms and stayed along with the sterling. At present, the major part of India's foreign debt is expressed in terms of US dollars where the burden should be reduced by a marginal three per cent. But the burden of debt expressed in other currencies has been substantially inflated, to the extent of the respective revaluations. Here, on calmer reflection, one can argue that the concept of increase in the rupee burden is not tenable if we concede that, finally, all foreign debts are repayable in their respective foreign currencies. The effective way to make the repayments would therefore be to generate trade surplus with those countries over a period of time, sufficient enough to meet these obligations.

In a managed currency like ours, it is possible that devaluations or revaluations of the percentages indicated, may not play a very important role. The impact of exchange rate variations on

many of our export products could be cushioned by suitable adjustments in the system of incentives and/or excise/export duties. Some of our export commodities have relatively an inelastic demand. Imports constitute so small a percentage that the impact of the realignment on prices would be only marginal. Our inflation has more or less been in line with inflation in other countries. It cannot be denied that the fall in the purchasing power of our rupee has not been as alarming compared to those of other countries as has been made out in certain quarters.

The decision to revalue our rupee to the extent of three per cent as against the devalued US dollar would make us more price-competitive than other industrially advanced countries whose exchange rates have stayed unchanged along with former gold parities or those countries whose currencies have been revalued to a much larger extent. This, hopefully, can assist our engineering exports in making further inroads into the US market. However, it must be appreciated that exchange values are only one aspect of an export drive and, by all indications, Japan with its colossal revaluation of 16.9 per cent will at least maintain its export growth rate.

Expanding Trade

Our exporters will get almost five per cent more in respect of their exports to the UK and correspondingly higher percentages for exports to those countries who have revalued further upwards. In view of the new forward cover system of the Reserve Bank, our exporters will now also get, for the first time, the full benefit of the revised exchange rates, and it is expected that trade with these markets should expand substantially.

Our total trade with the east European countries increased to around Rs 600 crores in the last year and further expansion is projected. A closer study of the details of the terms of the bilateral trade agreements with east European countries is necessary to assess the precise impact of the latest currency alignments.

In some of the comments on exchange parities, references have been made to the unofficial value of the Indian rupee. This is perhaps largely irrelevant, since the foreign exchange dealt with in this market is utilised for imports of gold, nylon (duty-free) and other luxury items for which imports are not possible in the present context. These rates have been known to come down whenever the smuggling operations are necessarily reduced in volume, as has happened recently due to the hostilities. However, the volume of this trade is substantial and has been estimated at around Rs 750 crores.

WINDOW ON THE WORLD

Facts on Technological Innovation

JOSSLEYN HENNESSY

LONDON.

I

A FACTOR FOR PROGRESS

How DOES technological innovation come about? What factors favour its emergence? What can governments do to speed up the process?

These are some of the questions asked in a new report entitled *The Conditions for Success in Technological Innovation*, prepared at the request of the Third Ministerial Meeting on Science of OECD member countries. Technological innovation, a means of responding to the changing needs of consumers, is one of the bases of economic growth. If governments are to be able to promote it, they need to know more about the way it works. It is to meet this need that the OECD report has been written by Keith Pavitt and Salomon Wald, both members of the OECD Directorate for Scientific Affairs. Here are some of the main facts that they emphasise:

Technological innovation, defined as the first application of science and technology in a new way, with commercial success, always requires the existence of three factors: scientific and technological capability, market demand and an agent to transform this capability into goods and services which satisfy the demand. In the OECD countries, this agent is the industrial firm, whose incentives are competition and the quest for profit. Innovations may lead either to the creation of a new, or to a reduction in the manufacturing costs of an existing, product.

For the OECD area as a whole, technological innovations now constitute one of the bases for the economic growth of OECD members over the next 20 to 30 years. It would be theoretically feasible for an OECD country to stop producing innovations and to grow solely on the basis of those produced by others, but if many member-countries were to do this, the long-term growth of all would be seriously compromised. The industrially advanced OECD countries thus have a collective responsibility to produce the innovations on which future economic growth depends.

The experience of several member-

countries suggests that strong links exist between national potential and fundamental research and national strength in technological innovation. Fundamental research, undertaken mainly in the universities, an essential in the process of technological innovation, enlarges the pool of knowledge on which innovative activities draw and is an essential input into the training of manpower for research and development activities.

Flexible, varied and continuous communication between the universities and industry is vital. The transfer of knowledge between the universities and industry is mainly through people—university graduates join industry as full-time collaborators, industrialists attend university courses, scientists set up in business and university teachers give outside consultation.

Link with Universities

The interdependence of science and technology involve links between the universities and industry, whereas until recently every European country considered that the only tasks of the universities were free research and teaching. In the USA, it was realised earlier that the universities should be sensitive to the problems and requirements of society: the change began in the 19th century as the land-grant colleges (established by the government to help American agriculture) developed into universities.

While fundamental research work in the universities has an effect on industry, the force of technological innovation in return affects the quality of fundamental research. By encouraging industrial growth, it induces greater demand for university education and research, either through direct industrial financing of certain university activities or by enhancing the sensitivity of educational policy to industrial requirements.

II

INDUSTRIAL ENTERPRISES

A Massachusetts firm employing some 40 persons developed, and now produces, a crucial precision component for ballistic missile guidance systems. So skilled was this firm in its narrow art that a giant prime contractor was unable to duplicate the product despite substantial expenditure of technical

manpower and government funds in the attempt.

The facts show that both large and small firms are essential in the process of technological innovation and that their roles are complementary, interdependent and ever-changing.

They are complementary in that larger firms have tended to contribute most to innovation in areas requiring large-scale research and development, production or marketing resources, whilst smaller firms have tended to concentrate on the supply of specialised but sophisticated components and equipment—often with large firms as customers. In addition, however, small firms have often made major innovations, either because large firms have not had effective methods of evaluating and implementing radical proposals, or because major innovations often involve great uncertainties, so that even the best managed of large firms may let important opportunities slip.

The roles of large and small firms are interdependent, because small firms are often started by scientists and engineers with previous experience in large firms. Sometimes the establishment of these "spin-off" firms has been actively encouraged by large firms; sometimes it has happened by default. Small science-based firms flourished earlier in the USA than in other member-countries, partly because of a more favourable market, financial environment and greater degree of personal mobility.

Role of Small Firms

Finally, the roles of large and small firms are ever changing. As a technology matures in one sector, economies of scale tend to become more important. But as one technology matures, another enters a period of growth, thereby opening other and new opportunities for smaller firms. Hence the need for mobility and flexibility of innovative resources—and particularly skilled manpower and capital—in order to respond to the ever-changing opportunities and requirements of technological innovation.

The dimensions of national markets also play a part. Studies in the USA have suggested that the size and sophistication of the US market has been a key factor in the innovational strength of American industry. However, this explanation does not hold for all member-countries. There are countries with small national markets but which also have the technological and entrepreneurial capabilities enabling them to respond to demands for innovation on world markets.

The pace of technological innovation

January 14, 1972

also depends on the quality of management. Difficult and sometimes novel problems arise in managing technological innovation because of the uncertainties and long-term horizons involved and because of the need for communication across disciplinary and functional boundaries.

III

NEW DIRECTIONS

Industrial R and D has been constantly stepped up under the impetus of competition and new market requirements. The production techniques, materials, design and marketing of new products depend increasingly on professional R and D and the related activities of engineering, production and testing and commercial services. Industry now regards the improvement of these factors as a necessity for efficient business and the maintenance of its competitive position. On the government side, policies for industrial research, subsidies and procurement show that technological process is recognised as an essential component of economic growth.

It is in response to individual and industrial requirements that technology has been most effective over the last 10 years: it has succeeded in adjusting to the new structure of consumer demand and has been responsible for continuous improvement in productivity in industry and agriculture.

But there were limits to the system of industrial innovation in the sixties. When requirements did not give rise to a demand for products or services on the market, technological progress rarely resulted in viable civilian innovations. Moreover, new technology has been mainly applied to demand in high-income countries and not sufficiently to demand in less-developed countries. Even in advanced countries, technology has failed, from the social point of view, adequately to meet the demands of groups with low purchasing power. In the public sector, technology has been most effective in meeting military and space requirements: It has not been so effective in improving products intended for the public in activities such as construction, urban transport and education. Technology has not been efficiently applied to services, although these constitute an ever growing sector of the economy.

Another weakness of the system of industrial innovation in the sixties was that it sometimes had harmful social effects. Innovating entrepreneurs had developed a whole range of new products and processes, but there was nothing to oblige them to make any

EASTERN ECONOMIST

51

allowance for the considerable indirect social consequences of their activities.

The Science Policy Committee, therefore, considers that it will be necessary to reconcile the innovative process with the growing preoccupation with the "quality of life". This does not mean that there will be any slowing down in technological innovation, which is still an essential factor for economic growth, but that it will take the form in many cases of a more intensive scientific and technological effort.

IV

ROLE OF GOVERNMENTS

The action of governments has a decisive, although often indirect, effect on the process of technological innovation, even in the absence of legal or technical responsibility for key parts

CORRESPONDENCE OF RESEARCH INTENSITY OF INDUSTRY GROUPS TO THE OUTPUT OF NEW PRODUCTS IN THE U.S.A.

	R and D funds as a percentage of sales (1964)	Expected percentage of 1969 sales in new products (1966)
	1	2
Aircraft and parts	20.8	40
Electrical machinery	12.0	24
Machinery	4.2	23
Vehicles	3.4	22
Chemicals	5.2	18
Fabrication of metals	1.7	17
Stone, clay and glass	1.4	17
Textiles	0.5	13
Food and beverages	0.3	11
Petroleum and products	1.0	5
Non-ferrous metals	1.0	9
Iron and steel	0.6	7
Rubber	2.0	4

The rank correlation coefficient between columns 1 and 2 is 0.7, which is significant at the one per cent level.

Source: Column 1: National Science Foundation.

Column 2: McGraw Hill: Surveys of Business Plans for Research and Development Expenditures, New York.

of that process: they can influence; (a) availability and flexibility of the sources for innovation, (b) the demand for new technology, and (c) the institutions and individuals engaging in the various stages of the innovation process, the encouragement that they are given and the constraints put in their way.

Conditions vary from one country to another and there is little information concerning the impact of the various components of government policy. But it seems that those national systems which are effective in innovation go together with strength in fundamental research, which in turn is coupled with a capability in industrial R and D, orientation towards competition on world markets and flexible structures and methods that ensure that multiple channels are kept open for the creation, transfer and application of technology.

With regard to resources, government can influence the potential contribution of national R & D resources to technological innovation through the objectives that they assign to the R and D that they finance. The strength of this influence depends on the proportion of government-financed R and D in the national total, which varies among member-countries from about one-third to more than two-thirds.

Influencing Factors

The interdependence of the countries in the OECD area necessitates national specification in the fields in which technological advances are being made. Three factors appear to influence such specialisation. The first is access to raw materials; this accounts for the higher proportion, relative to other countries, of industrial R and D resources in paper, petroleum and non-ferrous metals in Canada. Secondly, government policy objectives can influence the total level and deployment of industrial R and D: hence the importance, for example, of aircraft and missiles in Canada, France, Sweden, the United Kingdom & the USA. Lastly the technological potential may be connected with competition on world markets: this accounts for the relatively high levels of industrial R and D in chemicals in Belgium, transport in Italy and machinery in Sweden.

Governments can adopt alternative approaches to specialisation: they can reinforce already successful patterns or create options for new patterns on the basis of scientific, technological and market trends and opportunities.

Governments are often also involved in financing "big" scientific and technological programmes which have strong-

ly influenced the pace and direction of scientific and technological advance, as well as the use of resources. These programmes have had important effects on technological innovation in specific sectors. But some countries have a strong national performance in technological innovation without such large-scale programmes. The extent to which governments will finance large-scale programmes related to technological innovation will depend on their attitudes to, and resources available for, costly high-risk but high-return projects as well as on the degree of internationalisation of participation.

Lastly, governments can help to establish a climate favourable to technological innovation by means of a wide variety of measures which at first sight seem to have nothing to do with technological innovation. When considering the creation of such a climate, three key characteristics of the innovation

process must be borne in mind. First, the outcome of innovative activities is uncertain, so that (a) risk-taking must be rewarded and (b) individuals and institutions must have the ability to adapt to new and unforeseen situations. Secondly, innovation often implies uncomfortable changes, so that pressures must exist for change and its social costs reduced as far as possible. Thirdly, the transfer of technological knowledge is mainly "person-embodied" (what jargon the OECD uses! Why not say "is mainly transferred through people"?) and personal contacts must be encouraged both within and amongst institutions at the various stages of the process of innovation.

These requirements lead the authors to suggest a number of objectives for government policy, including (i) ensuring industrial competition as the main pressure for technological innovation, equitable rewards for innovations

through the tax and patents systems and that regulation, codes and standards take account of the social costs and benefits of innovation, as well as the flexibility required for its success; (ii) having active regional and macro power policies to deal with the changes in industrial and skill patterns brought about by technological change; (iii) using government procurement to upgrade the technical level of industry and to couple technology more effectively to collective social needs; (iv) encouraging the mobility of scientists and engineers, especially in and out of government laboratories; (v) identifying policy measures to encourage science-based entrepreneurship; and (vi) ensuring continued trade and capital liberalisation, thereby heightening the pressures and incentives for technological innovation in all member-countries and maintaining the rapid international spread of the benefits of new technology.

INDICATORS OF TEN INDUSTRIALLY ADVANCED COUNTRIES' PERFORMANCE IN TECHNOLOGICAL INNOVATION

Country	Indicators	I. Location of 110 significant innovations since World War Two			II. Monetary receipts for patents, licences and know-how 1963-64				III. Number of patents taken out in foreign countries 1963			IV. Export Performance in research intensive industries 1963-65			V. Export performance in research intensive product groups 1963-65			
		Number of Persons Employed in Manufacturing Industries ('000)	Absolute No.	With USA Base Index = 100	Index Ranked	In million \$	With USA Base Index = 100	Index Ranked	% Share of 10 Countries' Manuf. Exports	Absolute No. in '000	With USA Base Index = 100	Index Ranked	% Share of 10 Countries' Exports in R.I. Ind.	With USA Base Index = 100	Index Ranked	% Share of 10 Countries' Exports in R.I. Ind.	With USA Base Index = 100	Index Ranked
X	A	$\frac{A}{X}$	B	A	$\frac{A}{X}$	B	Y	A	$\frac{A}{Y}$	B	A	$\frac{A}{Y}$	B	A	$\frac{A}{Y}$	B		
Belgium	1,645	1	20.6	5	7.9	34.2	5	5.8	1.8	12.4	10	3.5	45.4	10	3.0	37.6	10	
Canada	2,428	0	0	10	6.2	18.3	8	5.5	1.9	13.9	9	3.4	46.3	9	2.9	38.3	9	
France	7,940	2	8.5	8	46.3	41.9	4	9.8	9.3	38.1	6	7.7	59.0	7	6.5	48.2	8	
Germany	12,385	14	38.3	4	49.4	28.7	7	18.1	29.9	64.7	2	22.1	92.0	2	21.1	84.7	2	
Italy	7,776	3	13.2	7	9.9	9.1	9	7.5	4.6	24.6	7	5.9	59.1	6	5.7	55.2	6	
Japan	17,129	4	7.9	9	5.9	2.4	10	8.1	3.5	17.4	8	5.3	49.2	8	5.9	52.9	7	
Netherlands	1,847	1	18.3	6	26.0	101.2	1	5.9	6.4	43.6	5	5.3	67.3	4	5.9	72.7	5	
Sweden	1,535	4	88.4	2	7.1	33.3	6	3.5	3.8	43.7	4	2.8	60.0	5	4.0	83.1	3	
UK	11,798	18	51.8	3	76.1	46.4	3	13.2	15.2	45.2	3	14.2	80.7	3	13.9	76.5	4	
USA	25,063	74	100.0	1	386.7	100.0	2	22.6	56.3	100.0	1	30.1	100.0	1	31.1	100.0	1	

Note: For indicators I and II, Column B was derived after dividing Column A by working population in manufacturing (Column X) to correct for country size; the figures were transformed into an index, with USA as the base 100 in each case, and ranked (Columns B).

For indicators III, IV and V, Columns B were derived after dividing Column A by percentage share of the ten countries' manufacturing exports (Column Y); the figures were again put in the form of an index with USA = 100, and ranked (Columns B).

Sources: Column A from Book III of "Gaps in Technology: Analytical Report".
Column X from OECD Observer Supplement for 1967 Statistics.
Column Y from Book III of "Gaps in Technology: Analytical Report".

FROM TOY BALLOONS TO MANSFIELD TYRES: THE LESSONS OF 25 YEARS

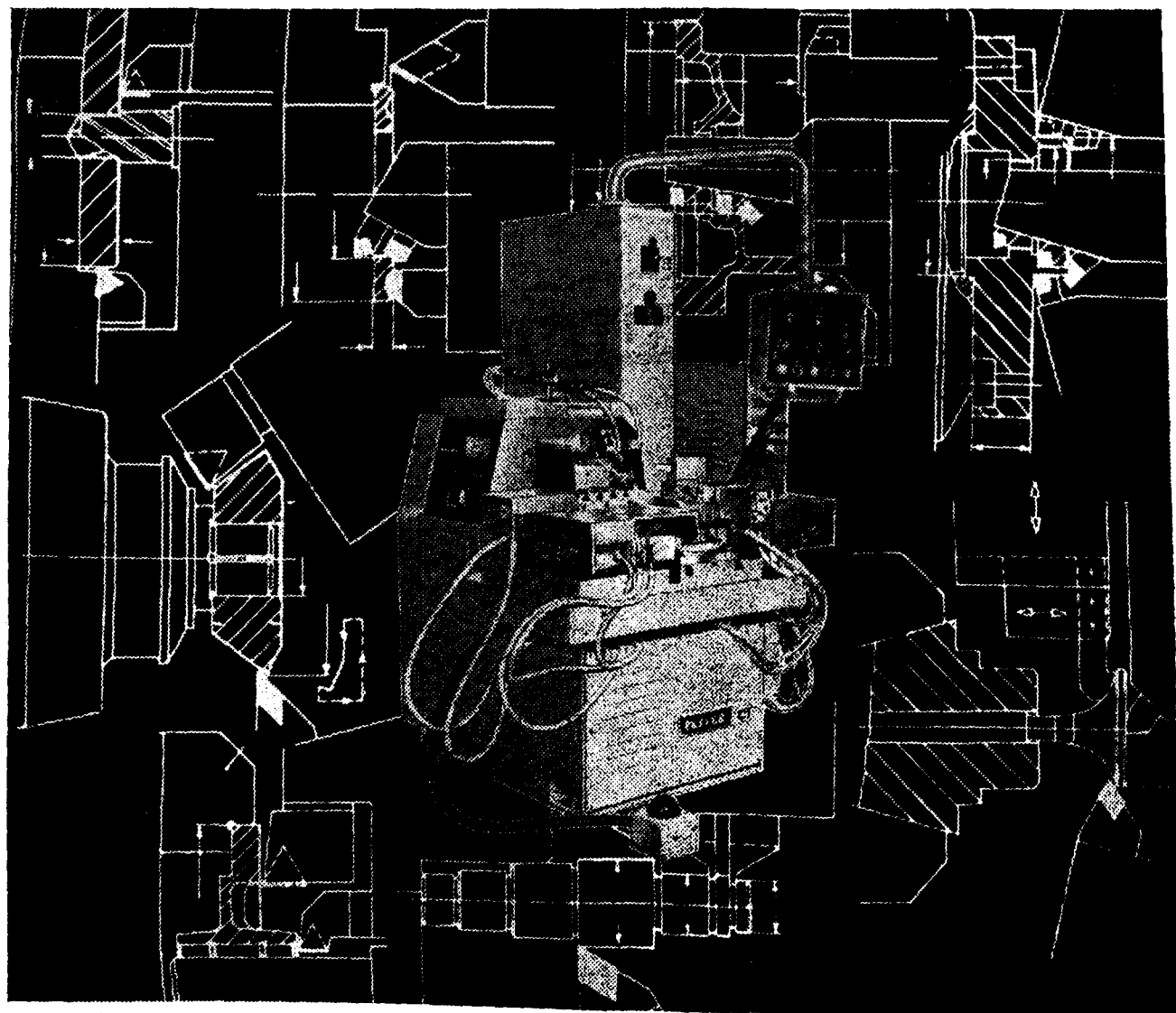


"Today's flowers are tomorrow's gardens"

People who rest on their laurels merely crush them. At Mansfield, the excellence of the past spurs us on to the improvements of the future. When our newest factory goes on stream at Goa, it will mean an extra 300,000 tyres per year. This will make MRF the second largest of all tyre-companies—Indian and foreign—in the country. Twenty-five silver years point the way to a golden future!

THE SILVER YEARS
MADRAS RUBBER FACTORY LTD.
(in collaboration with
Mansfield Tyre & Rubber Company, U.S.A.)
175/1 Anna Salai, Madras 2, India.

MRF



For short, accurate parts like these the versatile HMT MINI-CHUCKER gives the highest productivity.

The HMT mini-chucker brings all the advantages of mass production, repetitive accuracy and faster output to the machining of short parts.

Simple in design, it can be adapted for most chucking jobs within its capacity of 150 mm dia. 100 mm. length.

Holds tolerances of 0.02 mm

Powered by a two speed 5.5/7.5 hp motor, the mini-chucker offers a range of speeds from 355 to 1000 rpm.

It holds tolerances of 0.02 mm at high production rates.

Copying attachment

HMT has developed the hydrocopying attachment for this

machine. The front or the rear slide can be replaced by this attachment so that complicated profiles on the diameter or the face of the job can be copied with precision.

Features you'll appreciate in the mini-chucker

Hardened steel guideways
Spindle mounted on precision pre-loaded taper roller bearings

Pendant control
Built-in coolant system
Automatic programme control

Under development

Hydraulically operated tail stock and turret slide.

For more details, write to.

HINDUSTAN MACHINE TOOLS LIMITED

HMT P.O., Bangalore 31

Factories at: Bangalore-Pinjore-Kalamassery-Hyderabad

Showrooms at: New Delhi - Bombay-Poona-Calcutta-Madras

Sales Engineers at: Ahmedabad-Jabalpur-Kanpur-Jamshedpur-Visakhapatnam

hmt

HMT-6715

The moving finger writes

SENILITY EXPRESSES itself in many odd ways. One of them, apparently, is the itch to establish physical contact with all and sundry. Soon after Mr V.V. Giri was elected as President there was a picture of him with Mr R.K. Karanjia. The two were shown locked in a body-length embrace. A similar picture of the President, this time with the visiting Foreign Minister of Bangladesh, was published in some newspapers last Friday. At the time the Karanjia picture appeared, I told myself that Mr Giri perhaps thought that an enormous gesture of warmth was indicated since the redoubtable editor of *Blitz* had campaigned for Mr Giri as vigorously as all the members of the Indira Gandhi faction put together. Now that I find that Mr Giri has greeted Mr Abdus Samad Azad with the same physical extravagance, I am beginning to think that no special provocation is needed for the President to indulge in such exuberant displays of love and muscle.

The taxpayer has been obliged to spend fairly large sums of money in order to ensure that the office and position of the Head of State are maintained in dignity. The holder of this office must therefore conduct himself always in a manner which fully serves this purpose. When the President receives visitors officially and photographs are taken for publication in the press, it is important, surely, that the President should not be seen indulging in acts of excessive familiarity with those who formally call on him at Rashtrapati Bhavan. A certain amount of reserve on such occasions cannot be regarded either as a luxury or a prescription of austerity for the President.

I am indeed happy that "the Anderson papers" have helped to put the record straight about a good man, who is also a good friend of India, Mr. Kenneth B. Keating. He is the kind of Ambassador of whom any country or government can be proud. He has been loyal to the true interests of his own people, while being generous in his understanding of the people of the country to which he has been accredited. Mr Keating has also shown himself to be a man of rare character and courage in that he has firmly pressed his views and arguments on his President even while realising fully well that he must not only be making enemies for himself in the White House but also making an enemy of the White House itself. Mr Keating is not a career diplomat always concerned about the side his bread is buttered. He is, in his own right, an emi-

nent personality in the public life of his country, but even so he deserves admiration in full measure for taking the idealistic view of the responsibilities of his office.

During the fourteen-day war there were certain ugly incidents when anti-Nixon demonstrations in this country led to a certain amount of vandalism against US government offices or property. There were also a few cases of personnel of the US Embassy or its affiliated agencies being insulted or otherwise made to feel uncomfortable. Although all this might have been in part a spontaneous, even if immature, expression of the resentment of the people of this country of Washington's gross partisanship, it was also apparent that politically motivated or professional anti-American elements in our country were exploiting the prevailing atmosphere.

Unfortunately, some of us who ought to have known better unwittingly helped to stoke the fires of anti-Americanism. Mr G.L. Mehta and Mr Harish Mahindra, for instance, found it necessary to resign from the Indo-American Society in Bombay as a gesture of protest against the Nixon policy. I had always thought that the true purpose of cultural societies was to be particularly active in promoting understanding between peoples just during those dark hours when governmental aberrations threatened the basic goodwill between or among nations. If there is any need at all for international friendship societies, this is only when there is a crisis in international relations and not in more normal times when goodwill delegations could fly themselves free all over the globe.

It is most regrettable indeed that so many of us should have lost sight of the fact that the kind of situation which Mr Nixon has so foolishly created is something which has to be (and can be) sorted out between the government of the United States and the government of India. The memoranda which the US Ambassador in India has sent to the White House should certainly make us all the more ashamed of the mindless anti-Americanism that this country had been witnessing in recent weeks. What is even more important, it should make us realise that there is a vast amount of goodwill and genuine friendship for our country in various influential sections of American life such as the press, politicians, businessmen, universities and the

civil service. This, incidentally, impresses me as convincing testimony to the truly democratic character of the American society. I wonder whether the Ambassador of any totalitarian government could have corresponded as frankly with his political masters as Mr Keating, the Ambassador of a democratic country, has done with his government. I would indeed go one step farther and ask whether any Indian Ambassador abroad would have dared to join issue, say, with Jawaharlal Nehru on the occasions when the latter took what were obviously untenable positions in our foreign policy.

The demonstration in front of the assembly in Bhubaneswar on January 6 and the subsequent events have a familiar ring. We in New Delhi have been treated to incidents of this kind more than once. The Orissa affair, however, has an additional feature of interest in that it arouses the suspicion that the Prime Minister is a person who could never know political fulfilment. Her henchmen of both sexes no doubt know this and this is perhaps why they are continually probing for chances of adding bits and pieces to her imperial territory. The coming elections in the states may of course be expected to lead to an enlargement of her domain. Since, however, Orissa remains an eyesore, the Biswanath ministry, evidently, should not be left in peace.

There is a proverb that a goldsmith cannot be trusted not to pilfer gold even from his own mother's *mangal sutra*. It may be said of the Chief Minister of Tamil Nadu that there is nothing or nobody which or whom he will not politically exploit. The Prime Minister is reported to have taken objection to a picture of hers with Mr Karunanidhi being used for propaganda purposes by the Information Department of the Tamil Nadu government. Mrs Indira Gandhi may have a case, although her own image builders have not hesitated to exploit the name of Mahatma Gandhi or Jawaharlal Nehru for promoting the Indira Nehru Gandhi personality cult. Incidentally, now that the Prime Minister has shown herself to be sensitive to uses to which her name or picture may be put, I would very much like to know what she thinks of a certain series of advertisements recently run by a brewery.

V. B.

Trade Winds

NEW CURRENCY VALUES

THE INTERNATIONAL Monetary Fund has now issued a full list of official currency values established since the Washington agreement among the Group of Ten. Converting the figures to sterling terms at official central values, the new parities or central values are as follows:

Countries which have revalued by more than 8.57 per cent against the dollar and have thus revalued by the following figures against sterling: Austria, +2.8 per cent; Belgium +2.76 per cent; W. Germany +4.6 per cent; Japan +7.65 per cent; Luxembourg +2.76 per cent; Malta +2.5 per cent; Netherlands +2.76 per cent. Countries which have revalued by 8.57 per cent against the dollar, and are thus unchanged against sterling: Barbados, Cyprus, Ethiopia, France, Gambia, Iraq, Ireland, Jamaica, Kuwait, Libya, Malawi, Malaysia, Morocco, Nigeria, Rwanda, Saudi Arabia, Sierra Leone, Singapore, Somalia, Spain, Tunisia. Also the following members of the French franc zone; Dahomey, Ivory Coast, Malagasy, Mauretania, Niger, Senegal, Togo, Upper Volta. Countries which have revalued by less than 8.57 per cent against the dollar, and have thus devalued against sterling by the following amounts: Australia—2.25 per cent; Bahamas—4.3 per cent; Denmark—1.03 per cent; Finland—5.65 per cent; India—5.1 per cent; Italy—1.0 per cent; Netherlands Antilles—3.0 per cent; New Zealand—2.25 per cent; Norway—1.0 per cent; Portugal—2.83 per cent; Surinam—2.9 per cent; Sweden—1.0 per cent; Turkey—1.32 per cent; Venezuela—5.8 per cent. Countries which have remained pegged to the dollar and thus devalued by 7.9 per cent against sterling: Argentina, Brazil, Chile, China, Costa Rica, Ecuador, Egypt, El Salvador, Greece, Guyana, Haiti, Honduras, Iceland, Indonesia, Iran, Jordan, Kenya, Korea, Lebanon, Liberia, Mexico, Nepal, Nicaragua, Pakistan, Panama, Paraguay, Peru, Philippines, Sudan, Syria, Tanzania, Thailand, Uganda, Vietnam, Yemen, Zaire, Zambia. Countries which have devalued against the dollar, and have consequently devalued against sterling by more than 7.9 per cent: Burma—18; Ghana—48.3; Israel—23.2; South Africa. (with Botswana, Lesotho and Swaziland)—12.3; Yugoslavia—18.7. Canada's currency is

still floating and Switzerland is not a member of the IMF.

ISSUES OF SDRs

A new independent monetary unit has been created—the SDR or unit of Special Drawing Rights—in the International Monetary Fund. The new issue of 2,950 million SDRs, a "free" addition to the reserves of 112 member states, has been completed. SDR was originally defined as a dollar's worth of gold, but in view of the recent devaluation of the dollar, the value of the issue will rise by 8.57 per cent to \$3,200 millions. The allocations above 24 million SDRs are as follows:

Country	Allocation (million SDRs)
USA	710.2
Great Britain	296.8
West Germany	169.6
France	159.0
Japan	127.2
Canada	116.6
Italy	106.0
India	99.6
Netherlands	74.2
Australia	70.5
Belgium	68.9
Argentina	46.6
Spain	41.8
Mexico	39.2
Sweden	34.4
South Africa	33.9
Denmark	27.5
Norway	25.4
Pakistan	24.9

NO MORE PL 480 Imports

This country, which has been the largest recipient of US agricultural commodities under PL-480, has stopped the concessional import of foodgrains with effect from 1972. The United States government has also been informed that the remaining 400,000 tonnes of the 1.57 million tonnes of wheat to be imported under the last agreement signed in April, 1971, would not be lifted from the US in view of the excellent Rabi crop.

CEMENT PRICES

Price of cement has increased by about Rs 2.90 per tonne from January 1,

The price to the public has been raised from Rs 204.72 to Rs 207.62, to the government from Rs 202.24 to Rs 205.14 and to the public sector undertakings and the semi-government bodies from Rs 202.72 to Rs 205.62 per tonne. The increase is mainly due to a rise in packing charges as a result of regulatory duties imposed on packing materials recently.

POLISH ECONOMIC DELEGATION

A high-powered Polish economic delegation led by Mr J. Mitrega, Vice-Premier and Minister of Mining and Power of Poland arrived in Delhi on January 6 on an 11-day visit. During its stay in Delhi the delegation held discussions from January 6 to January 8 with the Ministers for Steel and Mines, Foreign Trade, Industrial Development and Transport and Shipping on matters of mutual interest to the two countries. The Indian delegation for the talks was led by Mr Mohan Kumaramangalam, Minister of Steel and Mines, who was assisted by Mr T. Swaminathan, Cabinet Secretary and Mr N. Subramaniam, Secretary, Department of Mines. Mr J. Mitrega, leader of the delegation accompanied by the Polish Ambassador and four other members of the delegation went for a visit to the coal mines areas. En route, the delegation inspected the steel plant at Bokaro which is under construction. The delegation also visited the coal washeries and coking coal mines of the National Coal Development Corporation and Bharat Coking Coal, located in Jharia. The delegation held discussions on the setting up of a design and planning unit for the two organisations. Discussions were held on the coking reorganisation after the delegation had visited the mines. The delegation also visited Durgapur steel plant and the Mining and Allied Machinery Corporation at Durgapur.

INDO-GREEK TRADE

Letters were exchanged recently between Mr John Yannakakis, Ambassador of Greece in New Delhi and Mr V. S. Misra, Joint Secretary, Ministry of Foreign Trade, government of India extending the validity of the trade agreement between India and Greece. The trade agreement was first signed on February 14, 1958 and has since then been extended from year to year. A revision of this trade agreement is under consideration of both the governments and the extension of the present agreement has been agreed to, pending finalisation of the new trade agreement. India's exports to Greece stood at Rs 191 lakhs during 1970-71, as compared to Rs 189 lakhs during 1969-70, the major items of exports being non-electrical machinery

and appliances, jute manufactures, hand tools, coir yarn and manufactures and rubber manufactures. India's imports from Greece which stood at Rs 2.1 lakhs during 1969-70 increased to Rs 159 lakhs in 1970-71, the major imports being fertilisers.

ALUMINIUM PLANT AT KORBA

Two contracts for supply of manufacturing documents and equipment from the Soviet Union for the first public sector aluminium plant at Korba in Madhya Pradesh, were signed recently by Lt. Gen. N. Sen Gupta, Chairman of Bharat Aluminium Company Ltd. and Mr V. Perevodkin, Director of M/s Tsvetmetpromexport, Moscow. The Korba aluminium project with an installed capacity of 100,000 tonnes of aluminium metal per annum and a rolling mill for production of flat products and other fabrication facilities is being undertaken with the aid and technical collaboration of the Soviet Union under the rouble credit assistance. The cost of the Korba smelter and fabrications is estimated at about Rs 152 crores. This includes a ceiling provision of Rs seven crores for township and foreign exchange content of Rs 23.50 crores. The contract signed was for a total of Rs nine crore assistance. The bulk of the plant and equipment will be procured from indigenous sources based on the design and technical know-how available in the country. Even non-standard and specialised equipment costing about Rs 30 crores will be manufactured indigenously based on Soviet drawings. The plant is expected to be commissioned in phases starting from end of 1974.

SUGAR PRODUCTION

According to the Indian Sugar Mills Association the total sugar production in the month of November, 1971, the second month of the season 1971-72 was about 2,24,000 tonnes as against 255,000 tonnes during the corresponding period last season. This brings the total production during the first two months of the season 1971-72 to 265,000 tonnes as against 313,000 tonnes during the same period last season. The off-take of sugar from factories during the month of November, 1971 was about 297,000 tonnes for internal consumption and 3,000 tonnes for exports as against about 321,000 tonnes for internal consumption and 29,000 tonnes for exports in the corresponding period last season. The total despatches in the first two months in 1971-72 were 721,000 tonnes for internal consumption and 22,000 tonnes for export as against 680,000 tonnes for internal consumption and 70,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar

with the factories on November 30, 1971 was about 927,000 tonnes as against about 1.64 million tonnes on the same date last season.

STEEL TARGETS: 1972-73

Mr S. Mohan Kumaramangalam, Minister of Steel and Mines, has in his New Year Day message to the management, technicians, and workers in the steel industry appealed to them to achieve the production target of 7.2 million tonnes of steel ingots in 1972-73. If it was achieved, the steel import bill which was of the order of about Rs 200 crores this year would be cut down to Rs 50 crores or even less next year. "In terms of self-reliance, our gain will be far greater than can be measured in terms of any currency," he added. The targets for 1972-73, set by the Minister are: Bhilai, 2.25 million tonnes as against two million tonnes in 1971-72; Durgapur one million tonnes against 700,000 tonnes; Rourkela, 1.25 million tonnes against 800,000 tonnes; TISCO 1.9 million tonnes against anticipated production of 1.7 million tonnes this year; IISCO 800,000 tonnes against 700,000 tonnes anticipated this year.

TARGETS FOR RABI

Under the nationwide drive for augmenting agricultural production during this Rabi season 8.5 million hectares are to be brought under high-yielding varieties of wheat and 2.1 million hectares under high-yielding varieties of rice during summer 1972. Besides food crops, intensive measures will be initiated to increase production of cotton and mustard through timely application of pesticides in large doses wherever necessary. Cultivation of sunflower in a big way is also contemplated. In addition, summer groundnut will be sown in very large tracts in all the southern states. Soybean will be cultivated in 125,000 hectares in Madhya Pradesh, Maharashtra, Uttar Pradesh and Gujarat. Under this campaign a conscious effort will be made by state governments to increase the production of wheat by application of modern package of practices, wherever feasible, both in irrigated and unirrigated areas. They are also expected in this regard to organise late sowings of short duration varieties of wheat up to January 15 after the harvest of earlier standing crops of sugarcane, cotton, early Rabi mustard and early potato in 1.5 million hectares.

COMPOST MANURE PLANT

Gujarat Agro-Industries Corporation (GAIC) is to undertake shortly one of its most challenging tasks, a project to produce mechanically compost manure

from city refuse. This, a prestige project of the corporation, will be the first of its kind in India. A project report to this effect has been approved by the board of directors of GAIC. The board commended the efforts of the corporation in preparing the report and said that so far a report of such a magnitude on the compost manure project is not believed to have been prepared in the country. The GAIC in co-operation with Ahmedabad Municipal Corporation would execute this project first at Ahmedabad.

CENTRAL AID TO G.I.I.C.

The government of India has decided to allocate funds to the Gujarat Industrial Investment Corporation Ltd through the state government to provide suitable incentives to technician entrepreneurs in the state. The corporation which has already sanctioned Rs 4.21 crores to 551 technicians will be one of the state agencies to operate a set of schemes, the broad objective of which is to provide self employment to a large number of qualified persons on a continuing basis and thus widen the base of industrial ownership. To help in the creation of self employment opportunities for such persons, the corporation has obtained from the government of India a total sanction of Rs 45.25 lakhs for the period 1971-72 on the basis of one-third grant and two-thirds loan.

BOAC

BOAC carried two million fifty-three thousand passengers in 1971 or 8.3 per cent more passengers than in 1970. BOAC also carried nearly 68,000 tonnes of cargo in 1971 which represents an 11.8 per cent increase over 1970.

HOECHST's GIFT

The Research Centre of Hoechst Pharmaceuticals Limited at Mulund in Bombay has recently received from their technical collaborators, Messrs. Farbwerke Hoechst AG of West Germany, a gift of highly sophisticated scientific instruments. The total value of the gift amounts to about Rs 10 lakhs. With these instruments, the Research Centre in Bombay is almost self-sufficient and can operate as a semi-independent unit. Its facilities are now comparable with those of a small modern research unit anywhere in the world. Some of the instruments will simplify the isolation of potential drugs from natural sources. Other instruments, like the nuclear magnetic resonance spectrometer and the micro-analytical equipment, provide information that facilitates the determination

of the structure of the compounds isolated or synthesised.

DEFENCE FUND CONTRIBUTION

Mr M.S. Oberoi, Chairman, Oberoi Hotels, had announced recently that all Oberoi Hotels in India would, during armed hostilities between India and Pakistan, contribute ten per cent of their total food and beverage sales to the Prime Minister's Defence Fund. Mr Oberoi also announced that all Oberoi Hotels in India would, in addition, allow a rebate of ten per cent on food and beverage sales to their clients to help hold the priceline. Employees of all Oberoi Hotels in India and the Oberoi Hotels travel agency, Mercury Travel (India) Limited, and the staff of the Indian Hotel-keeper and Traveler contributed one day's salary to the Prime Minister's Defence Fund.

SMALL SAVINGS

Propagation of the National Savings Scheme is to be regarded as a kind of social service under the National Service Scheme in operation in the universities. This has been done by the Ministry of Education and Youth Services at the suggestion of the Deputy Finance Minister, Mrs Sushila Rohatgi, as one of the measures for intensifying the National Savings Movement.

LOCATING DEEP CRACKS

The Central Water and Power Research Station at Poona has developed and successfully tried a quicker method for estimating the depth and extent of deep cracks in large structures like concrete dams. The tests were conducted at Koyna and Bhandardara (Maharashtra), Konar (Bihar), Idikki (Kerala) dams. The results obtained have been corroborated by visual inspection, chemical tracer and underwater TV camera studies. The method of testing consists in the use of a mechanical hammer and low frequency wave probe.

GUJARAT FINANCIAL CORP.

With the aggregate financial assistance sanctioned so far standing at Rs 29.64 crores to 4126 units the need for increasing the field offices to process the applications of the small entrepreneur was being increasingly felt by the Gujarat State Financial Corporation. Field offices have already been opened at Baroda, Surat, Rajkot, Bhavnagar and Mehsana. Ahmedabad field office was inaugurated by Mr Lalit Chandra Dalal, Chief Secretary to the Government of Gujarat and chairman of the Corporation recently. Field offices are meant to look after the applications for loan up to Rs three lakhs. As much as 34

per cent of the corporation's business is from Ahmedabad city and the district. Ahmedabad has 3944 small-scale units as compared to 15,849 units registered with Directorate of Industries upto 1970. In the last half decade much diversification has been taking place in the industrial structure of this district. The opening of the field office at Ahmedabad was expected to help the large number of small entrepreneurs of the city and the district who approach the corporation for financial assistance by increasing the tempo of disposal of applications. The corporation has been

planning to open offices at Jamnagar. **NAMS IN THE NEWS**

Mr G.L. Mehta who has been Chairman of the Industrial Credit and Investment Corporation of India Limited for the last thirteen years has retired with effect from January 1, 1972. He has been succeeded by Mr H.T. Parekh who until now was Deputy Chairman & Managing Director and has been associated with the corporation practically since its inception. Mr Mehta, will however be Special Adviser to the Corporation.



Joins the Nation to Salute its Valiant Soldiers who scored a Spectacular Victory.

Pledges to strengthen the Second line of our Defence by dedicating to help our Farmers Grow More Food.

Will produce within Time Schedule substantial quantities of Fertilizers to cover approximately 25% of the South Indian Demand.

Has gone ahead with the design, procurement and construction of one of the largest projects of its kind in Asia and Europe on Non Turnkey basis with no Foreign Management or Technical or other Collaboration.

"SPIC GROWS TO SPAN THE NATION"

★
Southern Petrochemical Industries Corporation Limited
MADRAS-14.

Company Affairs

HINDUSTAN ALUMINIUM

THE HINDUSTAN Aluminium Corporation Limited has obtained the sanction from the Controller of Capital Issues for capitalising Rs 200.80 lakhs out of the company's general reserve and issuing 2,007,973 equity shares of Rs 10 each as bonus shares to the existing equity shareholders in the ratio of one-for-four.

CUREWEL

The manufacture of two very important drugs gamma globulin and albumin has begun for the first time in India at the million-rupee plant of Curewel (India) Limited at Faridabad near Delhi. The plant set up by Indo-Bulgarian collaboration was inaugurated by the Ambassador of Bulgaria recently. The plant that is the first of its kind in India and the largest in the world will be able to export about fifty per cent of its production, the rest will be utilised in the country. The present production capacity of the plant is 300 kgs of albumin and 23 lakh l.c.c. ampules of gamma globulin. These drugs have wide usages in therapy and prophylaxis. In addition albumin can also be a "miracle" drug for the armed forces since it can be administered on the battle front without risks in cases of severe loss of blood.

BESTOBELL

Bestobell India Limited, a wholly owned subsidiary of Bestobell Limited, UK, will be offering shortly to the Indian public 2,80,000 equity shares of Rs 10 each (which represents 40 per cent of the equity capital) at a premium of Rs four per share. The net proceeds of the issue will be used for expansion of its various activities. The company has to its credit the execution of large insulation and refractory works at the oil refineries at Gauhati, Barauni and fertiliser factories at Sindri, Nangal, and other places. The company is now engaged in similar work at Bokaro steel plant and Kothagudem thermal station. With the exception of basic raw materials not available in India and also certain specialised components, the company is practically self-sufficient in its manufacturing activity. It has considerable manufacturing capacity and it is proposed to utilise such capacity for increased manufacture of industrial instruments for which there is a growing market in India and abroad. The company is negotiating with the govern-

ment for further expansion in its existing range of instrumentation as well as for new products in this field.

SHREE BHAWANI

Shree Bhawani Cotton Mills Limited is raising Rs 10 lakhs by the issue of 9.5 per cent cumulative preference shares redeemable in 7 to 10 years. The company's present paid up capital is Rs 30 lakhs and reserves Rs 83.85 lakhs. The net fixed assets amount to Rs 113.50 lakhs. The company has increased its sales from Rs 355 lakhs to Rs 513 lakhs in the last two years. The entire issue has been underwritten. Subscription list opened on January 10, 1972.

INDIAN ALUMINIUM

Indian Aluminium Company's new Plant at Taloja in Maharashtra has gone into operation. The Taloja plant, on a 100 acre site, 40 miles from Bombay, is a modern aluminium rolling mill of sophisticated design. The cost of the plant is Rs 15.8 crores. The plant has a licensed capacity of 11,500 tonnes of aluminium rolled products per annum. The rolling mills are the fastest of their kind in India and are planned for large volume runs.

GOLDEN TOBACCO

Golden Tobacco Co. has obtained the consent of the Controller of Capital Issues for allotment of 700,000 equity shares of Rs 10 each as bonus shares in the ratio of one new share for every four equity shares held and after this allotment, to offer to the Indian public by prospectus 1.5 million equity shares of Rs 10 each for cash at par. After the bonus issue the capital will rise to Rs 3.5 crores.

AMERICAN UNIVERSAL

American Universal Electric (India) Ltd, proposes to enter the capital market shortly with a public issue of Rs 32 lakhs comprising 200,000 equity shares of Rs 10 each at par (Rs 20 lakhs) and 12,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par (Rs 12 lakhs). The proceeds of the proposed issue will be utilised for financing the company's expansion programme. The company is engaged in the production of various types of fractional horse power motors which are used in fans, air conditioners, re-

frigerators and water coolers. In 1967, it started manufacturing pedestal fans and room coolers. Its factory is located at Faridabad. Its authorised capital is Rs one crore (Rs 20 lakhs in preference shares and Rs 80 lakhs in equity shares). The paid-up capital is Rs 38 lakhs in equity shares. The present issue is for Rs 35 lakhs, of which equity shares of Rs three lakhs have been reserved for allotment to foreign collaborators, Universal Electric Co, USA, for cash at par. It has on hand various projects, including stampings lamination project, raising the production capacity of fans and air circulators, manufacture of general purpose motors and stator-rotor sets for hermetically sealed compressors. All these projects will be located at Faridabad. The capital outlay on the expansion is placed at Rs 97.41 lakhs, which will be met by share capital (Rs 35 lakhs), term loan (Rs 40 lakhs) and internal resources (Rs 22.41 lakhs).

BHOPAL GLASS

Bhopal Toughened Glass Works Ltd, will enter the capital market on January 17 with a public issue of Rs 15 lakhs comprising 128,000 equity shares of Rs 10 each at par (Rs 12.75 lakhs) and 2,250 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (Rs 2.25 lakhs). The entire public issue has been underwritten. The company has taken over the running proprietary concern, Bhopal Toughened Glass Works. The company's plant located at Bhopal is a completely modern one identical with other glass toughening plants manufactured by K.G. Ltd, Copenhagen, Denmark.

SURRINDRA STEIN

The subscription list of the public issue of Rs 14.10 lakhs, Rs 9.50 lakhs in equity shares of Rs 10 each and Rs 4.60 lakhs in (9.5 per cent) cumulative redeemable preference shares of Rs 100 each, by Surrindra Stein Malt Ltd, opened on January 13. The issue is to close on January 24, or earlier at the discretion of the directors but not before January 17, 1972. The entire public issue has been underwritten. The proceeds of the issue will be utilised for financing partly the Rs 46 lakhs barley malt plant that is being set up at Ghaziabad (UP) with an installed capacity of 4,500 tonnes per annum. Civil construction has already started and the plant is expected to go on stream by August, 1972. The company has also plans to undertake the manufacture of malt extract and malt extract powder in its second phase. The company entered into an agreement with Mr F.W. Gestle, Representative for east and far east for Messers Auton Steinecker, Freising, West Germany, for the supply of plant and equipment and

technical assistance for setting up the proposed malting plant.

TRAVANCORE ELECTRO

The Travancore Electro-Chemical Industries Ltd, proposes to issue rights shares at par in the ratio of two new shares for every five shares held. The proceeds of the rights issue amounting to Rs 14.80 lakhs will be utilised for financing partly the expansion programme envisaged to raise the capacity of calcium carbide from 10,000 to 15,000 tonnes per annum. The rights shares will not be entitled to dividend for 1971.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the two weeks ended October 1, 1971. The list contains names and addresses of the licensees, articles of manufacture, types of licences-New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting and Annual Installed Capacity.

LICENCES ISSUED

Ferrous Industries

M/s Chaliha Rolling Mills (P) Ltd: 5, Mission Row, Calcutta-1. (Tollygunge, Calcutta-West Bengal)—Steel Stranded wires for fencing and stay—Expansion from the existing capacity of 1200 tonnes. to 2500 tonnes pa. (SE).

Electrical Equipment

M/s Sahney Steel and Press Works (P) Ltd: 27, Kirol, Near Vidyavihar Station, Bombay-86. (Hyderabad-AP)—Electrical Stampings—2,400 tonnes pa. (NU).

Telecommunication

M/s Serson Industries (P) Ltd: Pimpri, P.F., PO Poona-18. (Maharashtra)—Electrolytic Capacitors—Expansion from the existing capacity of one million Nos. pa to 5.0 million Nos pa (SE).

Transportation

M/s Sen and Pandit Industries Ltd: 1, Middleton Street, Calcutta-16. (Nadia, Kalyani—West Bengal)—Bicycle Rims—6.2 lakhs Nos pa. after expansion. (COB); M/s. National Engg. Industry Ltd: Khatipura Road, Jaipur. (Jaipur-Rajasthan)—Bicycle Steel Balls—4.8 million gross Nos pa. after expansion. (SE).

Industrial Machinery

M/s Best & Company (P) Ltd: 13/15, North Beach Road, PB No. 63, Madras-1. (Bangalore-Mysore)—Power Driven Pumps—9,000 Nos. pa (COB); M/s

Johnston Pumps India Ltd: 2, Fairlie Place, Calcutta-1. (West Bengal/UP)—(i) Vertical Pumps, Calcutta. (a) 3,000 Nos. pa. Ghaziabad (b) 2,000 Nos. pa. (ii) Horizontal Pumps (a) 10,000 Nos pa., (b) 15,000 Nos pa., (iii) Grey Iron Castings, (a) Nil (b) —2,400 Nos pa. (COB); M/s Greaves Cotton and Co. Ltd: 1-Forbes Street, Bombay-1. (Bombay-Maharashtra)—(i) Diamond Core Drilling Machines—60 units pa., (ii) High Pressure Pumps for mud slush and water—60 units pa., (iii) Operating equipment for drilling, such as drill rods, casings, core barrels etc and allied ancillary items—60,000 meters pa., (iv) Spare parts for earthmoving equipment—1200 units pa., (v) Special type of valves for drilling operations & industrial application—6000 Nos pa., (vi) Mechanical Seals—3600 Nos pa., (vii) Solderless terminals and related tools and accessories—60,000 units pa., (COB)

Engineering Industry

M/s Shriram Associated (P) Ltd: Bara Hindu Rao, P.B. no 1185, Delhi-6. (Delhi)—High Density Polyethylene Woven Bags—two Million Nos pa. (COB).

Industrial Instruments

M/s India Meters Ltd: Plot No. 14, Industrial Estate, Ambattur, Madras-58. (Madras-Tamil Nadu)—(i) Single Phase Meters—Expansion from the capacity of 35,000 Nos to 50,000 Nos pa., after expansion, (ii) Polyphase Meters—Expansion from the capacity of 90,000 Nos to 1,50,000 Nos pa., after expansion. (SE).

Dye-Staffs

M/s India Dye-chem Industries (P) Ltd: Katra Tobacco, Khari Baoli, Delhi-6. (Bombay-Maharashtra)—(i) Acid Azo Dyes—162 tonnes pa, (ii) Acid Dyes other than Azo—84 tonnes pa, (iii) Oil, Spirit Soluble Dyes—176.4 tonnes pa., (iv) Fast Colour Basis—28 tonnes pa., (v) Sulphur Dyes—12 tonnes pa., (vi) Dye Intermediates. (i) Sulphanilic Acid—40 tonnes pa., (ii) Metanilic Acid—54 tonnes pa., (COB).

Drugs & Pharmaceuticals

M/s Merck Sharp and Dhome of India Ltd: New India Centre, 17, Co-operative, Bombay. (Maharashtra)—(i) Mintezol Tablets—2.5 million Nos pa., (ii) Triredisol Tablets—10.00 million Nos pa., (iii) Triredisol Drops—1500 litres pa., (iv) Peridema Elixir—2500 litres pa., (v) Hydromet Tablets—2 million Nos pa., (vi) Thibendole—500 Kgs. pa., (COB).

Textiles

M/s J.P. Coats (India) Pvt. Ltd: Koratti, Kerala State, (Koratti-Ke-

rala)—Synthetic Sewing Threads—35000 Kgs. pa. (COB).

M/s Regal Papers (P) Ltd: Literature Palace, Amin-ud-daula Park, Lucknow-UP. (Ghaziabad-UP)—High gloss cast coated paper—1590 tonnes pa. (NU)

Food Processing Industries

M/s Kaira Distt. Co-operative Milk Producers Union Ltd: Anand, Distt. Kaira (Gujarat). (Anand-Gujarat)—(i) Cocoa Powder and chocolate—450 tonnes pa., (ii) Malted milk food—1500 tonnes pa., (NA); M/s Panipat Foods Ltd: G.T. Road, Panipat (Haryana), (Panipat-Haryana)—Dehydrated Vegetables—700 tonnes pa., (COB).

Vegetable Oils

M/s Alembic Chemicals Works Co, Ltd: Alembic, Road, Baroda-3. (Baroda-Gujarat)—Soyabean oil and soyameal—9000 tonnes pa. in terms of soyabean seeds. (NA).

LETTERS OF INTENT

Ferrous Industries

M/s Pioneer Wire Products (P) Ltd: 52, J.N. Mukherji Road, Bandha Ghat, Salkia, Distt. Howrah (W. Bengal.—(Bihar)—Steel wire ropes both galvanised and ungalvanised and locked wire ropes—10,000 tonnes pa. (NU); M/s Nireka Engg. and Co. (P) Ltd: 29, The Mall Calcutta-28. (Calcutta-West Bengal)—(i) H.T. Carbon/alloy steel bolts, nuts and studs etc.—1050 tonnes pa. (after expansion); (ii) H.T. & Corrosion Resistant Stainless steel nuts, bolts and studs etc.—100 tonnes pa., (after expansion, (iii) H.T. Corrosion Resistant Aluminium/Bronze Bolts, Nuts and Studs etc.—20 tonnes pa. (after expansion), (iv) Galvanised M.S. Bolts, Nuts and studs etc.—50 tonnes pa. (after expansion). (SE).

Non-Ferrous Industries

Shri Deokinandan Ajitsaria: C/o Shri Purshottam Loyalka, Maheshwari Mansion, 34, Napean Sea Road, Bombay-6. (Nasik—Maharashtra)—Aluminium collapsible tubes—12 millions Nos pa. (NU); M/s The Aluminium Mfg. Co Ltd: 2, Jessore Road, Dum Dum, Calcutta-28. (24, Parganas-W. Bengal)—(i) Aluminium rigid containers of 500 CC to 5000 CC capacity and aluminium screw caps for phase containers—Expansion from 200 tonnes to 1200 tonnes pa., (i) Aluminium PP caps and aluminium crown corks—50 tonnes of each item pa. (SE).

Electrical Equipment

M/s NGEF Ltd: P. Bag No. 5384, Bangalore-1. (Bangalore-Mysore)—

THE RIGHT KIND OF CLOTH/

J.C. FABRICS

SPECIALITIES :

SUITINGS

SHIRTINGS

LENOS

POPLINS

TOWELS

ROLLER &

SCREEN PRINTS

TAPESTRIES

DHOTIES

SAREES

ETC. ETC.



Jyajeerao
COTTON
MILLS, LTD.
BIRLANAGAR (M.P.)

Current transformers of 66/110/132 KV upto 1500 A—300 Nos pa. (NA); M/s The Indian Aluminium Cables Ltd: 26 Himalya House, Kasturba Gandhi Marg, New Delhi-1. (Ballabgarh-Haryana)—(i) Aluminium bus bars and sections for switchgear industry—700 tonnes p.a., (ii) Aluminium ACSR accessories and clamps and fittings for substation equipment—200 tonnes pa NA.

M/s Oldham & Sons (I) Ltd: 21/22, Alandur Road, P.B. No. 2635, Madras-32. (Saidapet-Tamil Nadu)—(i) Automotive batteries—1.2 lakh Nos pa., (ii) Traction batteries—10,000 Nos pap. (SE); M/s Electronics and Computers (India) Ltd: 1006, Akash Deep, Barakhamba Road, Connaught Circus New Delhi. (UP)—Silicon, semi-conductors devices (Resistors and Diodes) Expansion from the existing capacity of 6.5 million Nos to 15.0 million Nos pa. (SE); M/s Bharat Electronics Ltd: Jalahalli, Bangalore-13, Mysore —Receiving Valves—Expansion from the existing capacity of 5 million Nos to 10 million Nos pa. (SE); M/s Hind Rectifiers Ltd: Lake Road, Bhandup, Bombay-78. (Bombay-Maharashtra)—

(i) Silicon Rectifier apparatus upto 50 KW to 1,000 MW—8, Nos. (ii) Above 50 KW to 200 KW, 50 MW—5 Nos. (iii) Above 200 KW to 500 KW, 15 Nos. (iv) Above 500 KW to 1 MW, 7 Nos.—Total No 10.75 MW—25. (SE).

Sugar

M/s Shree Panchanganga Sahakari Sakhar Karkhane Ltd: Ganganagar-Ichalkaranji, Di stt. Kolhapur (Maharashtra). (Maharashtra)—Sugar—Expansion from crushing capacity of —2500 tonnes to 3250 tonnes cane per day. (SE)

Food Processing

Shri K.S. Desai, Director, Premier Tyres Ltd: 70, New Stock Exchange Building, Dalal Street, Fort, Bombay. (Maharashtra)—(i) High protein beverages—7,500 tonnes pa, (ii) High protein (milk) Powder—2,000 tonnes pa, (iii) High Protein textured foods—5,200 tonnes pa, (loaves, mooks hotdogs, meats, chicken, cheeses etc.,

(iv) Soyaoil refined—1,000 tonnes pa. (NU); Lt. Col.T. Murari, "PAX" Landons Rd., Kilpauk, Madras—10. (Madhya Pradesh)—(i) Babyfood with whole milk powder—2,409 tonnes pa, (ii) Skim milk powder—584 tonnes pa, (iii) Cheese—638.75 tonnes pa, (iv) Casein—91.25 tonnes pa. (NU); Shri V.M. Chacko: Executive Director, Herbertpur Christian Hospital, Herbertpur (UP). (Uttar Pradesh)—(i) Soyabean Nicities including snacks—8000 tonnes pa, (ii) Soya flour and flour based edible products fortified with vitamins—4,000 tonnes pa (NU).

Rubber Goods

M/s Madras Rubber Factory, Ltd: Dhun Building, 175/1, Mount Road, Madras-2. (Goa)—Automobile tyres and tubes—3 lakhs Nos each pa. (NU).

Misc. Industries

Assam Industrial Development Corp. Ltd: 26-A, Cantonment, Shillong (Assam). (Assam)—Cigarettes—3000 million pcs. (pa.) (NU).



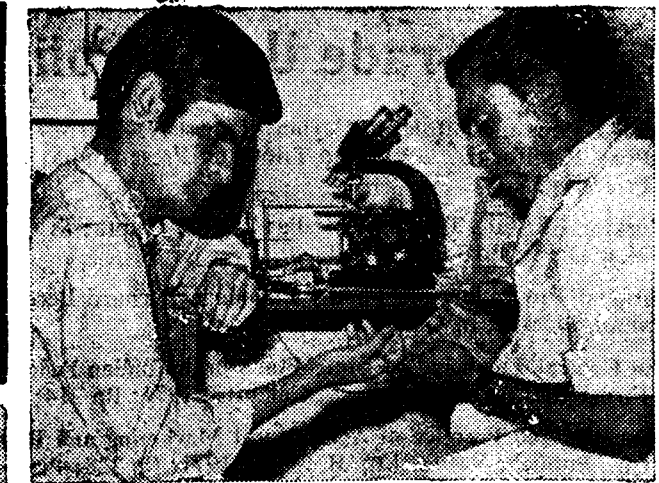
Centre of East/West Trade Leipzig Trade Fair German Democratic Republic

12/21 March 1972

Men who know their business know Leipzig Fair. At Leipzig you can keep abreast of the latest trends in technology, meet new partners, and establish links with the stable, long-term market of the socialist countries. Leipzig offers unique opportunities to generate new business in the setting of an unequalled international display of products.

Fair cards and further information from
Leipzig Fair Agency in India,
P.O.B. No. 1993, Bombay-1.
D-7, Nizamuddin East, New Delhi 13,
34-A, Brabourne Road, Calcutta-1
99, Peters Road, Royapettah, Madras-14,
or at the GDR State frontier

Gopal works for Century Rayon 8 hours a day Century Rayon looks after Gopal the other 16 hours



Gopal is one among 7000 workers at Century Rayon. He works an 8-hour shift. When he's off duty, Century Rayon strives to keep him off the everyday worries.

Like lunch-break, for example. He doesn't have to worry if his food has not arrived from home. He gets his, at the subsidised canteen. A wholesome meal at a fraction of its cost.

After work hours, Gopal returns home—a subsidised house in the Century Rayon Colony, to have his family under a roof. The next-to-factory colony also saves him the bother of transportation.

Medical help is within a 'calling' distance. Leisure finds Gopal & his family playing indoor or outdoor games. Or, watching a movie with the family, once a week. Courtesy: his welfare club. So the next day, Gopal returns to work a happy man.

It takes a lot more to keep Gopal and his 6999 colleagues happy. During the 16 hours they aren't working.

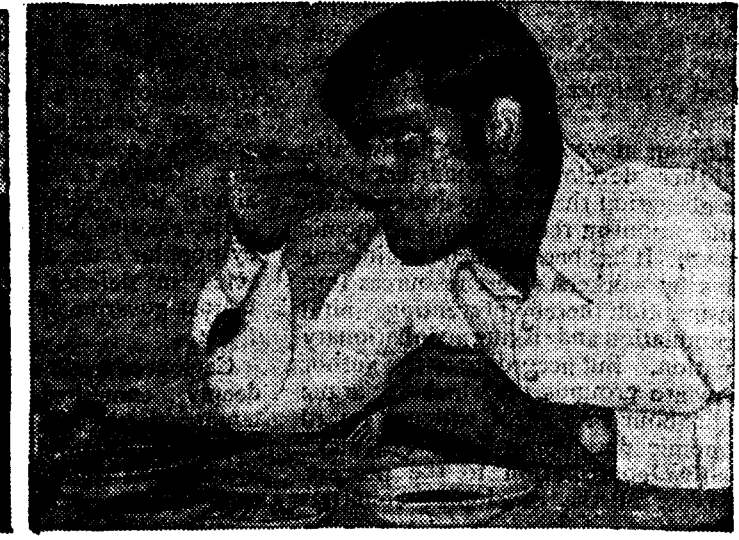
Belief of Century:
a happy worker is a happy company.



Century Rayon

Industry House, 159, Churchgate Reclamation, Bombay-20.

cam/c/15



BOOKS BRIEFLY

Trade Union Politics

Trade Unions and Politics in Ceylon: Robert N. Kearney; University of California Press, California, USA, and Thomson Press (India) Ltd, New Delhi; Pp 195; Price Rs 35.

Working of State Trading in India: K. R. Gupta; S. Chand & Co. (Pvt) Ltd, New Delhi; Pp 343; Price Rs 40.

National Programmes in Family Planning: Bernard Berelson; Meenakshi Prakashan, Meerut; Pp 319; Price Rs 30.

The Central Financing of State Plans in the Indian Federation: Amiya Chatterji; Firma K.L. Mukhopadhyay, Calcutta; 1971; Pp 214; Price Rs 30.

Principles and Practice of Agricultural Marketing and Prices: S.C. Jain; Vora & Co., Publishers (Pvt) Ltd, Bombay; 1971; Pp 328; Price Rs 20.

Technological Change and Industry: Edited by C. P. Thakur and G. S. Aurora; Shri Ram Centre for Industrial Relations, New Delhi; 1971; Pp 348; Price Rs 40.

Reviewed by ACADEMICUS

Trade Unions and Politics in Ceylon contains a fairly comprehensive study of trade unionism in Ceylon which has emerged as a vigorous movement during the last 20 years or so. Mr Kearney has based this study on personal interviews and discussions with trade unionists, politicians and public servants. The analysis therefore appears highly realistic and lively, unlike many other works which contain highly academic accounts of trade union movements. The author has sought to evaluate some of the social and political implications of the aggressive trade unionism which has emerged in Ceylon and to assess the position and significance of the labour movement in the Ceylonese political process.

In Ceylon trade unions serve as the bargaining instrument of the workers. They seek a more egalitarian distribution of national income and more full, effective and emotionally satisfying participation in the life of the society of which they are a part. In Ceylon not only have the unions sought the material gains for their members but have asserted a virtually unfettered right to act in defence of members' interests.

Labour movement in Ceylon (as also in other developing countries) faces the allegation that strong and militant trade unionism retards rapid economic growth. It has been argued that income gains by workers divert resources into consumption thereby preventing capital accumulation and risking an inflationary situation. But according to the author there are grounds on which to argue that labour movement will not retard economic development but can make positive contribution to the process. In most of the developing countries

labour unions are not very powerful and hence they mostly represent an inevitable effort on their part to prevent a loss of real income and a declining standard of living. Thus in Ceylon, despite the high level of labour organisation and militancy of public servants, the wage and salary structure remained stationary practically until 1967 when a special allowance was granted to offset in part the effects of currency devaluation. Between 1957 and 1967, the index of real wages of all workers in trades covered by wage boards, using 1952 as the base, had increased only from 104.7 to 106.4. It must also be noted by those who oppose trade unionism on the ground that it retards economic development that many of the demands and a large proportion of labour disputes in Ceylon centre round non-wage issues such as discipline, working conditions, job security, abusive and degrading treatment and such other issues of slight potential impact on labour costs and inflation.

According to the author the vital social and political functions which the trade unions may perform are perhaps of even greater significance than the economic consequences of trade unionism. Thus in Ceylon trade unions have almost universally defended the franchise, elective institutions, government by popular consent and have generally acted in defence of public liberties against governmental encroachment.

Ceylonese trade unions have become deeply enmeshed in politics of the country partly because so many of their objectives require, according to the members of trade unions, political action. Most of the trade unions in

Ceylon are hostile to the existing social order which is associated with economic, political and social subordination and deprivation of the workers. Relief from the problems of workers is commonly sought through radical political action. The strength of Marxism in the labour movement is related to its appeal as an inherently revolutionary doctrine legitimising and providing guidelines for a fundamental reconstruction of society. Radical political sentiments are therefore common not only among the Marxist trade unionists but also among other labour leaders.

Trade unions function in Ceylon politics both as vehicles for articulation of workers' demands and as auxiliaries of political parties in the competitive mobilisation of political support. The relationship between unions and political parties is based on expectations of reciprocal benefits. In addition to their primary political function of representing workers' interests in politics, trade unions in Ceylon perform other highly significant functions in the political process of the country. Unions are among the few associational groups with mass membership in society and act as a mediation between the masses of citizenry and the authoritative agencies of the state. In Ceylon with its highly hierarchical and ascriptive social system, trade unions provide one of the very few relatively open channels for purposeful participation in the larger social and political realms by persons not born into the small elite and privileged social strata.

Altogether the book makes delightful and illuminating reading combining as it does theory and practice, lucid analysis and expressive style, broad comprehension and deep insight—all culminating in the depiction of a living picture of the development and functioning of trade unionism in Ceylon.

STATE TRADING

There is not yet much understanding among the public about the theory and practice of state trading and therefore *Working of State Trading in India* by K.R. Gupta is extremely welcome. Also, whether one likes it or not, the scope of state trading is likely to expand in years to come and therefore it would be appropriate to know objectively about its role and functioning especially in developing countries.

According to the author, state trading has to play a vital role in a planned economic development of a country. An important objective of state trading in recent years has been to facilitate trade with the centrally planned economies where entire trade is conducted by state agencies. State trading can also

be used as an important instrument of export promotion. The state may also find it difficult to fulfil its obligations arising out of bilateral agreements, if the trade is in private hands. State trading can also be used to take advantage of the monopoly power in respect of commodities for which the country holds a world monopoly.

Buy Cheap

Similarly, in the case of commodities for which the country is a substantial buyer in the world market, it can use its monopoly power to buy its imports at the cheapest rates. It is also maintained that every country requires to regulate its imports and exports for several reasons such as rectification in its balance of payments, restricting imports of non-essential commodities and providing protection to domestic industries. It is claimed that mere regulation of private trade leads to evils such as inordinate delays, corruption and favouritism, unauthorised dealings in foreign exchange, blackmarketing, evasion of trade controls etc., and hence the advocacy of state trading which will also eliminate other evils such as tax evasion and speculation. Also, state trading is advocated as a source of public revenue needed by state which is called upon to play an increasing role in the life of the society at present. All this means that once economic planning is accepted as the major policy in economic sphere, strategy of state trading becomes a necessary weapon for facilitating and successful execution of planning.

On the other hand it is claimed that there is a strong case against state trading. Foreign trade is a very specialised business requiring expert knowledge and wide contacts with traders abroad. Conduct of foreign trade also requires quick decisions according to changed business conditions. Further, personal interest is very essential for the efficient and economical conduct of foreign trade. The critics claim that the bureaucratic state machinery in developing countries which is full of corruption and malpractices is not, at any rate at present, competent to handle this delicate job. The author seems to believe the disadvantages commonly pointed out in state trading agency are not inherent in it and be avoided, if state trading agency is organised and operated on commercial principles.

Today state trading has become a world-wide phenomenon. Thus, state trading in the field of farm products is carried on principally by countries of western Europe, the USA, Australia, New Zealand and a large number of newly developing countries. In the centrally planned economies of USSR,

China and other east and central European countries, both export and import trade are a complete monopoly of the state. The author has clearly analysed all these developments in the field of state trading in a fairly exhaustive way.

After briefly tracing the historical development of state trading in India leading to the establishment of the State Trading Corporation in 1956 and the Minerals and Metals Trading Corporation of India in 1963, the author has examined fairly exhaustively the working of the State Trading Corporation of India. He has classified the objectives under five headings namely, (i) exports, (ii) imports, (iii) internal trade, (iv) trade promotion agreements, (v) export aid to small industries, and (vi) participation in export-oriented corporations.

Amendment Required

The author is of the opinion that the objectives clause in the Memorandum of Association of the State Trading Corporation of India should be suitably amended to remove the confusion and misgivings which prevail at present and to give a clearer view of its role which the corporation is expected to play in national economy. It is necessary that the private trade is told in unambiguous terms its field of operation. He is also of the opinion that the State Trading Corporation of India should be changed from a joint stock limited company to a public corporation. Though the enterprise is already styled as a corporation, it is in fact a company. As regards the constitution of the board of directors, the author has rightly opined that to avoid overlapping of responsibility and to maintain integrity of political life, the legislators should be excluded from the membership of the board. Also, excessive representation of officials on the board should be avoided. All persons on the board should be persons of high calibre and business ability and also of a towering personality that can resist, if necessary, informal ministerial views detrimental to national interests. While accountability to government and Parliament has to be accepted, the author rightly emphasises that it is at the same time absolutely essential to balance these requirements with need to maintain basic conditions for effective functioning and safeguarding the reputation of a public sector undertaking in a highly competitive field such as that of foreign trade.

In the rest of the book i.e. from chapters 9 to 20, the author has analysed the activities of the Corporation since its establishment. It is seen that the direct trade of the Corporation has increased steadily from Rs 9.2 crores in 1956-57 to Rs 210.7 crores

in 1969-70. While the total turnover rose from Rs 35.95 crores in 1958-59 to Rs 210.72 crores, the gross profit during the same years rose from Rs 3.33 crores to Rs 16.24 crores and net profit after taxation from Rs 1.34 crores to Rs 5.19 crores. The author has also done well to deal (though briefly) with aspects such as pricing policy, canalisation and price support operations (in respect of commodities such as jute, seedlac, lemongrass oil, tobacco, cotton, Bleeding Madras and newsprint.)

Whether one agrees with all the views the author has expressed in this book or not, there is no doubt that this book gives a comprehensive view of state trading and its role in a developing economy. This will enable a critic to judge the performance of the State Trading Corporation of India in a fair way, instead of judging it merely on the basis of prejudice and often of ignorance.

FAMILY PLANNING

The International Conference on Family Planning Programmes, first of its character, was held in Geneva in 1965 and this volume contains the papers on the family planning programmes underway throughout the countries of the world.

From the papers reproduced in *National Programmes in Family Planning*, it is obvious that during the last fifteen years or so in almost every country of the world, there have been vast changes in many aspects of life and these changes have come with amazing rapidity. It is only during the last fifteen years or so that many governments have realised that rapid growth of population impedes their economic development. Population problem is no simple problem; in fact there are many population problems—those related to employment, education, provision of health services, transport, migration, housing, industrialisation, agricultural productivity and above all, in developing countries, the problem of increasing per capita income. There is no wonder therefore that most of the governments of developing countries are concerned with family planning.

From the papers we learn that though the problems of population are found everywhere, there are similarities as also differences in different parts of the world. Thus, Africa is still somewhat the continent of the unknown when it comes to population. There the awareness of the relationship of population growth to economic development is scattered and scanty, though to some extent Tunisia and Egypt are exceptions. Mainland China has accepted

that its population growth rate of about 2.5 per cent or more will impede its economic development. Japan has solved its population problem. In the rest of Asia the problems vary somewhat from country to country though the overall picture is that of a race between the numbers of people and economic development. Western Europe and North America have their own special problems with their pockets of poverty and of people with little or no skill to fit them into the automated society that is rapidly developing.

The problems analysed in these papers fall broadly into three categories. First, what are the common characteristics of family planning programmes in developing countries? Second, what are the common barriers to progress? And third, what next?

From the papers, some of the common characteristics of family planning programmes in developing countries appear to be: dynamic and rapidly changing nature of the problem in most of the developing countries; rapid supplementation of private efforts by governmental action; quickening of interest in population problems of all kinds including problems of human reproduction; growing sense of urgency about these problems; growing awareness of the interrelationship of population growth with other problems of development; acceptance of technological advances in this field such as oral pills, the IUD, etc.; increasing interest on the part of doctors and other health personnel in programmes of family planning; greater knowledge about attitudes, motivation, effective methods of communication, etc.; and the spread and general acceptance of new values and ideas in the sphere of family planning.

Common Barriers

As regards some of the common barriers to family planning programmes in developing countries, the papers mention the following: dogma and doctrine, religion, inadequate health services and some other managerial and operational barriers to the implementation of family planning programmes.

To the third question 'what next?', some of the papers mention that what lies ahead is hard and often dull job of planning programmes, training of thousands of workers, removing bureaucratic barriers and moving from pilot to mass operations. At the same time search for new methods of regulating pregnancy and clearer understanding of human sex behaviour and interrelations of population growth with many aspects of life in the world's rapidly changing society must continue.

All these challenges must be met so that they will contribute to the evolution of better living for those who will be born.

Many of us know something about the problems of population and population policy in India, but not much about developments in this field in other developing countries of the world. This volume provides excellent information about the problems of population growth in other parts of the world and will therefore create among readers greater awareness about the subject.

STATE PLANS

The author of *The Central Financing of State Plans in the Indian Federation* has made an attempt to analyse both the theory of federalism and its application to India in the field of national planning. An attempt has been made to analyse the nature and problems of development planning in a diversified society where different interests get territorially grouped and where therefore power comes to be divided between the central and several state governments.

Though the Constitution of India is guided by the constitutional practices of the leading federations of the world, according to Dr Chatterji, it differs in one vital matter in that in India the union and the states have the power to make grants outside their law-making powers. No specific law for the purpose of making grants is passed, because the Constitution has not conferred any law-making power for public purpose grants. The state governments are expected to co-operate with the central government through the administrative procedure.

According to the author, the working of the Plan assistance has raised a number of problems such as: Are financial inducements in the form of Plan assistance necessary? If so, is the method effective? If not what is the alternative?

The author has something definite to say on these problems. Since the resources position of the centre is strong and the centre has responsibility for economic development, transfer of resources from the centre to state is inevitable. However, such transfers on two counts (Plan and non-Plan) and on the recommendation of two bodies pose the problem of utilisation of resources. Transfer of revenue on the recommendation of the Finance Commission for non-Plan revenue purposes and Plan assistance in the form of loans and grants on the recommendations of the Planning Commission appear to be an unhealthy practice in

that such dual and unco-ordinated assistance is likely to result in wastes. According to the author, the mechanism of Plan assistance in the past has not always ensured utilisation of resources for purposes for which they were meant. And therefore the author has emphasised that for transfer of resources from centre to states for any purpose, some specific law is absolutely necessary, as otherwise it will be difficult to enforce public policy amidst conflicts of state interests.

If no specific law can be passed, the author is of the opinion that it is better to have a single machinery for recommendation of grants for all purposes—Plan as well as non-Plan.

About the principle of allocation of resources, rectification of regional imbalances being the declared policy of the planners, implementation of this policy through central assistance does imply transfer of resources from richer states to the poorer ones. According to the author, so far as social services are concerned, there is good reason for equalisation; but for economic development, great insistence on equalisation may lead to economic wastes.

Planning for economic development through a federal structure of government and in a mixed economy must be, at least in the early stages, in the nature of blind man's buff. But once the process gets going and difficulties and defects are discovered, it should be possible for the parties concerned to overcome them.

The author has made an attempt to deal with the twin problems of planning and federalism. Since the Indian case has a universal significance in as much as the confrontation of states' rights with the needs of national planning poses problems which are common to all federations, this book should interest all readers. Since India has not yet successfully tackled this problem of transfer of resources from the centre to states, this study making some concrete suggestions is welcome.

AGRICULTURAL MARKETING

Though India's tradition-bound agriculture has taken a happy turn in recent years, this tempo and pace cannot be maintained unless accompanied by a sound agricultural market structure. Farmers have to be assured of the minimum prices through adequate marketing facilities. This is a must if the "green revolution" that has been initiated is to be sustained. There has been realisation of the importance of marketing in recent years and quite a few books on the subject have appeared in recent years. *Principles and Practice*

of *Agricultural Marketing and Prices* by S.C. Jain is a welcome addition.

Unlike many other books which are mostly descriptive and therefore of limited practical utility, this book supplements the descriptive part with the necessary theoretical analysis, thus enhancing the usefulness of the book.

In part I the author has dealt with topics such as importance and objectives of marketing, markets and their types, marketing systems and their characteristics and approaches to marketing problems. While dealing with the last aspect, the author has referred to (i) the functional approach which considers the various functions and activities of marketing channels, (ii) the institutional approach which considers the nature, characteristics and activities of various marketing agencies and business establishments which perform the various functions and (iii) the commodity approach which emphasises different marketing methods and practices actually followed in respect of different commodities. The author has rightly emphasised that all the three approaches are essential to obtain the proper understanding of agricultural marketing in India.

Lucid Analysis

In part II the author has dealt with topics such as nature of demand, individual, market and total demand, elasticity of demand and its measurement and factors affecting elasticity and demand for agricultural commodities. For students of economics, analysis in this part would appear elementary; but for the understanding of agricultural marketing, concepts such as income-elasticity of demand for agricultural commodities and elasticity of substitution must be properly grasped and therefore for general readers this part will provide the necessary theoretical background in a brief but lucid way.

In part III the author has dealt with topics such as nature of agricultural products, the determinants of agricultural production, concept of marketed surplus and elasticity of supply and its measurement. Thus, while discussing the nature of agricultural production, the author has drawn attention to variability in agricultural output, and seasonality and concentration of production. As regards the agricultural products, the author has referred to the characteristics such as bulkiness, perishability, substitutability etc. As regards determinants of production, the author has drawn attention to factors such as natural factors, price, technology, etc. The author has dealt at length with factors affecting marketed supplies of agricultural pro-

ducts in India and the various causes of variations in marketed supplies at different times. This chapter is a fine blend of theory and practices in the sphere of agricultural marketing. Part IV analyses topics such as price determination under different market structures and in different marketing situations and price differentials through time and place and pricing of agricultural products. This part which is mainly theoretical will be found useful by those who have not studied economics but have to deal with the problems of agricultural marketing.

Marketing Channels

Part V which is mostly descriptive deals with topics such as marketing channels, marketing costs, margins and marketing efficiency and procedures for agricultural marketing in India. The author has rightly emphasised that marketing is just as necessary as farm production and is in fact part of production process itself, for no commodity is really 'produced' until it is in a form which can be used at a place where and at a time when it is needed, and is in possession of those who want to consume it. If marketing has come to be neglected in India for long, that is because it was conceived as something apart from production. The last part deals with topics such as defects of agricultural marketing in India, means of effecting improvements through governmental action, group action and individual action and the role of government in marketing, including organisation and functions of marketing departments at the central and state levels.

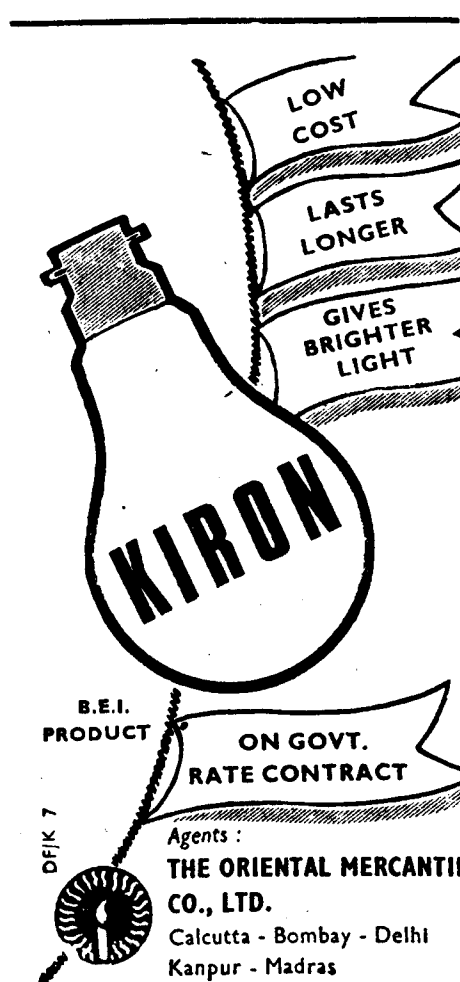
The author has drawn attention to various defects from which agricultural marketing suffers in India, defects such as lack of producers' organisations, forced sales, heavy sales in villages, superfluous middlemen, multiplicity of market charges and various other malpractices in the market, absence of grading and standardisation, lack of information regarding prices and conditions of demand, inadequate storage facilities, inadequate means of transport, lack of market finance at proper rates and so on. Having discussed what various agencies are at present doing in India to improve agricultural marketing, the author has emphasised that co-ordinated action at various levels, namely government, group and individual, will be needed if proper agricultural marketing facilities are to be provided for our agricultural producers. Unless and until that is done the task of reconstructing agriculture in India will remain incomplete.

The book will be useful to all those individuals and institutions who are

concerned with the problems of agricultural marketing in India.

TECHNOLOGICAL CHANGE

It is a well-known fact that changes in technological sphere affect all aspects of social life. These effects may be direct or indirect and similarly they may be immediate or ultimate. These technological changes however have their primary and immediate impact on the industrial sector of a country. It is our experience that workers and managers while dealing with technological changes do not often give their deep thought to the wider implications of such changes. Scholars on the other hand reflect on technological changes, but it is rarely that they come in direct contact with them. Unless the ideas and experiences of all these groups of people are brought together and the problems of technological changes are studied from a wider and different angle, we will not be in a position to appreciate the various problems involved in technological changes, much less to solve them. In economically backward countries like India with its antiquated techniques in various fields, rapid introduction and application of new technology is bound to have far-reaching consequences. The problems of technological changes in



developing countries therefore need special and careful attention.

Technological Change and Industry contains papers presented at a national seminar on the subject and covers broadly three aspects of technological changes: management structure and style; education, training and manpower; and industrial relations. Together the papers provide some guidelines for evolving a pattern of policy directions relevant to the introduction of technological changes for consideration of the state, the management and trade unions.

C.P. Thakur in his background paper has emphasised that technological choice has to be made with more than one consideration in view. Principally, the productivity and employment objectives need careful balancing. He has also pointed out that even though we borrow technological know-how from developed countries, we must not neglect indigenous scientific talent and research potential. Also, the question of human capital formation, planning for appropriate organisational structure, suitable changes in managerial style and practices and proper understanding of the patterns of trade union response all deserve close attention for facilitating smooth transition from old to new technology.

Interesting Analysis

While G.S. Aurora and his colleagues have in their joint paper analysed in an interesting way how technological changes generate various non-technological consequences, R. Mishra has pointed out the direct relevance of technological changes to organisation. More or less the same point has been analysed by M. V. Pylee and P. R. Poduval who have concluded that "dislocations and changes caused by a new technology are amenable to smooth handling by willing managers".

E. P. Mathias in his excellent paper has pointed out that during the 1970s massive technological changes are inevitable and therefore the time to go over to an integrated policy of 'planned changes' is now. He wants that lines for modernisation should be predetermined and if the costs on these main lines are to fall, then change-over from the old to new system must be brought about in the shortest time possible. All this means that it is now necessary to prepare the new managerial groundwork, new cadres and new channels of promotion on the basis of the principles of job evaluation and unified grade structure. The new techniques of recruitment, training and supervision must be introduced immediately so that

the process of technological changes will go hand in hand with the changes in managerial outlook.

C.B. Padmanabhan has in his paper analysed the educational implications of technological changes in the Indian economic development. As the Education Commission has pointed out already, the link between education and productivity should be forged by planning science education. This means, (i) science should receive attention as a basic component of education and culture, (ii) work experience as an integral part of general education should be emphasised, (iii) vocationalisation of education should be effected at secondary school level to meet the needs of industry, agriculture and trade, and (iv) improvements should be effected

in scientific and technological education at the university level.

Many of the articles in this book are based on case-studies and the analysis therefore is realistic and lively. Introduction of new and appropriate technology in all sectors of a developing economy being an extremely important aspect with far-reaching consequences, the entire thing has to be carefully planned in advance, if dislocations are to be kept at a minimum. There is hardly any proof to show that Indian planners have given due thought to this. This volume containing valuable papers on various aspects of technological changes should serve as an eye-opener to the planners in developing countries which are about to launch on technological revolution inherent in economic development.

Books Received

Socialist's Quest for the Right Path: S.M. Joshi; Sindhu Publications Pvt. Ltd, Hind Rajasthan Chambers, 6 Oak Lane, Fort, Bombay-1; Pp. 187; Price Rs 20.

The Economics of Tungsten: Claude Barbier; Metal Bulletin Books Ltd, 46 Wigmore Street, London W1H OBJ; Pp. 191; Price £5.

Change Strategy in a Developing Society—India: Narmadeshwar Prasad; Meenakshi Prakashan, Begum Bridge, Meerut; Pp. 344; Price Rs 30.

Introduction to Computers: Keith R. London; Affiliated East-West Press Pvt. Ltd, 9-Nizamuddin East, New Delhi-13; Pp. 265; Price Rs 20.

History of the Russian Non-Marxian Social-Economic Thought: Dr Boris Ischboldin; New Book Society of India; Post Box No. 250, New Delhi; Pp. 328; Price Rs 30.

Commercial Directory of Textile Shops in Greater Bombay: Published by the Market Research Division, Textiles Committee, 79, Dr Annie Besant Road, Worli, Bombay-18; Pp. 401; Price Rs 25.

Report on Financial and Cost Survey of Tea Industry—1963-65: Published by Tea Board, 14, Brabourne Road, Calcutta-1; Pp. 138; Price Rs 15.

Facts About Israel, 1971: Published by the Information Division, Ministry of Foreign Affairs; ; Pp. 192.

Spread Effects of Dairy Enterprise: A Case Study of Anand: Published by

Small Industry Extension Training Institute, Yosufguda, Hyderabad-45; Pp. 82; Price Rs 5.

Financing of New Enterprises: P.D. Malgavkar and S.K. Adhikari; Small Industry Extension Training Institute; Pp. 38; Price Rs 5.

So the Business System May Survive in India: N.H. Atthreya; MMC School of Management, Court Chambers, New Marine Lines, Bombay-20; Pp. 44; Price Rs 2.75.

Telecommunication (Sector Working Paper): Published by the World Bank, USA; Pp. 23.

Economic Development and Growth: Robert E. Baldwin; Wiley Eastern Private Ltd, Publishers, J-41 South Extension-1, New Delhi-49; Pp. 133; Price Rs 9.75.

The Economics of Cycles and Growth: Stanley Bober; Wiley Eastern Pvt. Ltd; Pp. 305; Price Rs 15.

India's Green Revolution: Economic Gains and Political Costs: Francine R. Frankel; Edition for India, Burma, Ceylon and Nepal, Published by Oxford University Press, Bombay; Pp. 232; Price Rs 50.

Indian Manager: His Social Origin and Career: Sagar C. Jain; Somaiya Publications Pvt. Ltd; Pp. 263; Rs 30.

The Organisation of the Government of India (Second Revised Edition): Indian Institute of Public Administration; Somaiya Publications Pvt. Ltd; Pp 539; Price Rs 60.

COMPANY MEETING

THE ASSOCIATED CEMENT COMPANIES LTD.

Statement of the Chairman,

Mr. N. A. PALKHIVALA

The following is the statement issued to shareholders by Mr. N.A. PALKHIVALA, Chairman, The Associated Cement Companies Limited, on the Company's working for the year ended 31st July 1971. The 35th Annual General Meeting of the Company was held on Thursday, January 6, 1972 at 4.00 p.m. at the Birla Matushri Sabhagar, 19 Marine Lines, Bombay-20.

The splendid victory has been won. The Indian fighting forces have covered themselves with glory. The birth of Bangla Desh has been accompanied by the death of the old balance of power between India and Pakistan. The spirit of the nation has been charged with a new zest, a new confidence, in the unfolding future. The Prime Minister's memorable leadership made it our finest hour.

2. The great lesson of the war is that this country is capable of meeting any challenge when the 550 millions are welded together as one nation, and when the Government and the governed have identity of aims, act in concert and pool their energies and resources together. This lesson should remain engraved as with a sunbeam on our minds.

3. When the euphoria has died out, the realisation will dawn on us that poverty is a more implacable enemy than Pakistan and that whereas a 15-day war sufficed to vanquish the latter, a 15-year intensive struggle would hardly suffice to overpower the other ogre.

4. At a conservative estimate there are 14 million unemployed in India. The Indian labour force is expected to increase by 63 million in the next 10 years. Since, at the present rate of growth not more than 40 million new jobs would be found at the end of the decade, 37 million would probably be unemployed in 10 years' time. Thus, on an average, the number of the unemployed would increase by 6,000 per day during the 70's.

5. The Index of industrial production which rose by 6.6% in 1968-69 and 6.9% in 1969-70, declined to 3.5% in 1970-71. During

the current financial year the increase is likely to be no more than 2.5%.

6. The slowing down of the tempo of development is clear from the steep decline in the consents for the issue of capital for companies in the private sector:

	Rs. Crores
1966-67:	290
1967-68:	216
1968-69:	129
1969-70:	147
1970-71:	98

7. The industrialist proposes, the Government disposes. Every year the number of applications for licences increases, but the percentage of applications granted decreases. As against 1,200 applications made on an average between 1959 and 1966, 1,800 applications were made for new investment in 1970 and about 3,200 in 1971. But as against 700 licences issued every year between 1959 and 1966, only 334 were issued in 1969 and 438 in 1970. In 1971 less than 500 proposals for new investment have been sanctioned.

8. The extent to which economic growth is held in chains can be gauged from the fact that although a total number of 130 applications were received by the Government from the 'larger' industrial houses since the announcement of the new licensing policy in February 1970, only one industrial licence and nine letters of intent have been issued so far.

9. 'All isms are lethal', said Jung. Our obsession with big business and concentration of economic power and our penchant in favour of micro-mini enterprises take little account of the fact that the whole concept of creation of

national wealth has been revolutionised in modern times by economies of scale and fantastic technological advances. Man will sooner discover a cure for cancer than for macrophobia and microphilia. We have yet to learn that national prosperity is indivisible and that in a well conceived economy a big enterprise will give crores of rupees to the national Exchequer, millions of profits to ancillary small-scale industries and employment to thousands. This is so evident as to be a truism, but it cannot be repeated too often in our time and land. The public postures and attitudes on this vital issue are of direct relevance to your Company as its size attracts the provisions of the Monopolies and Restrictive Trade Practices Act, 1969.

10. Perhaps there is no other country on earth which has in such ample measure all the enterprise and skills needed to create national wealth, and which takes such deliberate and endless pains to restrict and hamper its creation.

11. The economic picture in India would change beyond recognition if the time and energy which are today expended on seeking to close or reduce the income gap between the top executives and the work-force were to be directed to eliminating the gap between those already employed and the hapless millions of the jobless. It has been calculated that if the income of everyone earning over Rs. 25,000 annually were to be equally distributed amongst all, it would mean only a rise of 40 paise in the annual per capita income.

12. Our vertiginous rates of income-tax and wealth-tax are such as to put a ceiling on income and property, although in practice it operates more

effectively as a ceiling on honesty and public morality. Would not our unfortunate masses be better off if our public policy were directed towards allaying the pangs of hunger rather than the pangs of envy? And the higher the content of envy in a society the lower is its rate of growth.

13. The unfailing measures of a nation's development are — the gross national product, the availability of work, the distribution of income and quality of life. Out of these four measures, we have concentrated almost wholly on the distribution of income. Our peculiar brand of socialism has prevented us from increasing our gross national product, and the availability of work i.e. the job potential in the country.

14. As regards the quality of life, its impairment was cataclysmic in 1971 when the basic human rights of our citizens were negated by the Twenty-fourth and Twenty-fifth Amendments to the Constitution. Dr. Tocqueville remarked that nothing is more arduous than the apprenticeship of liberty. Freedom is fragile and evanescent; it is not to be inherited in the bloodstream. It is a measure of our immaturity as a democracy and the utter apathy of our people that the betrayal of our basic freedoms excited less public debate than passing trivialities.

15. "All happy families resemble one another, but each unhappy family is unhappy in its own special way." Tolstoy's famous words at the beginning of *Anna Karenina* apply just as well to relations between the Government and the governed. When the Government and business are at odds, politicians and financial papers need daily columns to explain just how wide and unavoidable their differences are; when the two come together and work in harmony, there is very much less to say. The economic miracles of West Germany and Japan are, in a large measure, due to the total understanding and co-operation between the men who create national wealth and those in power who regulate its creation.

16. There is one very significant fact which seems to have escaped public attention. At the meetings of the Boards of Directors of various companies, the Directors nominated by the Government are most helpful and understanding and as keen to contribute to the growth and development of the enterprise as the captains of industry themselves. Likewise, at the annual general meetings of shareholders the tremendous voting power of the

Government-controlled financial institutions is used wisely and reasonably. Why cannot the same spirit of understanding and goodwill be evinced by the Government in the other areas where policies are shaped and the laws are administered?

17. The time has come to substitute hard realism for slogans and practical objectives for vague aspirations. 'Garibi hatao' is at worst a slogan and at best an aspiration. If your objective is to keep the country in the mainstream of self-generating growth and development (which would involve an annual growth rate of at least 10%) and to raise the standard of living of the masses, you may as hopefully find the solution in slogans and aspirations as find silence in a disotheque.

18. Cement being literally the base for building up our national economy, one would have thought that the industry would be given every encouragement by the Government to grow and develop. Inscrutably, the status of "priority" industry enjoyed by cement since 1964 has been withdrawn by the Finance Act, 1971. This will result in the tax burden being increased from 50.6% to 55%, apart from the surcharge which was imposed in December 1971. Cement is a highly capital-intensive industry requiring large investments and a long gestation period, and it has a whole chain of beneficial multiplier effects. There is not the slightest justification for its exclusion from the list of priority industries.

19. Further, the development rebate which had already been reduced from 35% to 25% for priority industries, will be abolished altogether in respect of plant and machinery installed after 31st May 1974. The unwise abolition of development rebate will increase substantially the tax burden on the corporate sector, drive companies to obtain assistance from financial institutions instead of financing development from self-generated resources, and leave companies free to distribute dividends out of moneys which would otherwise have been ploughed back compulsorily as development rebate reserve.

20. Wagon supplies continued to be very inadequate during the year. As a result of this shortage, your Company suffered a loss in distribution of 7 lakhs tonnes, resulting in the pegging down of our production, in spite of our efforts to increase transport by road. A quarter of our total despatches are now by road.

21. In my Statement of January

1969, I had referred to the great hardship to the Company and the irretrievable loss caused to its small shareholders in consequence of the unending litigation for every year in which the Company has claimed tax relief in respect of new factories on the ground that they were newly established undertakings. The Appellate Assistant Commissioner and the Income-tax Appellate Tribunal have upheld the Company's claim for tax relief, but the Income-tax Department's reference against the Tribunal's decision is pending in the High Court. Further, the question of the correct mode of computing the capital employed in the newly established undertakings has been sent up for determination to the Central Board of Direct Taxes, and its decision for the last so many years is still awaited. Consequently there is no final decision yet as to the Company's and the shareholders' claim to tax relief right from the assessment year 1957-58 up to date. In the meantime, the shareholders' assessments get completed and become final. I believe that more than 90% of the shareholders who are entitled to tax relief in respect of dividends paid out of profits of our new factories, will never get it, because of the wrong attitude taken up by the Department in the first instance and the interminable proceedings which go on in respect of every year's assessment.

22. Your Company has decided not to take a passive or defeatist attitude. It has been privileged to play a pioneering role in the manufacture and distribution of cement in India and has built up an enviable reputation for quality, and integrity, and it will continue its endeavours to hold its foremost rank in this basic industry. The Company earnestly hopes to utilise its vast technological and human resources in new industries and areas of production and thus make even a greater contribution to the development of our national economy. Whether our hope will be fulfilled or frustrated will depend on how far our Government is willing to meet its mandate to the country by realistic economic re-thinking.

23. The members of the far-flung ACC family — at the Works and the Collieries, the Offices and other establishments — have done their job during the year with loyalty and dedication which deserve our appreciation and gratitude.

Bombay, December 29, 1971

RECORDS AND STATISTICS

IDA Assistance for Indian Agriculture

THE INTERNATIONAL Development Association, an affiliate of the World Bank, continues its keen interest in the development of our agriculture. A few days ago, it made available two new loans, aggregating to \$ 50 million for this purpose. The terms and conditions governing these credits as well as the specific fields in which they are to be used are given below:

First Credit

The first credit of \$10.0 million will help to increase production of fertilizers, an important input essential to sustain the expansion of our agricultural output.

The second IDA credit, to finance directly the manufacture of fertilizers in this country, is for the expansion of the Gorakhpur unit of the Fertilizer Corporation of India (FCI). When completed in 1974, the \$16 million project will enable the Gorakhpur plant to produce 314,000 tons of urea per year — an increase of 134,000 tons from its present capacity. It will save about \$6.5 million in foreign exchange annually.

A major goal of our economic development is self-sufficiency in food-grains. In 1965 steps were taken to encourage the development and distribution of high-yielding seeds requiring intensive irrigation and heavy applications of fertilizers, while increasing manufacturing capacity for fertilizer at the same time. Since then we have more than doubled our production of phosphate fertilizers. New capacity totalling almost a million tons per year of nitrogen and 400,000 tons per year of phosphate is under construction.

Despite the recent increases in capacity and new capacity planned, production of both nitrogen and phosphate is unlikely to meet the rising demand over the next decade. We have been spending about \$150 million a year on the import of fertilizers and fertilizer raw materials. The Gorakhpur project will help to fill part of the gap between domestic production and demand. Its output will be sold largely in northern India.

The FCI, which is owned by the government of India, accounts for 30 per cent of the country's nitrogen and 10 per cent of its phosphate capacity. The Gorakhpur plant, which began operations in 1968, is one of the best operating divisions of FCI. Financed with

Japanese credit and rupee funds from the union government, the plant was built by Toyo Engineering Corporation of Japan, which will provide engineering and design assistance for the expansion now to be started.

Substantially all equipment will be produced on the basis of international competitive bidding.

The credit is the second industrial operation for the Bank or IDA in India's public sector. An IDA credit of \$ 20 million is assisting the second stage of an expansion programme of the Fertilizers and Chemicals, Travancore Limited, a public sector company, located in Cochin, Kerala. Investments by the Bank's other affiliate, the International Finance Corporation, are helping to finance two private sector fertilizer enterprises in Uttar Pradesh and Goa.

The IDA credit will be extended to the government of India for a period of 50 years, including a 10-year grace period. It will be interest-free except for a 3/4 of one per cent service charge to cover IDA's administrative expenses.

Technical Data

Project: Urea fertilizer production.

Country: India.

Total cost: \$ 16 million.

IDA financing: \$10.0 million equivalent, 50 years, 10-year grace period, 3/4 of 1% service charge.

Other financing: \$ 6 million equivalent from government of India equity contribution.

Implementing organisation: Fertilizer Corporation of India, New Delhi.

Project description: To increase production capacity at Gorakhpur, Uttar Pradesh, from 180,000 tons to 314,000 tons a year.

Procurement: IDA-financed items will be procured on the basis of international competitive bidding, plus a small amount of equipment to be duplicated through proprietary designs. The foreign exchange component of the project is expected to be approximately \$ 8.7 million.

Consultants: Toyo Engineering Cor-

poration of Japan to assist in carrying out engineering and design.

Estimated completion date: August, 1974.

Second Credit

The second credit of \$40.0 million will help to provide more agricultural credit for farmers in Mysore state. It will be used to finance investment in minor irrigation, farm mechanisation and land levelling.

This investment will bring reliable irrigation and higher cropping intensity to 350,000 acres. About 123,500 acres of this area will be made more productive by the use of 2,000 tractors to be financed under the credit. Some 36,000 farmers will benefit by being able to grow more for their own consumption or for sale. The country's economy will gain by an annual increase of 192,000 tons of foodgrain and 252,000 tons of commercial crops like groundnut, cotton seed and vegetables valued at \$ 42 million.

In recent years, the government of India has given priority to the introduction of new agricultural technology through increasing the supply of improved inputs and by providing economic incentives to farmers. Already, significant increases in output have been obtained and foodgrain production in 1970 reached a new record of 108 million tons.

In order to maintain this momentum, the government is trying to expand the institutional credit available for on-farm investments. Estimates are that credit institutions will require to finance an average annual agricultural investment of \$400 million equivalent, during the fourth five-year Plan (1969-1974) as compared with some \$100 million invested in 1966-67.

This IDA credit is part of the World Bank Group's continuing efforts to support such institutional credit programmes that will enable a large number of farmers to make good use of new high-yielding seed varieties, fertilizers and irrigation works. Five previous IDA credits totalling \$146.4 million, made in fiscal years 1970 and 1971, are assisting similar credit programmes in the states of Andhra Pradesh, Haryana, Gujarat, Punjab and Tamil Nadu. This has been supplemented by Bank Group assistance to production of fertilizers and high-yielding seeds, by extending irrigation, by building grain stores and by aerial spraying with pesticides.

As in the other states of the country, agriculture is the dominant sector in Mysore, absorbing about 75 per cent

of the state's working force. As expansion has barely kept pace with the increase in population, the state has suffered from foodgrain deficits. Foodgrain production in the state has shown only a 20 per cent increase during the last decade—from an annual average of 3.8 million tons in 1959-60 to 4.5 million tons in 1968-69. The most important objective of Mysore's current development Plan (1969-74) is to expand foodgrain production. The project being assisted by IDA is an important element in the plan.

Under the project being assisted by IDA, about 35,000 medium and long-term loans will be given to farmers for carrying out land levelling on 282,000 acres, for sinking 5,000 borewells and 5,000 dugwells and converting 6,000 existing dugwells into dug-cum-borewells and constructing 30 lift irrigation schemes. Investments in farm mechanisation will include the import of about 2,000 tractors and associated implements.

The IDA credit will be extended to the government of India for a period of 50 years, including 10 years of grace. They will be interest free, but a service charge of 3/4 of one per cent will be made to cover IDA's administrative costs. The Agricultural Refinance Corporation (ARC), an agency established

in 1963 to provide medium and long-term finance to agricultural credit institutions, will be the channel for IDA finance.

The proceeds of the IDA credit will be lent to ARC which will repay to the government about 70 per cent after nine years at an interest rate of 4½ per cent and the balance after 15 years at 5½ per cent per annum. ARC will channel the funds through land development banks and participating commercial banks to individual farmers at appropriate terms. Small farmers are to benefit from smaller down-payments and longer maturities.

The total cost of the project is estimated at \$70.4 million. The credit will finance the foreign exchange cost, estimated at \$20 million, and part of the local currency cost. The balance of the cost will be provided by ARC, participating land development banks, commercial banks and farmers themselves.

Technical Data

Project: Agriculture.

Country: India.

Total cost: \$70.4 million.

IDA financing: \$40.0 million equivalent.

lent, 50 years, 10-year grace period, 3/4 of 1% service charge.

Other financing: \$30.4 million equivalent from Indian sources including participating farmers.

Implementing organisation: Mysore State Co-operative Land Development Bank Ltd, Mysore.

Project description: To expand the volume and range of agricultural credit to farmers for on-farm development.

Procurement: Tractors, including an initial set of spares, to be procured from Bank member country suppliers having manufacturing facilities in India or having licenses to manufacture and have clearance for import of capital goods; drilling rigs and land reclamation machinery to be procured on the basis of international competitive bidding.

Consultant: None.

Estimated completion date: Early 1975.

With the above two credits, the total assistance made available by IDA to India has reached the level of \$1628.4 million of which agriculture alone accounts for \$330 million.

SELECT LIST OF IIFT PUBLICATIONS

COMMODITY STUDY REPORTS		OTHER REPORTS	
	Price Rs		Price Rs
Automobile Ancillaries		Survey of India's Export Potential of Spices (3 vols)	100.00*
(a) Radiators	5.75	Survey of India's Export Potential of Oil-cakes (5 vols)	125.00
(b) Brake Linings and clutch facings	6.00	Survey of Overseas Transport & Freight Structure in India's Export Trade (6 vols)	125.00*
(c) Filters—air, oil and fuel	6.00	Survey of India's Export Potential of Machine Tools (3 vols)	125.00*
(d) Shock absorbers	5.25	Survey of India's Export Potential of Leather & Leather Products (4 vols)	125.00*
(e) Engine valves	6.00	Survey of India's Export Potential of Textiles & Made-up Garments (5 vols)	125.00*
(f) Leaf springs	8.75	Survey of India's Export Potential of Wood & Wood Products (4 vols)	100.00*
Agricultural Implements & Machinery		Survey of India's Export Procedures & Documents (6 vols)	150.00*
MARKET SURVEY/COUNTRY STUDY REPORTS		Survey of India's Export Potential of Shell-lac (3 volumes)	100.00*
A Study of Marketing Opportunities for Selected Engineering Goods in Japan	8.00	Quarterly Journal: Foreign Trade Review	
Export Prospects of Selected Indian Products in Ceylon	9.25	Annual Subscription:	15.00
GENERAL RESEARCH		Single copy:	4.00
UNCTAD-II—A Step Forward	14.50	Monthly Bulletin: Foreign Trade Bulletin	
Export Development in Industrial Estates	9.00	Annual Subscription:	18.00
Export Marketing Operations—A Case Study Approach	16.00	Single copy:	2.00
Export Credit & Credit Insurance Facilities in India and Abroad	10.00		
Study of Port Narmada (Dajaj)	12.00*		
Generalised System of Preferences			
(a) New Opportunities for India's Exports	45.00*		
(b) Rules of Origin	20.00*		
Bibliography on Overseas Market Surveys of Indian Products	8.50*		

* Postage Free

N.B. For these publications please write to the Commercial Manager, Indian Institute of Foreign Trade, H-8, Green Park Extension, New Delhi-16.

Foreign Collaborations

THE GOVERNMENT of India approved 41 foreign technical/financial collaboration cases during July-September, 1971. Eight of these cases are for financial collaboration and the remaining 33 for technical collaboration.

There were 14 collaboration cases with UK, nine with USA, five with West Germany, four with Japan, three each with USSR and Switzerland and one each with Australia, France and Sweden.

Sl. No.	Name of the Indian company	Name of the foreign company	Items of manufacture
INDIA—AUSTRALIA			
1.	M/s India Pistons-Repco Limited, 'Hazur Gardens', Sembiam, Madras-11.	M/s Repco Ltd, 630, St Kilda Road, Melbourne, Victoria, Australia.	Crankshaft grinders, automotive surface grinders and cylinder boring Bar machines.
INDIA—FRANCE			
2.	M/s Franco Indian Manufacturers Ltd, (F) Bannu Ghar, Hornby Vellard, Bombay-18, WB.	M/s Roussel-Uclaf, Paris.	Allotment of right shares to non-residents.
INDIA—JAPAN			
3.	M/s Delton Cable Industries Pvt Ltd, Delton House, Bharat Ram Road, 24, Darya Ganj, Post Box No 1190, Delhi-6.	M/s Nippon Electric Co Ltd, Tokyo, Japan.	Carbon film resistors.
4.	M/s Mulchandani Electrical & Radio Industries Ltd, Sukh Sagar, Hughes Road, Bombay-7.	M/s Fuji Variable Condenser Co Ltd, Japan.	Polyethylene variable gang condensers.
5.	M/s Industrial Electronics, 9 Varsha, (F) 69-B, Napean Sea Road, Bombay-6.	M/s Nippon Chemicals Condensers Co, Tokyo, Japan.	Electrolytic capacitors.
6.	The Premier Cable Co Ltd, 14/15-F, Connaught Place, New Delhi.	M/s Farukawa Electric Co, Japan.	Cross linked polyethylene power cables.
INDIA—SWEDEN			
7.	M/s Standard Batteries Ltd, Vokola, Santa Cruz, Bombay-55.	M/s A. B. Tuders, Sweden.	Marine duty special cells.
INDIA—SWITZERLAND			
8.	M/s Elys Chemical Laboratories Pvt (F) Ltd, Radha Kunj, Flat No 4, Sarojini Road, Santacruz (West), Bombay-54.	M/s ARCO Limited, Lugano, Switzerland.	Chloramphenicol.
9.	M/s Swastik Bansidhar Engineering Ltd, Motilal Hirabhai Market, Railwaypura Post, Ahmedabad-2.	M/s Fritz Buser AG, Wiler Bei Utzenstorf, Switzerland.	Fully automatic combination screen printing machine for flat bed and rotary screen printing.
10.	M/s Hindustan Sanitaryware and Industries, Bahadur Garh (Rohtak) Ltd, Haryana.	M/s SIMILOR SA, Geneva, Switzerland.	Sanitaryware fittings.
INDIA—U.K.			
11.	M/s Indo-Burma Petroleum Company Limited, Allahabad Bank Bldg, Apollo Street, Fort, Bombay-1.	M/s Morgan Fairest Limited, Fairway Works, Carisle Street, Sheffield, S 47 L.P., England.	Fully automatic conveyerised Bottle labelling machine.
12.	M/s Jaswantraai Manilal & Pestonji F. Ghadially, C-33, Defence Colony, New Delhi-3.	M/s Bass International Limited, 80, Haymarket, London, SW-1.	Beer
13.	M/s Pashabhai Patel & Company, Construction House, Ballard Estate, Bombay-1.	M/s Agrotillers Ltd, Ardee Road, Dundalk, (Republic of Ireland), UK.	Agrotillers, mounted rotary cultivators.
14.	M/s Hydraulics Ltd, PB 331, 29 Mount Road, Madras-2.	M/s Armstrong Equipment Ltd, UK.	Shock absorbers.
15.	M/s Kabbur Industries Pvt Ltd, 3, Bastion Road, Fort, Bombay-1.	M/s L. Dennis & Co, Limited, UK.	Magenta dyestuffs.
16.	M/s Usha Automobiles & Engineering (Pvt) Limited, 14, Princep Street, Calcutta-13.	M/s Josiah Parkes & Sons, Union Works, Willenhall, Stafford, UK.	Disc tumbler locking devices.
17.	M/s Deccan Enterprises Private Limited, (F) 8573 Rashtrapathi Road, Secunderabad-3. (Andhra Pradesh)	M/s Martonair Ltd, UK.	Pneumatic control equipment.
18.	M/s Flexicons Ltd, Mani Mahal, 3rd Floor, Mathew Road, Bombay-4.	M/s Starr-Hodge Consultants, Oak House, Haselbury Plucknett, Crowkerne, Somerset, UK.	Pre-alloyed bronze powder.

(F)—Indicates cases involving financial participation also.

Sl. No.	Name of the Indian company	Name of the foreign company	Items of manufacture
19.	M/s Metal Lame Cans (India) Pvt Ltd, 2, Murphy Road, Post Bag No 876, Ulsoor, Bangalore-8.	M/s Thorn Lighting Ltd, UK.	MV Lamps.
20.	M/s Bertrams Scott (India) Ltd, (F) 1/10, Kimber Street, Calcutta-17.	M/s James Bertram & Sons Ltd, Bertrams Ltd and Ernest Scott & Co Limited, (now M/s Henry Balfour & Co Limited) UK.	Paper and pulp marking plant.
21.	M/s Vijay Machinery Stores, 35, Shroff Bhavan, 159, P. DeMello Road, Bombay-1.	M/s Walter idde Co Limited, Northolt, Middlesex, UK.	Automatic/manual CO ₂ fire protection system, and smoke detection units.
22.	M/s Indian Explosives Ltd, 26-Jor Bagh, New Delhi-3.	M/s Industrial Chemical Industries Limited, London, UK.	Ditrocellulose (both blasting soluble and industrial grade)
23.	M/s Hind Rectifiers Limited, Lake Road, Bhandup, Bombay-78.	M/s Westinghouse Brake & Signal Co, UK.	Thyristors and silicon diodes.
24.	M/s Shri Bal B. Mundkur, 56, Jor Bagh, (F) New Delhi-3.	M/s Rotaflex (Great Britain) Ltd, UK.	Architectural and display lighting.
INDIA—U.S.A.			
25.	M/s Voltas Limited, 19, Graham Bel-lard Estate, Post Box 1198, Bombay-1.	M/s Carrier Corporation, USA.	1½ ton air conditioners.
26.	M/s Shri Niranjan Manilal Jhaveri, 26, (F) Ridge Road, Bombay-6.	Mr John E. Lawrence, USA.	Mica capacitors.
27.	M/s Kirloskar Brothers Limited, Udyog Bhavan, Tilak Road, Poona-2.	M/s The Bullard Co, a Division of White Consolidated Industries, Inc, 286, Canfield Avenue, Bridgeport, Connecticut-06609, USA.	Vertical turret lathes.
28.	Mr Win N. Chadha, Rashmi, Carmichael Road, Bombay-6.	M/s Litton Industries Incorporation, Office Communication Equipment Group, 150, New Park Avenue, Hartford, Connecticut-06106, USA.	Electrical adding machines.
29.	M/s Ferro Coatings & Colours Limited, PO Joka, 24, Parganas, (West Bengal).	M/s Ferro Corporation Cleveland, Ohio, USA.	Furnaces/kilns for enamel and ceramic industries.
30.	M/s Akashani Steel & Castings Corporation, D-6, Amalfi, 15-Napean Sea Road, Bombay-6.	M/s Cladres Division of Delta Chicago Inc, 11500, West King Street, Franklin Park, Illinois-60131, USA.	Vinyl metal laminates.
31.	Shri Kewal Aggarwal of M/s Devidayal (F) Cable Industries Limited, Bombay.	Mr William W.T. Crane, an American Scientist, 37-9, Ulsoor Road, Bangalore-32.	Consultancy and research and development in electronic industry.
32.	M/s Sylvania & Laxman Limited, 68/2, Najafgarh Road, New Delhi-15.	M/s Sylvania Electric Products Inc, USA.	Projection lamps, operation theatre lamps, auto lamps, telephone switchboard lamps, tungston filaments and lead in wires. Voltage regulators.
33.	M/s Globe Auto Electrical Limited, Lal-bahadur Shashtri Marg, (Agra Road), Mulund (West), Bombay-80.	M/s Prestolite International Co, Toledo, Ohio, USA.	
INDIA—U.S.S.R.			
34.	M/s Empire Watch Co, 5, Radha Bazar Street, Calcutta-1.	M/s "MASHPRIBORINTORG" Smolen skaja, 32/34, Moscow 6-200, USSR.	Wrist watches.*
35.	M/s Harsha Tractors Limited, 42, Jan-path, New Delhi-1.	M/s Prommashexport of USSR.	Agricultural tractors—preparation of design and drawings.
36.	The Chairman and Managing Director, Bharat Aluminium Co Limited, New Delhi.	M/s Tsvetmetpromexport, Moscow, (USSR).	Detailed engineering work etc relating to Korba smelter and fabrication units
INDIA—WEST GERMANY			
37.	M/s Indocean Engineers Private Limited, 6-1-1062/11, Raj Bhavan Road, Hyderabad-4.	M/s Faster Und Kunsts, Toff Press Work Romen KG, West Germany.	Cones for loudspeakers.
38.	M/s D. Engineering Pvt Limited, Gopal Bagh, Avanashi Road, Coimbatore-18.	M/s Otto Natter Prazisionsmechanik, West Germany.	Fuel injection equipment.
39.	Shri H. P. Bhatnagar, B-15, Green Park, New Delhi-16.	M/s AKTIENGESELLSCHAFT, D7500, Karlsyue, Wald Str-67, W. Germany.	Midget electrodes.
40.	M/s Atlas Automotive Components Limited, Fort House, 221 Dadabhoy Naoroji Road, Bombay-1.	M/s Karl Schmidt GmbH, Neckars-uhl, West Germany.	Finished automotive components.
41.	Mrs. Sharanjit Kaur, c/o Shri Ranjit Singh, WZ 110 G Block, Hari Nagar, New Delhi-18.	M/s Isolair-Glas Beratung, 7064, Ceradstation, Wurttemberg, West Germany.	Isolating glass panes and bullet proof isolating glass panes.

(F)—Indicates cases involving financial participation also. *Small-scale sector

The Shape...

...of things to come. Traditionally, mango leaves on a 'KALASH': Today's omen for the good festive days: Century's range of smart seductive prints. Delectable to wear. Just right to make a cherished presentation. Choose from the newest: Anuradha, Vinodini, Two x Two Monica, Lakes Beauty. Also from Century, a full range of Cotcell-O and Cosy-Cot Shirts, Pajamas, Dhotis, Cambrics, Poplins, Voiles, Dorias, Bleached Long Cloth and fabrics for all the family.



**THE CENTURY
SPG. & MFG. CO. LTD.,**
WOLLI, BOMBAY-25 DD.

**CENTURY
SAREES**

Century — For 100% cotton textiles



Adroit/CM 196

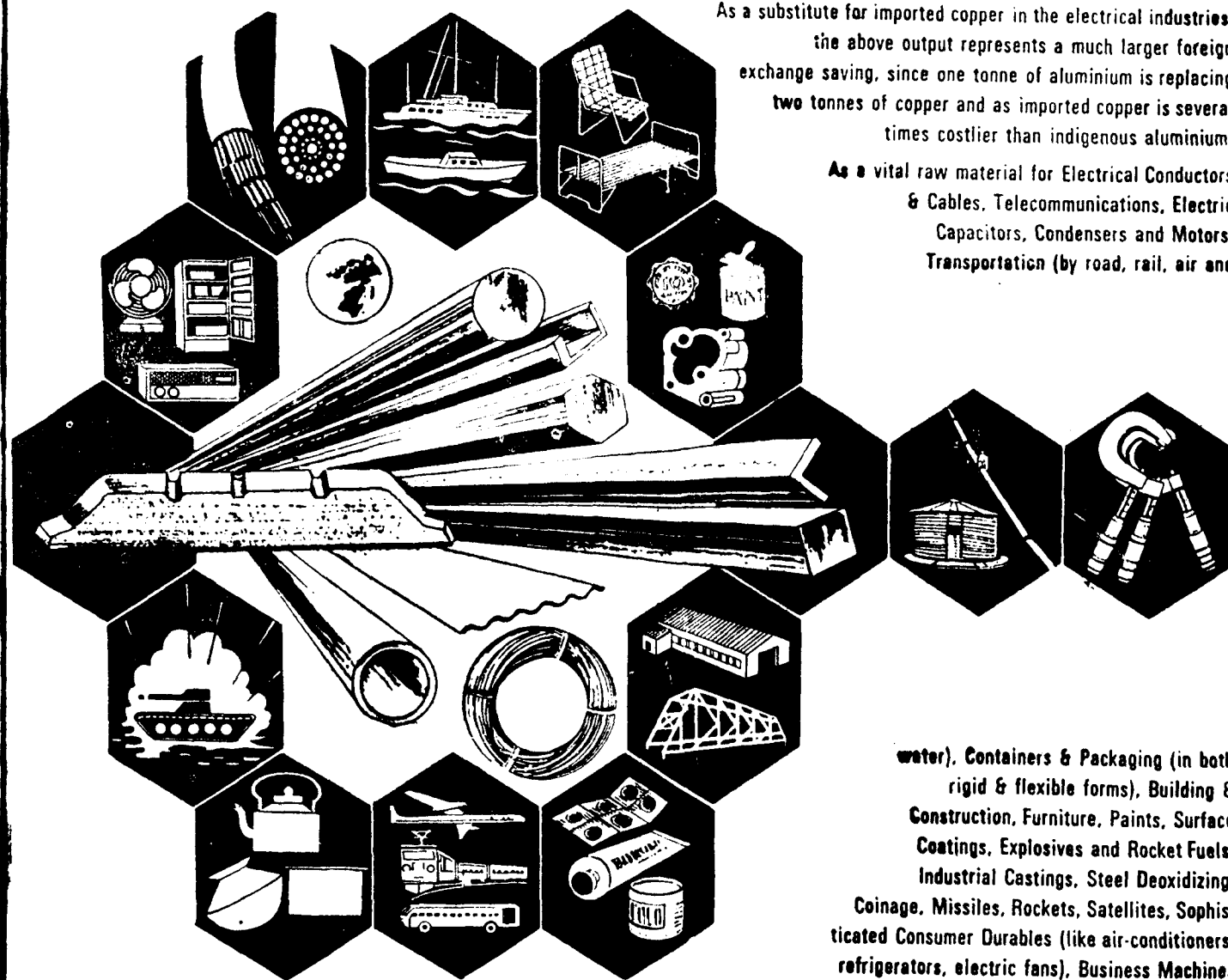
HINDALCO HELPS TO BUILD NATION'S ECONOMY...

In May, 1962 Hindalco started production of aluminium with a smelter capacity of 20,000 tonnes a year. The capacity was raised to 40,000 tonnes in November, 1965, 60,000 tonnes in August, 1967 and to 80,000 tonnes in May, 1969. Plans are in hand to expand the plant further to 120,000 tonnes by end-1973.

Between May, 1962 and December, 1970 Hindalco, now India's largest producer of aluminium, has produced 372,903 tonnes of aluminium, which has saved for the nation nearly Rs. 180 crores of precious foreign exchange.

As a substitute for imported copper in the electrical industries, the above output represents a much larger foreign exchange saving, since one tonne of aluminium is replacing two tonnes of copper and as imported copper is several times costlier than indigenous aluminium.

As a vital raw material for Electrical Conductors & Cables, Telecommunications, Electric Capacitors, Condensers and Motors, Transportation (by road, rail, air and



Bins, Drainage Culverts, Water Mains and countless other applications, HINDALCO aluminium is helping to build a new India. With its almost limitless variety of forms and shapes and its versatile properties, HINDALCO aluminium is sure to play a crucial role in meeting industrial India's challenge today and tomorrow...



HINDUSTAN ALUMINIUM CORPORATION LTD.

WORKS : P.O. RENUKOOT, DISTRICT MIRZAPUR, U.P.

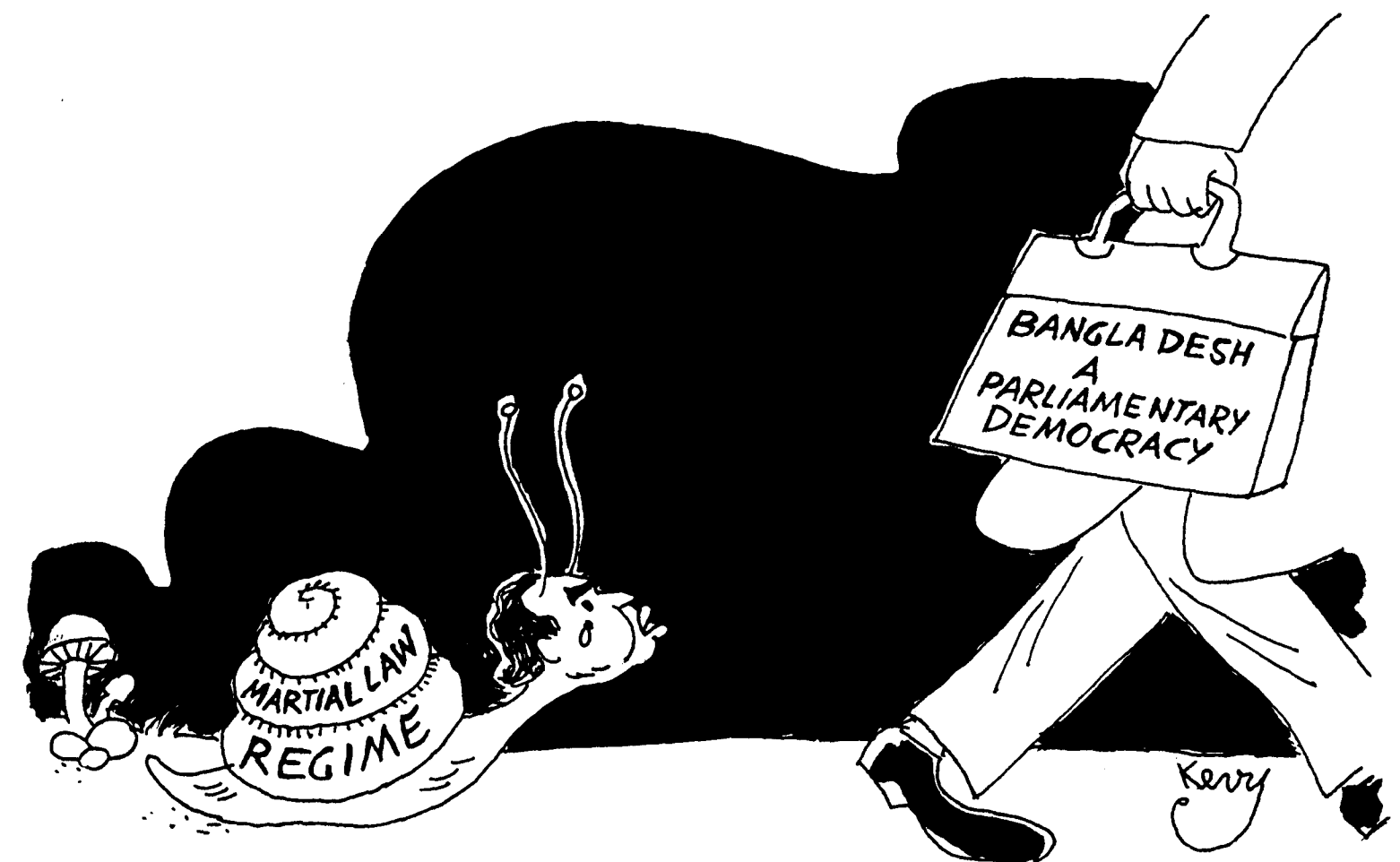
Printed and Published by R. P. Agarwala, on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, Connaught Circus, New Delhi.
Editor : V. Balasubramanian

Registered at the G.P.O. London, as a newspaper

EASTERN 3 ECONOMIST

PEES 1.50 JANUARY 21, 1972 VOL 58

Aid With a Small 'a' ? Hindalco's Travails Failure in Sugar Palkhivala on National Wealth



I would request the world not to recognise the so-called
Bangla Desh in a hurry—Bhutto

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

**manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood**

Regd. Office :

BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

JANUARY 21, 1972

Aid With a Small 'a'?	79
Hindalco's Travails	80
Bank Money Unemployed	82
Failure in Sugar	83
Palkhivala on National Wealth —R. V. Murthy	85
Role of UP Financial Corporation —Dr P. Asthana	86
WINDOW ON THE WORLD	96
Mediterranean Irrigation. Mobile Money.	
PROSPECTUS ANNOUNCEMENT	98
Keshaw Vanaspati Ltd.	
THE MOVING FINGER WRITES	103
TRADE WINDS	104
Certificates for GSP; IDA Loan; Foreign Aid; Bongaigaon Refinery; Deficit Financing; Indo-Polish Co-operation; Ceiling on Urban Property; India-Bangla Waterways; Plastics Fair; Annual Plans; Bank Branch Expansion; Hindustan Steel Production.	
COMPANY AFFAIRS	107
Mysore Cements; Siemens; Dunlop; New Bank of India; Star Textile Engineering; American Universal; Harjana Steel; Bajaj Plastics; Licences and Letters of Intent.	
RECORDS AND STATISTICS	114
National Accounts.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

AID WITH A SMALL 'a'?

WE MAKE no apology for returning to this topic again this month. We believe that, on a matter of vital importance to the continuing economic progress of our country, there is a great deal of unconstructive thinking going on at present. We therefore feel it our duty to point out as firmly and as clearly as we can where some people may have gone wrong.

We may begin with the Prime Minister as almost everything seems nowadays to begin with her. At a press conference on New Year's eve she reacted with acerbity to questions about Mr Nixon's decision to cut off development assistance to our country. There was sufficient justification for her temper but none for her logic. 'The Anderson papers' were not really needed to show that the President of the United States was clumsily and most unfairly attempting to exert political pressure on our government on the Bangla Desh issue and in these circumstances the Prime Minister of India felt quite rightly that she should tell him where he got off.

At the same time, Mrs Gandhi certainly exceeded her brief when she referred to the external assistance which this country has been receiving as "so-called aid". The epithet 'so-called' has been lately so frequently resorted to that it has lost all significance. President Bhutto, for instance, is still referring to Bangla Desh as "so-called Bangla Desh". This apart, for the Prime Minister to argue that this country has become able overnight to treat casually the availability or otherwise of development funds from abroad is not only to strain the present government's current credibility but also to imply that, in all the years since Independence, New Delhi has been cheating itself as well as the Indian people at large by making foreign development assistance programmes an integral part of its own economic planning.

Once the Prime Minister had called the tune, the pipers in the Central Secretariat naturally had to make music accordingly. On January 11, a high official of the Ministry of Finance dutifully briefed the press to the effect that the stoppage of US aid would cause no great strain to our economy. If what he says is true the question arises why, as lately as earlier in the current financial year, India, both at the ministerial level and the official, was making such a big issue of the inadequacy of the aid which was being offered by the World Bank consortium or pleading for more liberal terms for this assistance. It is also permissible to raise the query whether, in the light of the official spokesman's most recent findings about the essentiality of aid, it would be open to the Comptroller and Auditor General to seek to recover from the various ministers or officials of the government of India the money which they had been spending on going to Paris, Bonn, London, Washington or elsewhere for negotiating aid which is now said to be not after all so clearly or badly needed by our country.

The extent to which politicians or officials are prepared to go in making their own government's policies stand on their head is strikingly brought out by the amazing contention that the continuance of aid has become unimportant since much of the gross receipts of development assistance is in any case being swallowed up by the repayments which are falling due. Is it not the case that if current aid is stopped or reduced, our repayment liabilities, which will still have to be honoured, would cause an even greater strain on our external resources? It is true that the whole subject of aid has come to be so wrapped up in the arcane of the aid experts in our government that ordinary men and women could be made to believe almost anything that the government may choose to tell them about aid. Even so there is a limit beyond which the people's uncritical acceptance of New Delhi's statements cannot be taken for granted.

Mrs Gandhi said what suited her to say. The official spokesman followed with what he was expected to say. But why did Mr G.D. Birla, addressing the annual general meeting of Mysore Cements, think it necessary to describe the stoppage of US aid as "a blessing" or proceed to say that "it has been partly a curse to India to get aid and depend on aid". It is probably true that foreign aid, like any other transaction, has both advantages and disadvantages and if aid has bred in us a spirit of dependence, it has certainly done no good to our national personality. But since so many of us are so busy today demonstrating our keenness to dispense

with aid, it seems to us to be rather the case that there has in fact been no such inculcation of a spirit of dependence. On the contrary, if we are at all able to speak with any credibility about self-reliance on the part of our nation, it is at least partly because foreign development assistance has all these years been supplementing our own domestic resources and enabling us to undertake programmes and projects which we may not otherwise have been able to think of.

It is true that foreign aid, even as domestic resources, has been misused and wasted on occasions, but the curse in this case does not attach to aid as such, but to the user. This is not to say that this journal is unaware of the major drawbacks of aid as it has been administered, but it believes that the propagation of a mood of dependence is certainly not one of the sins committed by aid. On the contrary, where aid has erred is in assisting the public sector in this country to expand artificially, helping to strengthen the apparatus of state control of commerce and industry or making it less difficult for the government to adopt restrictive policies towards both domestic and foreign private capital. It is only in this sense that aid has been a curse and we wish our industrialists will find it possible to come forward and express their views frankly on these aspects of aid.

Much of the radical socialism on which the people of our country are supposed to have set their heart has been and is being financed by the money appropriated from their respective taxpayers by the governments of many capitalist countries for their foreign aid programmes. The politician is conscious of it, even if the businessman is not. The former knows that if inter-governmental foreign assistance is reduced and if it is found difficult, as is likely, to substitute individual governmental aid programmes wholly or in large part by internationalising development assistance, the developing countries will necessarily have to liberalise their treatment of foreign private capital and simultaneously their treatment of their domestic private capital as well if they are to supplement or stimulate the low levels of savings or investment in their respective economies. This is why, in spite of what our politicians or officials have been saying, the bread and butter business of the government of India signing aid agreements with other countries is going on uninterrupted. Mr Birla probably believes that, if the government decides seriously to dispense with foreign aid or treat it as expendable, it will be driven by the force of economic realities to adopt positive economic policies for mobilising or

promoting the country's own economic resources. In this he must be reckoning without his host. Whatever the Prime Minister or a secretary in the Finance Ministry may say, New Delhi knows well enough that foreign aid makes it so much the easier to practise socialism, radical or otherwise. Time

Hindalco's Travails

A CLASSIC example of how lack of co-ordination between the union and state governments on the one hand, and between the different ministries and departments of the same government on the other, causes unnecessary delays in the implementation of many useful industrial projects is provided by the recent experience of Hindustan Aluminium. Notwithstanding the much delayed-clearance of the licence for the expansion of capacity of this undertaking to produce primary aluminium metal from 60,000 to 120,000 tonnes, it has already completed expansion to 80,000 tonnes capacity and the addition of another 20,000 tonnes capacity, currently under construction, would be ready in the next four or five months. Production from the latter addition to manufacturing facilities may not however come through expeditiously, thanks to the timidity of the UP State Electricity Board (UPSEB) in fulfilling its commitments in regard to power supply—the most important raw material for producing aluminium.

As a permanent source of power supply, Hindalco, has been permitted to expand its own thermal station to the requisite extent, but this expansion will take four to five years. In the meantime, the UP government is to supply power at a price which has been negotiated at four paise per unit. Despite the fact that this price is nearly double than what is being charged from Hindalco for the power supply for the original 20,000 tonnes capacity of the company and also half a paise more than what the public sector concern, Bharat Aluminium Corporation, would be paying to the Madhya Pradesh State Electricity Board when its production facilities come up at Korba, the UPSEB has yet to sign the agreement with Hindalco. If this agreement is delayed, as is feared, the commissioning of the new capacity is bound to be put off.

This is not the only worry of Hindalco at present. There is a danger of even the existing production of about 80,000 tonnes primary metal going down by 20,000/25,000 tonnes in case the "parallel" agreement for the supply of power by the UPSEB, in the event

was when New Delhi used to write 'AID' all in capital letters. Now it wants to play 'aid' in a low key; to write it with a very small 'a'. It is welcome to do so, but it will still take all the aid it can get. New Delhi, itself, knows this to be true. Our people should know too.

of the shutdown of the company's own power generation unit, is not renewed as per schedule on February 1, 1972. The company's own power plant had to be set up when its aluminium manufacturing capacity was raised from 20,000 to 60,000 tonnes. The installation of this plant was necessitated by the dearth of power in UP at that time and had been duly authorised by both the state and the central governments. The "parallel" supply agreement was an essential part of the arrangement, for without it, the operations of Hindalco could not be carried on on a continuous basis in the event of a shutdown of the captive thermal plant for some reason or the other. Hindalco pays an effective rate of as much as 15 paise per unit for power supplies under this "parallel" agreement. But even then the UPSEB is dilly dallying on its renewal.

The lack of realism on the part of the state government of the problems of such a power-intensive industry as aluminium is also evident from the fact that, since last year, it has started levying an electricity duty of one paise per unit even on the power generated by Hindalco itself. This has increased the cost of production of Hindalco by as much as Rs 200 per tonne of aluminium. The company has sought exemption from this levy under the relevant clause of the Electricity Duty Act. But no decision has yet come forth from the state government on this plea as well. Already the energy cost per tonne of metal in the case of Hindalco is the highest among the different aluminium producers in the country—Rs 1,011 as against Rs 445 in the case of Indian Aluminium and Rs 388 in the case of Madras Aluminium Company. The additional burden of Rs 200 per tonne will obviously further complicate the matters for Hindalco.

In the above context the following observations of the Tariff Commission, in its 1971 report on the aluminium industry, would be read with interest:

"Aluminium is an industry of national importance. It is desirable that power rates applicable to this industry whose progress depends upon cheap,

abundant and assured supply of electric power, should, as far as possible, be uniform all over the country so that new units could be set up wherever power is available, without fear of unfair competition from other producers of the metal. The whole question should be examined in consultation with the state governments and representatives of the state electricity boards and aluminium producers so that mean may be devised to assure the industry of reasonably low tariff rates and uniformity and consistency of duties over long periods. Considering the high load factor, it should be in the interest of the states themselves to encourage this industry and to keep the rates chargeable to it constant and at a lower margin of profit...

"The difficulties connected with the supply and tariff for power to this industry have been brought to the notice of the commission in many of its previous inquiries and suitable remedial measures were suggested by the commission successively. We are, however, constrained to remark that their implementation has not been adequate. The evidence received by us during this inquiry has given us an impression that very little had been achieved in the matter of alleviating the difficulties of the aluminium industry both in regard to the rates and supply of electric energy. In the context of the huge expansion programme in store for this industry, during the next few years, we are of the view that the producers' electricity needs call for a more realistic appreciation."

In regard to the impact of cost of power on Hindalco's output, the commission significantly observed:

"In the case of Hindalco, costs of power have been higher which is understood to be due to shortage of supplies at concessional rates, raising electricity charges as well as higher cost of self-generated power. To supplement its requirements, the company is expanding its own power generation but this is not likely to reduce the impact on the cost of power."

The power difficulties of Hindalco apparently have their genesis in the vitiated political climate in the country against the larger industrial houses, even though the union government, under its revised industrial policy, desires that these houses should more and more pay their attention to the heavy investment and core sectors of industry. Aluminium manufacture being one such industry, it is indeed regrettable that the state government should hesitate to provide it adequate facilities, especially when the indigenous pro-

duction of this versatile metal has, in the recent past, failed to keep pace with the growth in demand.

Hindalco's plant, being one of the very few heavy investment projects in Uttar Pradesh, also deserves sympathetic treatment from the state government if the big leeway of the past 20 years in the development of this industrially backward state is to be made up quickly. It may be mentioned here that when, due to power difficulties two or three years ago, Hindalco was thinking in terms of having additional production of aluminium in Gujarat, where some of the world's finest deposits of bauxite are located, all sorts of assistance was promised to it by the state industries department in a bid to dissuade it from going over to Gujarat.

Hindalco is being accorded a step-motherly treatment by the centre on another count. Although the governmental policy is said to be to allow an aluminium manufacturing unit to put up fabrication facilities to 50 per cent of its production of the primary metal, this policy is not being adhered to in the case of Hindalco's expansion from 60,000 to 120,000 tonnes on the plea that the affairs of the company are being investigated by the Sarkar Commission. Simultaneously, the matter, it is understood, is being looked into by the Monopolies Commission. This appears to be a case of the left hand not knowing what the right hand is doing. The deliberations of the Sarkar Commission obviously have nothing to do with the grant of permission for put-

ting up fabrication facilities when the expansion of the capacity to manufacture primary metal has already been granted to Hindalco.

Along with the other aluminium manufacturing units, Hindalco is concerned over the lack of governmental decision on the industry's plea for an upward revision in the sale prices of the primary metal which came to be controlled in May, 1971. At that time the sale prices of aluminium and its products were reduced by Rs 400 per tonne as compared to the prices prevailing in May, 1967, but it was agreed that the government would allow suitable increases in the sale prices of aluminium and its products to compensate for the rise in the costs of inputs.

Although since April 10, 1970—the prices of raw materials on which date formed the basis of the May, 1971, controlled prices of aluminium—the input costs have gone up substantially, the sale prices of both the primary aluminium and aluminium products have not yet been revised. Some of the raw materials, besides power, are produced by governmental undertakings; for instance green coke by the Indian Oil Corporation and hard pitch by Hindustan Steel. The prices of both these materials have been stepped up about 100 per cent by the suppliers, obviously after government's approval. The indigenous producers of aluminium fluoride and cryolite—two other important raw materials for aluminium manufacture—similarly have been allowed an appreciable raise in their prices. Could it be



A New Agricultural Input

hoped that the government would soon provide the requisite relief to the manufacturers of aluminium in the form of a suitable upward adjustment

Bank Money Unemployed

NO SATISFACTORY explanation has been forthcoming so far from banking circles why the scheduled commercial banks have not found full use for their funds during 1971 and the net increase in advances of Rs 424 crores was only 50 per cent of the growth under this head in 1970 amounting to Rs 849 crores and even less than the figure of Rs 579 crores for 1969. This is indeed surprising during a period when there has been a rise in prices for agricultural commodities as well as manufactured goods.

As there was a big increase in advances in 1970 on account of accumulating sugar stocks and the heavy procurement operations, the banking system found it difficult to meet the needs of all their constituents especially as there was also for a time liberal lending to small borrowers in the priority sectors. Thus in that year the growth in advances was even in excess of the improvement in deposits by Rs 7 crores and it was possible to increase investments by Rs 139 crores for meeting statutory liquidity requirements and also lending support to the borrowing programmes of the central and state governments only by taking advantage of the refinance facilities provided by the central banking institution.

Thus borrowings of scheduled commercial banks in the year under reference recorded a big rise of Rs 258 crores to Rs 351 crores. There was of course an increase in cash balances by Rs 79 crores. Even making allowance for this factor it will be admitted that the banking system was in an over-extended position. In 1969 also the increase in advances was only about Rs 100 crores lower than the net additions to deposits of Rs 680 crores. As investments rose by only Rs 99 crores and cash balances by Rs 46 crores borrowings had to be raised by only Rs 36 crores.

The developments in the past year, in its latter half particularly, have, however, come about as a sort of an anticlimax. Because there was also a further improvement in deposits by Rs 1,074 crores against Rs 872 crores in 1970 and there was no aggressive demand for funds, as stated above, investments have risen spectacularly to Rs 1,633 crores from Rs 1,356 crores, even with a big decline in borrowings to Rs 171 crores from Rs 351 crores. Cash balances too have improved by Rs 29 crores. At a time the central and state

in their sale prices? Delayed action in this regard has, in the past, adversely affected many other industries. Should we not learn from past mistakes?

governments and public bodies are in need of large resources the improvement in the liquidity of the banking system has been heartily welcomed.

The Reserve Bank was feeling considerably relieved over the steady decline in the borrowings of scheduled commercial banks even while procurement credit amounted to Rs 375 crores and there was a net increase of over Rs 160 crores in a twelve-month period. It might be said that a decline in stocks of sugar by nearly eight lakh tonnes between September, 1970 and December, 1971, releasing funds of over Rs 80 crores, had an offsetting effect to a certain extent and there was also a smaller carryover of raw cotton stocks from the 1970-71 season.

These factors by themselves cannot explain the deceleration in the growth of advances. For even granting that there were offsetting factors against further expansion of credit for procurement purposes, there should have been a growth in advances on account of borrowers in the priority sectors. There has obviously been cautious lending to new classes of borrowers and banks have

been busy examining how old loans are being repaid and whether it would be advisable to lend liberally for short-term needs to agriculturists and also provide the fresh needs of small entrepreneurs. Or it may be that the more enterprising amongst the farmers have taken advantage of the credit facilities provided by banks and the generation of additional resources in the rural sector has been adequate for financing purchases of agricultural inputs and even for wiping out to a certain extent earlier indebtedness to indigenous money-lenders.

This kind of reasoning may not be fully justified as only some time back it was reported that huge sums would be required for financing short-term and long-term needs of agriculturists and the newly opened branches of major banks will have to give special attention to this aspect of the problem and co-ordinate their activities with the co-operative societies. The actual developments, however, have come about differently and it has been reported that there has been a fairly brisk off-take of fertilisers and pesticides and high yielding seeds are being used over increasingly large areas with a greater awareness on the part of farmers and their preparedness to adopt new techniques.

If there has been financing of agricultural inputs out of owned resources or through the credit provided by

dealers in fertilisers and pesticides there should be no difficulty in getting back loans granted for this purpose unless there has been a diversion of resources or fraudulent practices. It may also be that the funds returned by some small borrowers were useful in meeting the demands of other borrowers in the same category and the adjustment to the new situation is getting completed.

This will be an over-simplification of the issues relating to farm credit as it has been complained by the union Finance Minister, Mr Y.B. Chavan, and others that the lending institutions have not been helping small borrowers to the desired extent and the nationalisation of major banks has not yielded the expected results.

The introduction of the new credit guarantee scheme from the beginning of this year providing for lending without limits for agricultural purposes and also extending cover to all outstanding loans in the eligible categories should encourage banks to lend liberally. The losses, however, will be reimbursed only to the extent of 74 per cent as hitherto and the balance of 25 per cent will have to be borne by the lending institutions themselves.

There will not be any difficulty in regard to the availability of resources in the current year as it can be readily expected that fresh additions to deposits in twelve months will be easily Rs 1,300 crores, if not more. With many new branches opened in 1971 and with a faster spread of the banking habit it should even be possible to mobilise additionally Rs 1,400 crores in the form of deposits. What are the prospects for full utilisation of these additional resources?

It is not easy to give a straight answer to this question. But it can be safely said that there will be no difficulty in the current busy season for extending credit to industry and trade and if borrowings were at a fairly high level at the end of 1971 they were due to the investment of sizable amounts in defence bonds by the banking system. Actually, the growth in advances would have been even more pronounced in 1971 but for the diversion of funds of the Life Insurance Corporation and provident funds through subscriptions to loans and bonds of the central and state governments and public bodies.

In the first four months of 1972 it is not expected that there will be any unexpected demands for funds as there may be a slowing down of imports while large despatches of finished goods to Bangla Desh may actually result in a quicker absorption of current production and even result in a slight reduction in stocks. It is of course expected

that the State Trading Corporation and other agencies will be making expeditious payments to suppliers on the Indian side and there will not be a large outstanding on this account.

The question may, however, arise how the State Trading Corporation and other agencies will get reimbursement in respect of their supplies to Bangla Desh when its government will not have the required resources or there will not be a matching inflow of imports from that region. The central government presumably will have to make payments out of its resources to the STC and others who in turn will discharge their obligations to the banking system. It will be interesting to watch how these new developments have their impact on the money market and how the new situation will be managed.

Whatever may be the ultimate outcome, the net result will be reflected in a further improvement in the liquidity of banks and unless there is massive procurement of foodgrains and also a higher level of production, there may be extremely comfortable conditions in the current slack season. Even if advances

rose during 1972 by Rs 900 crores, the scheduled commercial banks alone would be in a position to increase their investments by over Rs 400 crores in a full year. It will therefore be clear that there will be no dearth of financial resources with banks for productive purposes and the need of the hour is to maximise production and keep in check inflationary pressures.

There will of course be the paradox of the central and state governments experiencing difficulty in mobilising resources for bridging deficits while banks will have lendable resources. There can surely be larger borrowings through open market loans by the governments while the banking system to examine how credit for rural electrification, energisation of pumpsets and other purposes can be extended to the state electricity boards indirectly and directly. The year 1972 has thus opened under happy auspices for the banking system and it would be interesting to find out how the growth in the stature of banks is proving to be helpful for eliminating financial bottlenecks and encouraging larger doses of investment in strategic sectors of the economy.

Failure in Sugar

THE FAILURE of the central government to take note of the new trends in consumption of sugar in the past few years and the unhelpful policy of the Reserve Bank in regard to the financing of heavy stocks that had to be held by the industry in 1969-71 have been mainly responsible for the present impasse and retrograde trend in production noticeable in the last two seasons.

While it should be said that the policy of partial decontrol adopted in 1968-69 was responsible for a bounce in production in that season by over 13 lakh tonnes and in 1969-70 by another seven lakh tonnes, the anxiety of the government to levy heavy excise duties and the refusal to expand bank credit even for legitimate purposes have resulted in a loss of momentum and a reversion to the level of production of 1968-69 in the current season. It is now estimated that the output for 1971-72 will not be more than 36 lakh tonnes against 37.40 lakh tonnes in 1970-71 and 42.80 lakh tonnes in 1969-70. On the other hand in the past three years there has been a phenomenal growth in consumption from around 27 lakh tonnes to nearly 41 lakh tonnes. If exports of around three lakh tonnes are taken into consideration and it is also recognised that the requirements of Bangla Desh of at least two lakh tonnes will have to be met, there will have to be total availability of 46 lakh tonnes.

It would have been difficult to meet

this aggregate demand from current production of about 36 lakh tonnes but for the fact that there was a carryover of nearly 14.5 lakh tonnes from 1970-71. Anticipating a shortage of sugar by the end of the current season, when stocks would have declined to a low level of 4.5 lakh tonnes, there has been speculative activity in the trade and sugar prices have been rising awkwardly. In order to get over an immediate difficult situation and avoid the wrath of consumers, the government has entered into an arrangement with the representatives of the industry for making available to the state governments 60 per cent of monthly releases at a fixed price of Rs 150 per quintal ex-factory so that the quantities released can be sold through fair price shops at a retail price of Rs 2 per kg. The balance of 40 per cent can be sold freely in the open market by sugar mills. This system has come into vogue from the beginning of the new year.

Apart from meeting the bare needs of the common man through informal rationing at a fixed price, the intention of the government is probably to help the sugar industry to pay higher prices for cane without actually raising the statutory minimum price. As an ex-factory price of Rs 150 per quintal of sugar is considered reasonable and much higher prices are being realised in the open market, it has been more or less

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

agreed that there should be a basic price of Rs 85 per tonne of cane rising to over Rs 110 per tonne, depending upon the recovery of sugar, in different parts of the country. There was some unwillingness in Tamil Nadu and Andhra Pradesh to pay a higher price of Rs 85 per tonne because of a recovery which was lower than 9.4 per cent. It is now realised that higher prices will have to be offered and payments also effected promptly to the growers if there is to be no diversion of cane from factory areas for being converted into gur and khandsari.

The new understanding will certainly be helpful to the sugar producers for paying higher cane prices especially as there will also be the advantage of a rebate in excise duty to the extent of Rs 16 per quintal to those mills which succeed in maintaining production at a level higher than 80 per cent of actual production of 1970-71. Many units may not benefit by this concession but the industry as a whole may get relief of about Rs 10 crores on a notional "excess" production of six lakh tonnes eligible for this purpose. The cane bill will, of course, cost additionally at least Rs 40 crores. The balance of Rs 30 crores will necessarily have to be recovered in the shape of higher prices for sugar from the consumer apart from reasonable profits on sales.

As the output for the current season can be maximised only to the extent of availability of cane from the standing crop, the full benefit of the new policy can be derived only in the next season. Some precautions, however, will have to be taken. Even in past two seasons it was generally accepted that cane prices were quite attractive as sugar mills in many states paid a sizable bonus besides the minimum price when good profits were being made. As a matter of fact, even when only the minimum was offered during a period of losses, the grower would not have been seriously dissatisfied, if there had been prompt payments and heavy arrears had not been allowed to be accumulated. But many sugar mills found themselves in an extremely difficult position as the Reserve Bank, for reasons of its own, was not inclined to expand credit to the desired extent for financing accumulating stocks. Since for a time cane was converted into sugar only to be kept in the godown and stocks rose to the phenomenally high level of 21 lakh tonnes, growers got tired of waiting for payment from mills and diverted acreage from cane notwithstanding an attractive return from the crop. High cost sugar has thus come to stay and the consumer will be grateful if only he can get his full needs at Rs two per kg. This contains a tax element of 30

per cent on the ex-factory price by way of excise duty apart from purchase tax and cess levied by the states.

The industry, however, can function on a reasonably profitable basis with a continuance of the prevailing conditions though the earlier mistake of not effecting prompt payments should be avoided. With the prospect of a decline in stocks by nearly one million tonnes in the current season, there will be no problem of bank finance and the state governments can very well insist that payments to growers should be made promptly and institute even recovery proceedings wherever there is default. But there may be some cases where genuine difficulties will be experienced temporarily during the peak of the season when there would be an increase in stocks and the ways and means position of the factories concerned would be strained because of earlier heavy losses and the additional margins that would have to be paid on advances on that portion of stocks intended for free sale. If the lending institutions can look into the peculiar difficulties of less well-placed units and adopt a helpful attitude, the way will be paved for achieving a big increase in output in 1972-73.

On present indications, total availability in the next season, including basic carryover stocks of five lakh tonnes will have to be as much as 54 lakh tonnes. Assuming that there will be a carry-over of five lakh tonnes at the end of this season, the output will have to be raised to 49 lakh tonnes, a level higher by as much as 6 lakh tonnes than the record of 1969-70. There will

necessarily have to be vigorous planting of cane without delay and sugar mills in the six main producing states particularly will have to register a larger acreage and make a big effort to discharge the onerous responsibility on a co-ordinated basis. A jump in production by 13 lakh tonnes over 1970-71 may not by itself be difficult as it has been achieved once before. But the additional production will have to be achieved from a higher base besides the need for having an extra output of six lakh tonnes over the previous all-time record. This will not be difficult of achievement only if Bihar and UP can produce between themselves additionally 2.5 lakh tonnes as compared to 1969-70, Maharashtra an extra quantity of one lakh tonnes and Andhra Pradesh, Tamil Nadu and Mysore 75,000 tonnes each.

The question, therefore, is how exactly planning for production should take place and whether from even the present level of offtake, including exports, of around 46 lakh tonnes, the industry should proceed on the basis of an increase in output of at least three lakh tonnes annually. One thing, however, is clear. An unmanageable situation will arise after September this year if there is no prospect of raising output to over 45 lakh tonnes in 1972-73 and there is no large increase in the area under cane in the important producing states. The central and state governments should realise the new importance of this industry while the existing producers also should co-operate fully. Any failure to boost production adequately will have disastrous consequences.

Eastern Economist 25 Years Ago

JANUARY 24, 1947

When the Labour Party was returned to power in Britain it had a clear mandate from the electorate to convert the country to a socialist economy. The Party's programme of nationalisation was announced in broad outline in its election manifesto. But these factors could never serve as any justification to adopt hasty and drastic measures in the fulfilment of the goal of nationalisation. True to the conservative character of the nation, the Labour Party is moving cautiously and step by step in its orderly schedule of nationalisation. This aspect is sufficiently borne out by the priorities allotted to different industries for transformation to State ownership and management. Industries which have hitherto been selected for nationalisation are either those where some measure of State control already existed or those which being public utilities would be deemed proper objects for conversion. Priority was also given to a basic industry like coal where private enterprise had proved itself un-

equal to the task of restoring it to the requisite level of strength and efficiency. It will be worthwhile to survey the progress made by the Labour Government in nationalisation up till now. The next phase will necessarily invite an element of conflict inasmuch as industries where private capital is well entrenched will have to be touched.

The first item in the schedule of nationalisation was the Bank of England. During the course of the last eight decades Britain has evolved a powerful banking structure of which the Bank of England is the pivot. The object in nationalising it is obviously to secure full and effective control over the central banking structure. There already existed a large measure of government control over banking policy but there was a strong feeling in labour circles that the control did not go far enough. The disastrous policy pursued by the Bank of England in its endeavour to maintain the Gold Standard was a case in point.

Palkhivala on National Wealth

R. V. MURTHY

WITH THE increasing acquisition of shares in leading joint-stock companies in the private sector by institutional investors, most of whom are now in the public sector, the latter have begun to have their own representatives nominated by the government on the board of directors of these companies. For quite some time, this trend used to be viewed with a little apprehension, as no one was able to foresee how these government-nominated directors might function. Thanks to Mr N.A. Palkhivala, Chairman of the Associated Cement Companies Ltd. (ACC), who is probably the first to take the shareholders into confidence on this score, it is now evident that "the directors nominated by the government are most helpful and understanding and as keen to contribute to the growth and development of the enterprise as the captains of industry themselves. Likewise, at the annual general meetings of shareholders, the tremendous voting power of the government-controlled financial institutions is used (by those representatives) wisely and reasonably."

Relevant Question

This is, indeed, gratifying and it naturally prompts the question, posed by the ACC chairman himself, as to why the same spirit of understanding and goodwill cannot be evinced by the government in the other areas where policies are shaped and the laws are administered. The obvious answer perhaps is that while, as individuals, nominees of government are apt to be reasonable and helpful, collectively as a government dominated by politicians committed to an ideology, they tend to behave differently. Surely the people of this country know, or ought to know, that what matters to them is the result of any given policy and that, if the result of any policy is not to their linking or to their benefit, whatever may be the ideology underlying it, it is useless and must be scrapped.

This is precisely what Mr Palkhivala meant when he told the ACC shareholders: "The time has come to substitute hard realism for slogans and practical objectives for vague aspirations. *Garibi hatao* is at worst a slogan and at best an aspiration. If your objective is to keep the country in the mainstream of self-generating growth and development (which would

involve an annual growth rate of at least 10 per cent) and to raise the standard of living of the masses, you may as hopefully find the solution in slogans and aspirations as find silence in a disotheque."

That there is hardly any hard realism in many of the economic policies of our government is something known to everybody, but not everybody can pinpoint exactly where there is this grave lack of hard realism; only the wearer knows where the shoe pinches. The ACC chairman then must know how and where at least in respect of the cement industry, which is admittedly the base for building up our national economy, hard realism is absent. A brief reference to his observations in this behalf is therefore relevant.

Absence of Realism

To begin with, in the assignment or continuance of priority to industries itself, there is a conspicuous absence of realism. For, for some inscrutable reasons, the government withdrew last year the status of priority accorded to the cement industry, resulting in the tax burden on the industry being increased from 50.6 per cent to 55 per cent. This is apart from the surcharge imposed in December last. The industry has also been hit by the unwise abolition of development rebate (in respect of plant and machinery installed after May 31, 1974) which, again, will increase substantially the tax burden. This is lack of not only hard realism but the bare realism, because, in the first place, cement is a highly capital-intensive industry and requires large investments and a long gestation period. It has a whole chain of beneficial multiplier effects.

While the government goes on exhorting the companies to finance their development programmes from out of their self-generated resources, it does not appear to realise that, by abolishing development rebate, it is only making this impossible in the case of many industries. In the absence of development rebate, companies would be free to distribute dividends out of moneys which would otherwise have been ploughed back as development rebate reserve.

Secondly, in the matter of prices, not only has there been inordinate delay in

announcing the increase in cement prices, but it is still not clear whether the increase to be announced—as and when it is done—will fully compensate the steady rise in costs of the industry.

Thirdly with regard to the availability of wagons, the position continues to be unsatisfactory even after making due allowance for the dislocation caused by the recent India-Pakistan war.

Fourthly, increased cement production (the necessity of which is acknowledged by all, what with India's per capita cement consumption lagging behind at only 25 kg., and the backlog of housing in the country being at least 12 million houses) is being hindered by the unhelpful and tardy policy of issuing industrial licences. Mr Palkhivala informed the ACC shareholders that the company's applications for expansion of cement capacity and setting up a new plant in Rajasthan were still pending with the government.

Falling Percentage

Talking of industrial licences, notwithstanding all official claims of liberalisation and expedition, the sad and stark fact is that, whereas the number of applications for licences has been rising from year to year, the percentage of applications sanctioned has been falling. Thus, as against 1,200 applications per year, on an average, between the years 1959 and 1966, 1,800 applications in 1970 and 3,200 applications in 1971, the number of licences issued, which was 700 per year between 1959 and 1966, declined sharply to 334 in 1969; in 1970 and 1971, against the vastly increased number of applications, those issued were no more than 438 and 500 respectively.

The record in respect of licences to the so-called "larger" industrial houses was simply dismal. Since the announcement of the new licensing policy in February last, these houses have received to date only one industrial licence and nine letters of intent! This is a striking proof of our unfortunate obsession with big business and concentration of economic power. It takes little account, to quote Mr Palkhivala, "of the fact that the whole concept of creation of national wealth has been revolutionised in modern times by economies of scale and fantastic technological advances... We have yet to learn that national prosperity is indivisible and that in a well-conceived economy, a big enterprise will give crores of rupees to the national exchequer, millions of rupees as profits to ancillary and small-scale industries and employment to thousands."

What is urgently needed today when

the number of unemployed is estimated to be 14 million, is to encourage everyone who can offer employment to more and more people. In the next 10 years the Indian labour force is expected to increase by 63 million. As against this, all the new jobs that the present rate of growth can promise is not likely to exceed 40 million, which means as many as 37 million unemployed at the

end of these 10 years. This would work out to an average increase of 6,000 unemployed per day during the seventies! A colossal problem such as this calls for the identity of aims among the 55 crores of our people as that which impelled the nation during the recent 14-day war with Pakistan. Let not this great lesson of the war be lost on us.

Role of UP Financial Corporation

DR P. ASTHANA

THE SMALL-SCALE industries sector consists of factory establishments, i.e. small units registered under the Factories Act (employing 10 or more workers with power or 20 or more workers without power) and non-factory establishments i.e. such non-household units which do not fall under the purview of Factories Act, 1948. It has been estimated that during the period 1960-65 the number of small factory establishments increased by 28 per cent, their investment in fixed assets recorded an increase of about 62 per cent, employment by about 20 per cent, gross output by 70 per cent and net value added by manufacture by about 50 per cent. As against 50 per cent growth in the net value added by manufacture in small factory sector, the corresponding figure for the non-household and non-factory units has been estimated at 35 per cent; both factory and non-factory sectors together accounted for Rs 6330 million of net value added by manufacture in 1965-66 as against Rs 4,490 million in 1960-61. In other words small sector recorded an overall growth rate of 41 per cent in net value added by manufacture in the course of five years.

Employment Generated

In the factory sector alone, the total employment generated increased from 1.39 million in 1960-61 to 1.86 million in 1969-70 registering an increase of 41 per cent. It needs to be mentioned that the capital cost of increased employment and output indicated above is the lowest in the case of small-scale industries; whereas Rs 17,711 and Rs 3,818 respectively are required for large and medium-scale industries to create one unit of employment, the small industry sector requires Rs 1835 only. In the case of 'net value added by manufacture' the ratio of fixed capital to output works out to 1:0.35 for large-scale, 1:1.03 for medium-scale and 1:1.28 for small-scale industries. The small-scale sector also made a significant contribution towards the growth of sophisticated new and modern industries including its increa-

sed role as ancillaries to large-scale sector.

One principal shortcoming in planning for the small-scale sector has been that the allocations for the modern small-scale industries and cottage and village industries have been lumped together. It is therefore very difficult to judge the progress and utilisation of outlays with respect to the modern small-scale industries and keep track of their performance for achievement of industrial targets. Secondly, it was observed that the budget outlays in our small-scale sector have been very low in many states. Table below gives the percentage of expenditure incurred on them to the total expenditure on all programmes in the state Plans.

PERCENTAGE OF EXPENDITURE INCURRED IN VILLAGE & SMALL INDUSTRIES IN STATE PLANS

	First Plan (51-56)	Second Plan (56-61)	Third Plan (61-66)	Annual Plan (66-67)
India	1.1	3.9	2.4	1.7
UP	2.7	4.0	2.3	1.1

The progressively diminishing priority of village and small-scale industries programme in the state Plans and very low expenditure on them is indicative of the fact that this decentralised sector has not received adequate attention, direction and impetus during the planning era, in spite of the recognition of its importance.

Until the third five-year Plan the state financial corporations were giving term loans on the creditworthiness of the parties. Rigid formulae of debt equity ratio and margins were kept in view. Disbursements were linked with the security offered and gestation periods were very low. Commercial banks were also till recently operating

with traditional and conservative outlook as creditworthiness criteria being merely the tangible securities with small-scale units. This perforce compelled small-scale units to borrow funds at exorbitant rates from the private money-lenders. Thanks to the recent change in this outlook among leading bankers and state financial corporations particularly after the erstwhile social control on banks and the subsequent nationalisation of the banks, the small-scale industries have started getting a greater share of credit both for their short-term and long-term requirements.

Major Input

Credit is a major input for the industry. With this end in view, the government and the financing institutions have introduced various schemes to assist the small-scale industries in obtaining credit facilities on easy terms. Loans on liberalised terms to small-scale industrial units including industrial co-operatives are available under the State Aid to Industries Act administered by the state directors of industries. Medium and long-term loans are available from state financial corporations or co-operative banks. The State Bank of India provides credit facilities for working capital. A scheme of guaranteeing commercial banks' loans to small-scale industrial units has been added and is being operated by the Reserve Bank of India since July 1, 1960.

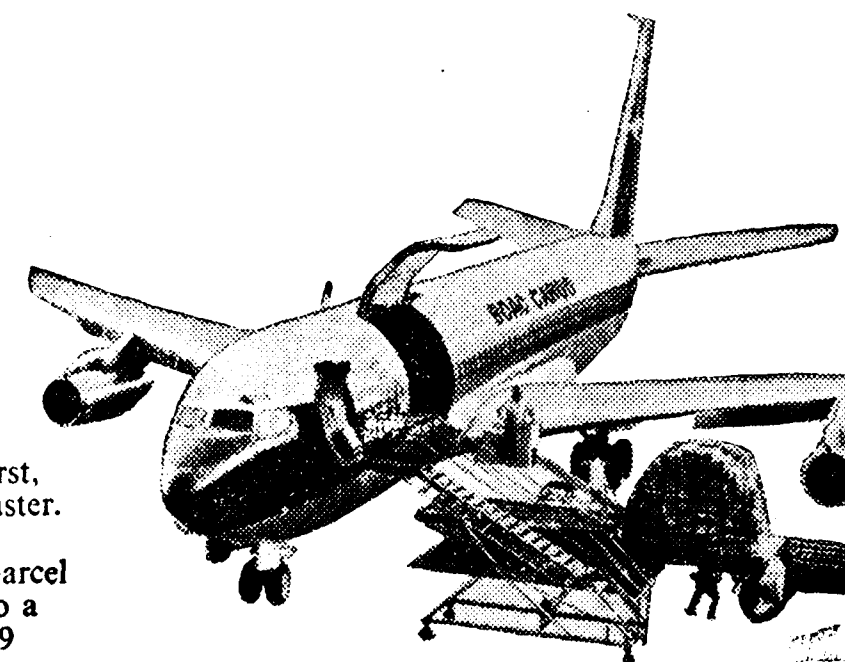
The terms on which loans were till recently granted to small-scale units under the State Aid to Industries Act or (Rules) are:

- Loans up to Rs 5000 advanced either on personal bonds and against two sureties as the case may be.
- Loans above Rs 5000 and other loans against security or mortgage at 75 per cent of the security offered which may include land, building, machinery, equipment, stocks and other assets, etc. including those created out of the loan.

The state governments in Andhra Pradesh, Assam, Gujarat, Haryana, Kerala, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh have also entered into an agreement with the state financial corporations to act as agents of the state governments for routing a portion of the government funds to small industries. Under the above arrangements, the State Financial Corporation in UP operates the following schemes on commission basis as an agent to the state government.

- Ordinary Loan Scheme from Rs 5,000 to 25,000.

First to London means fast to Europe.

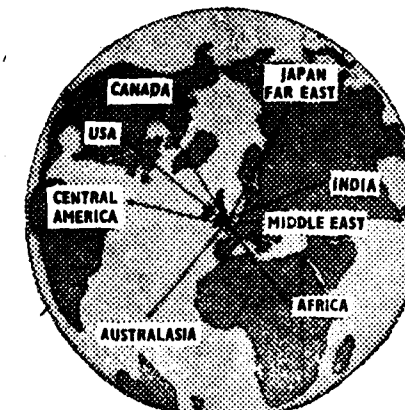
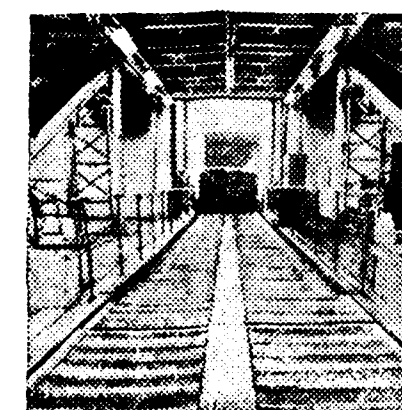


If your cargo is bound for Paris, Brussels, Amsterdam, Frankfurt, Stockholm, Moscow, Warsaw, Prague, Rome or Belgrade... send it to London first, to make sure it gets to Europe faster.

Thanks to BOAC's new fully automated Cargo Centre, your parcel or crate is transferred — fast — to a connecting flight to any one of 89 European destinations. Every day.

Add to that BOAC's 25 flights a week from India to London, and you can see why Europe-via-London cargo gets there fast.

Your cargo agent will tell you how BOAC Air Cargo can save you time and money. Call him — soon.



Fastest off the ground.



FROM TOY BALLOONS TO MANSFIELD TYRES: THE LESSONS OF 25 YEARS

"From research comes technology, from technology excellence"

What makes the difference between an ordinary tyre and one that's a masterpiece? Tyre technology—backed by research, not only at Mansfield, U.S.A., but at our own Rubber Research Centre at Madras. □ From toy balloons to the Tyre with Muscle. That's the story of MRF's twenty-five silver years. And the future promises to be golden.



THE SILVER YEARS
**MADRAS RUBBER
FACTORY LTD.**

(in collaboration with
Mansfield Tire & Rubber Company, U.S.A.)
175/1 Anna Salai, Madras 2, India.



LINTAS-MSF, 54-145

(ii) Liberalised Loan Scheme above Rs 25,000 to Rs 1,00,000.

(iii) Powerloom Loan Scheme from Rs 5,000 to Rs 1,00,000.

The effective rate of interest is six per cent per annum. Loans below Rs 5,000 have been stopped in the state of Uttar Pradesh.

The following figures show the amounts disbursed in all states so far under the State Aid to Industries Act/Rules:—

Years		Rs. in lakhs
1956-57	Second Plan	189
1957-58		261
1958-59		267
1959-60		269
1960-61		203
1961-62	Third Plan	315
1962-63		311
1963-64		356
1964-65		357
1965-66		404
1966-67		366
1967-68		473

Under liberalised loans of Agency Loan Scheme the progress made by the UP Financial Corporation has been as given in the table below.

Under the State Financial Corporation Act 1951, financial corporations have been established in the states with the object of providing medium and long-term finance to medium and small-scale industries.

The state financial corporations advance medium and long-term loans to small-scale industries out of their own funds besides disbursing loans as agents of the state governments. The rate of interest charged by the state financial corporations, though varying from state to state, is normally about 6½ to nine per cent. Most of the corporations allow a rebate of half a per cent to one

per cent for punctual repayments. The corporations also grant working capital loans in special cases up to 25 per cent of the total loan sanctioned. The working capital needs of export oriented units are considered in lump-sum on merits.

The UP Financial Corporation issues deferred payment guarantees and gives loans for the establishment of new units and/or renovation, expansion or modernisation of existing plant and machinery or other fixed assets in the state. The units that qualify for assistance are public limited companies, co-operative societies, private limited companies, partnership concerns or sole proprietorship units engaged or to be engaged in the manufacture, preservation or processing of goods, mining, generation or distribution of electricity or any other form of power, hotel industry, transport by road and water and industrial estates. The corporation gives priority to those industries which engender import substitution, are export or defence oriented or agro-based. Underwriting is done by UPSIC, a sister concern of UPFC.

The corporation's normal effective rate of interest is three per cent above the bank rate and varies from 8½ to 9 per cent where refinance from IDBI is available.

Helping Small Units

In order to especially help the small-scale units, the corporation has radically simplified its procedures and relaxed its terms and conditions. The margin of security has been reduced to 25 per cent in case of loans up to Rs 3.5 lakhs. The margin is 33 per cent for loans from Rs 3.5 lakhs to Rs 5 lakhs. For medium-scale units the margin is 40 per cent. The rebate for prompt payment has been increased from 1/2 to one per cent in respect of loans up to Rs five lakhs. Term loans are generally repayable in 8-12 years but repayments are linked with the profitability of the project and the cash accruals. Dis-

Period	Sanctioned		Disbursed	
	Number of applications	Amount Rs in lakhs.	Number of loanes	Amount Rs in lakhs.
Second Plan (1956-61)	375	138.16	208	63.10
Third Plan (1961-66)	242	145.62	184	84.28
Ad hoc Annual Plans (1966-69)	163	109.84	131	83.19
Fourth Plan (1969-74)				
(a) 1969-70	173	84.82	82	36.04
(b) 1970-71	314	177.17	131	51.13
Total:	1,267	655.61	736	317.74

bursments are linked with the plant performance and the loan amount is placed at the disposal of borrower's bankers for retirement of documents pertaining to the purchase of machinery. The loans earmarked for other purposes like purchase of land and construction of buildings are released on the basis of progress made from time to time.

The corporation is prepared to participate in joint financing with other recognised investment institutions and banks and share the security with such institutions on mutually acceptable terms. The corporation also stands guarantee in suitable cases for deferred payments for supply of machinery from manufacturers.

Application forms are simplified considerably and disposal of applications is made between 1½ to three months, depending on the supply of complete information by the party.

No Rigid Formula

For technician entrepreneurs, the corporation follows no rigid formula of margin or debt-equity ratio, but will go by the worthiness of the project and the party's ability to implement. Repayment period is suitably staggered to build up internal resources in the first three or four years. The margin of security which normally ranges from 25 to 50 has been reduced to 15 to 25 per cent, depending upon the amount of the loan normally up to Rs five lakhs. In case the project is to be set up in the specified backward districts/areas by the technician entrepreneurs the aforesaid margins are further reduced to 10 to 15 per cent, depending on the merits of each case.

There are concessional and liberal terms for loans to industries to be set up in the 36 backward districts of the state. The concessions are:

- Lower rate of interest, effective 7 to 7½ per cent, on availability of refinance from state government (it can be further reduced to 6 per cent).
- Longer grace period up to four years instead of two years from the date of the first disbursement of the loan.
- Longer repayment period up to 15 years.
- Reduced margin and lower debt equity ratio.
- Reduction by 50 per cent in the commitment levy and other processing and legal charges.
- As a promotional gesture for small-scale industries the gua-

rantee commission payable by small-scale unit whose cases are referred to Credit Guarantee Organisation will now be borne by the corporation on their behalf.

The State Bank of India operates a scheme of co-ordinated credit assistance to small-scale industries. For the sake of convenience, the entire country has been divided into seven circles viz. West Bengal, Madras, Bombay, Kanpur, Delhi, Ahmedabad and Hyderabad and in each circle some centres have been selected for intensive working of the scheme. The total number of such intensive centres is 58. Under the scheme, a small industrial unit needs to apply to only one agency for all its credit requirements instead of approaching a number of agencies.

The procedures have also been liberalised so that it is now possible for the banks to extend credit facilities to small-scale industries against pledge of raw materials and/or finished or semi-finished goods either under lock and key or factory type basis. In appropriate cases, advances are made against goods in transit. Clean advances are also granted against guarantees of suitable persons. The rate of interest charged by the State Bank is normally between 8½ to 10 per cent per annum.

Loans to Small Industry

The State Bank of India also advances loans at all its branches under the Credit Guarantee Scheme No. 2 of the National Small Industries Corporation. Any industrial unit which conforms to the definition of a small industry and is enlisted with the National Small Industries Corporation can take advantage of this scheme. The salient feature of the scheme is that it meets the financial needs of the small-scale units for executing the government contract covering all stages of production from the purchase of raw materials to the discounting of bills.

In addition to this, the State Bank of India operates another scheme for financing craftsmen and other technically qualified entrepreneurs desirous of setting up small-scale industrial projects. Eligibility under this new scheme is linked to personal attributes like character and integrity, requisite know-how as well as managerial and technical ability and not monetary standing only. The scheme will cover only such projects which require total financial assistance of Rs two lakhs or less or for one technopreneur and Rs three lakhs for a joint venture. Financial assistance may cover also more than one type of

financing instalment credit for the purchase of machinery/equipment for a period of 3-7 years by making a down cash payment of 20-25 per cent of the cost of equipment, medium term loans for a period of 3 to 10 years at the rate of 10 per cent per annum for financing long-term working capital and the owners equity and cash credit or demand loan for catering for the short-term working capital requirements. The projects should conform to the bank's order of priorities.

Credit Guarantee Scheme of RBI

To induce the commercial banks and state financial corporations and enlarge supply of institutional credit to small-scale units, the Reserve Bank of India through IFD is operating a Credit Guarantee Scheme under which loans granted to small-scale units are insured against possible losses on account of bad debts in respect of their advances. The liberalised scheme provides for sharing of such losses between the lending institutions and government of India subject to the condition that the maximum amount recoverable against the guarantee issued under the scheme in respect of any one advance will not exceed Rs two lakhs. The Credit Guarantee Scheme came into force from July 1, 1960. The scheme has been recently modified with effect from February 1, 1970, whereas earlier the credit institutions seeking guarantee cover were required to obtain the prior approval of the guarantee organisation by making applications to them. But under the modified scheme the advances made by the credit institutions to eligible small-scale units will be deemed as covered under this scheme. In other words the guarantee cover has been made automatic. The utility of this scheme can be gauged from the progress it has achieved so far (till March 31, 1970)—1,38,265 certificates of guarantee for

a total sum of Rs 6,48,00,00,000 were issued.

Role of SFCs

There are at present 17 SFCs, set up under the SFC's Act 1951, functioning in the country, one in each state. Tamil Nadu Industrial Investment Corporation Ltd (TIIC) set up under the Companies Act, in 1949, undertakes both promotional and financing functions in the development of industries in Tamil Nadu and is under the RBI and IDBI Acts treated as SFC by having informal understanding between RBI and TIIC as regards these aspects of their operations. Of these 18 institutions 15 have been operating for more than 10 years and the remaining three, Delhi, Haryana and Himachal Pradesh, which were taken out of Punjab SFC, have been operating for almost four years.

On the basis of aggregate resources, SFCs may be classified as in table below.

The details regarding loans sanctioned and disbursed to SSI units and loans outstanding during the year 1968-69, 1969-70 and 1970-71 and from April to September 1971 are given in Table I (page 91). It will be seen from this table that sanctions and disbursements have steadily increased from year to year. The loans outstanding under the small-scale industries have also shown a steady increase from Rs 22.65 crores at the end of March, 1969 to Rs 52 crores at the end of March 1971 and Rs 57.07 crores on September 30, 1971. By amount, the percentage of loans and advances outstanding in the country from SSI sector which formed 24.6 per cent of the total outstanding loans on March, 1969 rose to 42.2 per cent on September 30, 1971. The sanctions and disbursements have also increased steadily from year to year. The amount of loans sanctioned

Resources	Number	Name of SFC
Exceeding Rs 20 crores	2	Maharashtra and Tamil Nadu.
Between Rs 10 & 20 crores	3	Andhra Pradesh Gujarat and Mysore.
Between Rs 5 & 10 crores	7	Haryana, Kerala, MP, Punjab, Rajasthan, UP and West Bengal.
Less than Rs 5 crores	6	Assam, Bihar, Delhi, HP, J&K and Orissa.

to SSI sector which formed 55.7 per cent of the total amount of loan sanctioned by state financial corporations up to March 31, 1969 increased to 77.8 per cent till September 30, 1971. During these years sizeable portion of assistance has been given to modern sophisticated lines of manufacture such as chemicals and chemical products, non-metallic mineral products, machine tools, electronic items and electrical appliances and other food manufacturing industries.

The SFCs of Maharashtra, Gujarat, Mysore and TIIC have made commendable progress and the SFCs of Delhi and Uttar Pradesh have also picked up their business very well during the last two years and are progressing commendably.

Still there is a considerable divergence in the assistance by SFCs which may be attributed to the following factors:—

- Non-availability of required infra-structural facilities, fiscal incentives and industrial climate for generation of entrepreneurs.
- The differences in the extent of industrialisation in the states due to issue of letters of intent and licences by DGTD and gene-

ration of ancillary activities by large units.

- Size of the state and differences in the areas of jurisdiction between each office of SFCs and industrial units.
- Availability of credit from other institutions on more favourable terms.
- The extent of loans extended by the state government under State Aid to Industries Act and Rules.
- The differences in the formalities to be gone through for obtaining loans and lack of co-ordination between term lending institutions and banks.

The general level of industrialisation of the state is a factor which affects not only loans to small-scale units but also to other units. The infrastructural facilities and fiscal incentives provided by the state governments play a vital role in providing a favourable industrial climate and generation of entrepreneurs. This reason would be applicable for the states like Assam, Bihar, Madhya Pradesh, Orissa, Himachal Pradesh, Rajasthan and to some extent to the state of Uttar Pradesh. This can be re-

duced by giving attractive infrastructural facilities and by organising intensive campaigns.

For establishing contacts with the small-scale industrialists spread all over the state, it is necessary that the area of jurisdiction of the SFC or its branch should not be unduly large. Some state financial corporations like Maharashtra, Uttar Pradesh, Gujarat, Mysore have recently opened several branches and the total assistance in the areas sanctioned by the new branches has been encouraging. In UP, we have seven branches and a proposal to open more branches at divisional headquarters is under consideration.

In some states the SFC acts as an agent to the state government, in disbursing government funds to small industries under the agency-cum-guarantee arrangements. In some states like Tamil Nadu and Kerala the state governments have made advances per borrower up to Rs two lakhs under the State Aid to Industries Act. In Uttar Pradesh also UPFC disburses loans from Rs 5000 to Rs one lakh as an agent to the state government. This difference can be resolved, if SFCs begin to provide loan above Rs 50,000 out of their corporation funds. To secure such loans against possible losses an automatic guarantee cover by IFD and refinance

TABLE I
CORPORATION LOANS : 1968-71

(Rupees in Lakhs)										
Loans sanctioned						Loans disbursed		Loans outstanding		
Small Scale	All Units	% of col. 1 to col. 3	% of col. 2 to col. 4			Small scale units	All units	Small-scale units	All units	% of col. 9 to col. 10
No. Amount	No. Amount									
1	2	3	4	5	6	7	8	9	10	11
During 1968-69 (on March 31, 1969)										
All SFC's	893	969	1018	1935	87.7	55.7	707	1742	2265	9189
UPFC	40	42	52	143	76.9	29.4	24	76	84	375
During 1969-70 (on March 31, 1970)										
All SFC's	1884	2016	2055	3240	91.7	60.3	1219	2145	3161	10455
UPFC	95	189	111	338	85.5	56.1	90	159	163	487
During 1970-71 (on March 31, 1971)										
All SFC's	4556	3582	5065	4900	89.9	73.1	2276	3288	5201	12788
UPFC	106	252	124	429	85.5	58.6	91	218	244	653
April-September 1971 (on September 30, 1971)										
All SFC's	1661	1958	1735	2515	95.7	77.8	957	1426	5767	13666
UPFC	65	183	74	250	87.8	73.2	69	163	301	776

facilities can be obtained from IDBI. Loans below Rs 50,000 may be disbursed under the State Aid to Industries Act or rules preferably through SFCs and their branches by working as an agent to state government.

A few years back the margin on advance was kept about 40 to 50 per cent and security aspect was more in view but recently it has been relaxed. The margin of security has been reduced to 25 per cent to small-scale industries sector and repayment has been linked with the profitability of the projects and cash accruals. This has been made possible in view of the liberalisation of credit guarantee scheme for SSI and refinance facilities at concessional rates of interest from IDBI. The rebate for prompt payment has been increased from 1/2 to one per cent. The concessional terms as offered by SFCs in respect of advances to small-scale industries including backward areas are given in Table II. The pace of disbursement and sanctions can be further quickened if the board of directors of SFCs vest more discretionary power in their managing directors, for speedy sanction and disbursement of the loans, say up to Rs two lakhs, with the aid and advice from a small advisory committee which may meet fortnightly.

Loans Disbursed

It is noticeable that amount to be disbursed was of the order of Rs 41.63 crores, Rs 56.5 crores, Rs 81.3 crores and Rs 74.90 crores during 1968-69, 1969-70, 1970-71 and April 1971 to September 1971 respectively but actual disbursements during these years were Rs 17.42 crores, Rs 21.5 crores, Rs 32.65 crores and Rs 14.3 crores respectively. Some delay is inevitable but it can be minimised, if causes for delay are accounted and tackled accordingly. The same can be classified as:—

- (i). Procedural delays i.e. for completing formalities such as documentation particularly in connection with the mortgage of fixed assets in favour of SFC, legal scrutiny of title deeds and non-encumbrance certificates, valuation of assets etc.
- (ii) The delay on account of incorrect assumptions made at the time of submitting scheme with loan application.
- (iii) The delay in commissioning of the project due to factors beyond the control of the borrowers.

For avoiding such delays SFCs may set up study groups comprising its

officers, IDBI and IFD representatives, chambers or small industries associations representatives, knowledgeable small-scale industries including tech-entrepreneurs.

The example of UPFC may be followed and it may be decided to accept equitable mortgage instead of a registered mortgage of fixed assets as security for loans and advances. The scrutiny of the title deeds and valuation of assets can be taken in hand as soon as the application is processed by the corporation before sanction subject to borrower's consent. This should avoid time lag. Sound appraisals of the loan applications should be made, taking into consideration realistic assumptions, at the time of processing to avoid delays. Wherever necessary the concept of integrated appraisal may be adopted by economic investigation, financial and technical departments. The check list for integrated appraisals may be devised.

An Economic Investigation Division for economic feasibility surveys and marketing research and intelligence needs to be set up in SFCs and strengthened and subsidized suitably by IDBI and RBI for removing deficiencies in appraisals relating to technical aspects and economic feasibilities. IDBI or RBI can also help by supplying all-India perspective of market trends and meaningful forecast. RBI/IDBI can further help SFCs in training their personnel for evolving sound systems and procedures for toning up the appraisal of proposals for financial assistance and bestowing more attention on the promotional role which the SFCs can play in rehabilitating or reconstructing the defaulting units, suggesting diversification of activities or amalgamation of the units as joint ventures. The recovery cells may be organised suitably for reducing overdues and suits filed for debt recovery.

Reassessment of Requirements

Where commissioning of the project is delayed on account of factors beyond the control of the borrowers, state financial corporations may reassess the requirements immediately and modify accordingly.

It will be seen from Table I that loans sanctioned to small-scale industries by SFCs had increased by 108 per cent in 1969-70 over 1968-69 and 78 per cent in 1970-71 over 1969-70 and according to the indication, this performance is likely to further improve in 1971-72. In view of the concessional refinance given by the IDBI to SSI units, Credit Guarantee Scheme of RBI, liberalisa-

tion of the terms and conditions by SFC and identification of projects and schemes through joint institutional surveys in states by IDBI, a favourable climate has been created for state financial corporations to increase their assistance considerably to this sector. Some 128 industries have been reserved for exclusive production in SSI sector.

Large-scale units are being asked to encourage ancillary units around the undertakings and great emphasis is being laid on exports and import substitution. It is therefore suggested that in SFC, management consultancy service may be organised for the technician entrepreneurs and persons putting up industries from the reserved and ancillary, export and import substitute sectors, for giving advice and assistance in acquiring right type of machinery, procurement of raw materials, marketing of products and maintenance of proper accounts and records. SFCs may also be provided foreign exchange to give foreign currency loans to small entrepreneurs.

Term Loans

SFCs mostly provide term loans for the acquisition of block assets and banks meet short term requirements of an industrial unit. With the setting up of Refinance Corporation and thereafter IDBI extending refinance facilities commercial banks particularly SBI grant term loans without fear of an impairment of their liquidity. At the 14th conference of the representatives of SFCs, it was rightly felt that undue competition and duplication of efforts between SFCs and banks be avoided and modernisation of SSI units and financing of new units particularly in backward areas through co-operation in credit appraisal, recovery and inspection be given due weightage.

As the SFCs give loans for land, building and machinery, the unit takes normally two years or more for commencement of commercial production. At the time the proposal is initiated, banks do not take interest in the scheme. Accordingly the units helped and SFCs remain in doubt about the availability of working capital in adequate measure at the appropriate time. This uncertainty is not conducive to industrial growth.

In view of this it is considered useful that SFCs and major commercial banks may regard their roles as complimentary and come to an agreement for participation arrangements in the form of joint financing. As such, every assisted unit by SFC or banks shall not feel any difficulty for its reasonable requirements of term

TABLE II
CONCESSIONAL TERMS OFFERED BY STATE FINANCIAL CORPORATIONS IN RESPECT OF
ADVANCES TO SMALL-SCALE INDUSTRY

State financial corporation	Margin	Rate of interest	Period of repayment	Other concessions to small-scale industries
Andhra Pradesh	Plant 20% & machinery 25% Land 33½% & building 40%. In case of ancillary units: plant & machinery 10%, land & building 15%.	4% above Bank Rate minimum of 10% p.a. with rebate of 1½% for prompt payment of interest & instalments.	10 to 12 years.	—
Assam	50%	8½% with ½% rebate for prompt repayment.	-do-	—
Bihar	30%	9% with 1% rebate for prompt repayment when refinance is received; otherwise 10% with 1% rebate for prompt repayment. Backward areas—7% with 1% rebate for prompt repayment.	-do-	—
Delhi	25% 50% for loans to hotels, cold storages, ice plants.	4% over Bank Rate minimum of 10% p.a. with rebate of ½% for prompt payment of principal and interest. Rebate will be 1½% from the date of refinance provided the refinance loans are sanctioned by the IDBI at concessional rate of 5% p.a.	-do-	—
Gujarat	25% or less in deserving cases.	8½% 8% in case refinance from IDBI is available.	Up to 12 years.	Acceptance of equitable mortgages/hypothecations in respect of assets offered as security. No application fee is charged to the small-scale units.
Haryana	25% 20% technician entrepreneurs.	8½% for loans up to Rs 5 lakhs. For loans above Rs 5 lakhs—9½% to be reduced to 8½% on availability of refinance from IDBI. Backward areas—6%. In case of default penal rate of ½% in addition to this.	-do-	—
Himachal Pradesh	25%	10%	10 years.	—
Jammu & Kashmir	40% to 50%	2½% over Bank Rate with a minimum of 8½%, a panel rate of 1% in case of defaults. In respect of backward areas where refinance from IDBI is availed of at 3½% p.a.—1% over Bank Rate with a minimum of 7% p.a. a panel rate of 1% p.a. in case of defaults.	Period of repayment commences generally after a grace period of 1 to 3 years from the date of first disbursement.	—
Kerala	25%	8% p.a. with ½% rebate for prompt repayment provided refinance is available at 5% p.a. otherwise 9% p.a. with 1% rebate for prompt payment.	Period of 15 years a gestation period of 3 years for starting repayment.	—

(Contd.)

TABLE II (Contd.)

**CONCESSIONAL TERMS OFFERED BY STATE FINANCIAL CORPORATIONS IN RESPECT OF
ADVANCES TO SMALL-SCALE INDUSTRY**

State financial corporation	Margin	Rate of interest	Period of repayment	Other concessions to small-scale industry
Maharashtra	25%	10% with 2½% rebate for prompt payment. (normal rebate 1½%).	Repayment period of 10 to 12 years. Gestation period 2-3 years.	—
Madhya Pradesh	25%	9% p.a. with rebate of ½% for timely repayment of principal and interest.	—	The corporation does not charge any application fee for loans upto Rs two lakhs.
Mysore	The margin in respect of the small-scale units is 25% generally further, relaxable to 15% in deserving cases. 10% for small-scales industries by technicians.	9½% with ½% rebate. If re-finance is sanctioned by IDBI, the benefit of reduction in the rate of interest may be passed on to the party.	—	—
Orissa	30% normal cases. 25% deserving cases and transport loans. 15% technical entrepreneurs.	8½% p.a. with rebate of ½% for prompt payment.	For acquisition of fixed assets—10 to 12 years. Working capital loans for providing margin 5 years.	—
Punjab	25%	4% over Bank Rate minimum of 10% p.a. with rebate of ½% from prompt payment of instalments or interest. 3½% above the IDBI refinance rate from the date refinance is available from IDBI.	Not to exceed 10 years.	—
Rajasthan	25%	8½% provided refinance is available from IDBI.	Gestation period of 2 years allowed.	—
TIIC	25%	8½%	—	Exempted from payment of stamp duty for mortgage of their assets in favour of the corporation. Investigation charges, legal fees and other operational costs are collected only at half the usual rate.
Uttar Pradesh	25% upto Rs 3½ lakhs and 33% to 50% beyond Rs 3½ lacs. Backward districts 15% to 35% depending upon the size of the loan.	9½% interest rebate of 1% for prompt payment for loans upto Rs 5 lakhs. 9½% with ½% rebate for loans beyond Rs 5 lakhs. 8% with 1% rebate in case of backward areas.	7 to 12 years. Backward areas 15 years. Gestation period of 1 to 4 years.	—
West Bengal	Generally margin of 30%. Technician entrepreneurs 25%.	8%	—	—

loans or working capital as the case may be. Five SFCs (Gujarat, Maharashtra, Haryana, Mysore and UP) and a few banks have agreed to implement joint financing arrangements. The UPFC have taken a lead where nine banks have agreed in principle for joint financing.

In the first instance this will be confined to small-scale units at reduced margin. The corporation will finance SSI unit for acquisition of block assets against mortgage or hypothecation having first charge and the bank will have second charge. Similarly the bank will provide working capital finances at reduced margin against the pledge of goods or liquid assets having first charge over them. The corporation will have second charge on such assets. A tripartite agreement will be executed by the corporation, bank and the borrowing industrial concerns. Such joint financing arrangements will remove uncertainty of working capital to a great extent but will in no way contribute to the curtailment of formalities and procedures. Joint credit appraisal, common inspection, and a say of the bank to some extent in the recovery of dues of SFCs etc. may be required.

Avoid Overlapping

SFCs are empowered under their statute to sanction loans upto Rs 20 lakhs for a public limited company and co-operatives and Rs 10 lakhs for others, underwrite shares and debentures and issue deferred payment guarantees. Most of the SIICs and SIDCs also sanction loans and take up underwriting except in UP where there is no overlapping. In order to avoid overlapping, it is necessary that a study group be set up for integrating their functions within the structure of development banking in the country. SIIC or SIDC may confine to underwriting of the public issue of capital and provide balance of the financial assistance required, after the unit has availed itself of the maximum facilities from SFC concerned.

A closer integration between these all-India term lending institutions and SFCs are necessary. The ICICI provides foreign currency loans. SFCs may take the advantage of the facilities offered

red by ICICI to a significant extent by entering into an agreement with ICICI against *pari passu* charge over the assets of the borrowing units.

Despite the tremendous odds and handicaps faced by the small-scale industries, this sector has very well stood the test of time and grown in a spectacular manner. Though Japan is a tiny country yet it has felt the necessity for a series of comprehensive legislations for protection and development of small enterprises. In the USA also "Small Business Investment Act" exists and 46 per cent of the purchases made by the civilian departments are met by small industries. In essence, while sustained efforts in increasing the share of this sector in overall industrial output and employment have to continue, the formation of a definite small industry policy through a comprehensive legislation is overdue, recognising modern small-scale industries as a distinct segment of the industrial economy. The legislation may incorporate and emphasise the following promotional measures:—

Intensive development of the small-scale sector through suitable reservations, industrial campaigns in various parts of the country particularly back-

ward areas for creating industrial climate, generation of entrepreneurship and reduction of regional imbalances.

Closer integration between the large-scale and small-scale sector, through the development of ancillaries and agro and defence industries, demarcating of the sphere and dispersal of activities.

Phased programme of modernisation.

Special encouragement to techno-entrepreneurs.

Collection of key statistics on compulsory basis.

Equitable distribution of scarce raw-material.

Marketing, export promotion and import substitution on preferential treatment basis.

Strengthening of industrial extension service and adequate supply of critical inputs like finance for meeting short and long-term requirements and easy availability of measures like credit guarantee, refinancing, rediscounting equity participation and deferred payment guarantees.

Special encouragement to recognised chambers and small industries associations.

INDIAN ESTATE DUTY LAW

by S. A. L. NARAYANA RAO

(former Chairman, Central Board of Direct Taxes)

In this book, which is a successor to Estate Duty Simplified, the author has, in section-wise commentary, explained the provisions of each section. The rights and obligations of the Taxpayer have been clearly set out. By reading this book every Taxpayer will know the concession and reliefs given and avail of them and be able to fulfil his tax obligations under the Act. All the reported Indian Cases have been digested and referred.

All Rules and Notifications under the Act have been printed as Annexures.

Foreword by Hon'ble Justice Mr. J. C. Shah, High Court of Bombay. The book, priced at Rs 40/- will be useful to 'Taxpayers as well as to Tax Practitioners'.

Available with leading law book-sellers.

Published by : M. L. J. OFFICE,
P. B. NO. 604, MADRAS-4.

WINDOW ON THE WORLD

Mediterranean Irrigation

JOSSELYN HENNESSY

LONDON.

I
EXPERIENCE IN 7 COUNTRIES

IRRIGATION HAS been steadily developed in the OECD Mediterranean countries over the last 25 years; yet the authorities had only fragmentary data about the returns on the capital invested.

What is the economic impact of irrigation at farm, regional, and national level? What are its implications for employment, farm structure and the environment? What problems are raised by the use of irrigated land? What outlets exist for the crops grown? What are the broad lines of national irrigation policies? A working party of the OECD Committee for Agriculture collected the information available. Here are the highlights of their general report:

The technical impact of irrigation is evident in dams, canals and pumping stations; the socio-economic impact is harder to assess. In seven Mediterranean countries studied (France, Greece, Italy, Portugal, Spain, Turkey and Yugoslavia) in addition to the United States, by OECD, few cost/benefit calculations have so far been made. The rapid development of irrigation schemes was mainly undertaken to remedy a shortage of food; France and Yugoslavia introduced their first irrigation programmes in 1947, Portugal in 1953, Italy in 1955 and Greece in 1956. Not until some time later did the authorities look at the productivity of the investments involved.

Potential Return

The international banks were the first to require prior studies of the potential return on capital investment in irrigation schemes. Steps have also been taken by a few countries, especially Italy (the most advanced in this field), Turkey and France. In the United States, the Water Resource Council selects the projects to be implemented: for multi-purpose projects an economic analysis has to be made first, and the net benefits maximised.

For the last ten years, some priority has been given to major multi-purpose projects, mainly to stimulate the development of backward regions, usually

found in the south of the country concerned. The projects are designed to promote the simultaneous development of all sectors of activity (agriculture, energy, industry, flood control, shipping, recreational), and call for substantial resources and long-term financing arrangements.

The execution of such projects does not merely involve a cost/benefit analysis of the capital invested: it also requires a whole series of supporting policy measures: structural improvements (consolidation of holdings, enlargement and remodelling of farms), better planning of irrigated farm production in the light of home demand and foreign markets, organised processing and marketing, as well as the creation of new executive groups.

Executive Groups

Various approaches have been tried in different countries for the implementation of major irrigation programmes. One is to encourage local initiative by forming associations of those who stand to benefit. These associations receive help in grants or loans and are responsible for installing and managing the irrigation network. The proliferation of such associations has given a strong stimulus to irrigation with a minimum of state aid. State supervision may take various forms, from the concession of the right to charge levies to strict administrative and technical control.

The institution of agrarian reform, regional development and assistance for depressed areas, combined with the introduction of multi-purpose irrigation projects, soon necessitated stronger action on co-ordinated lines by the public authorities. The latter were not, however, equipped to carry out the executive work quickly and efficiently, and therefore entrusted it to relatively autonomous institutes or development companies, or set up new *ad hoc* services in the ministries.

In the countries covered by the OECD study, the Ministry of Agriculture and the Ministry of Public Works both play their part in introducing irrigation. The competence of the Ministry of Public Works is generally limited to the engineering side. The Ministry of Agriculture is of most importance in Greece, where it still sponsors schemes. In Spain, Portugal and Turkey, a special

agency is responsible for their execution at farm level (in Spain, the Land Settlement Institute, coming under the Ministry of Agriculture; in Turkey, TOPRAKSU—Soil and Water Improvement Service—which forms part of the Ministry for Villages Development; in Portugal, the General Agricultural Services Department of the Ministry of Agriculture). Of these three, the Spanish Settlement Institute and the Turkish TOPRAKSU have the widest powers. They are responsible for the implementation of certain projects, and in the case of the Land Settlement Institute, for building villages and for the general development of areas covered by land reform schemes.

In France, Italy and Yugoslavia, associations of irrigation users are being further developed: Approved associations (in France), Consortio di Bonifica (in Italy), local water management associations (in Yugoslavia). Some special agencies have been formed in addition: in France, "Mixed economy companies" set up mainly for the less developed south; in Italy, the Cassa per il Mezzogiorno, the agency formed for the development of southern Italy; in Yugoslavia, the Danube-Tisza-Danube water supply complex (in Voivodina). These agencies carry out genuine regional development operations. Their action is not limited, like that of the administrative departments, by sectoral demarcation, and they are thus able to promote co-ordinated development. That they have their own financial resources, in addition to national or regional budget funds, makes it possible to synchronise separate measures taken with the same end in view. The special agencies are empowered to prepare plans and draw on budgets covering periods of several years.

Rising Investments

Investment in irrigation has, in general, steadily risen in all countries over the last 20 years. The only irregular trend is in Yugoslavia, where the funds allocated cover a long period, and the amount drawn may vary from year to year. From 1960 to 1970, investments fell off in Italy where the main financial effort was made earlier; Greece and France showed moderate increases while there was a more pronounced rise in Turkey.

Public investment in irrigation accounts for more than half of the total public investment in the agricultural sector for the latest period in Spain, Greece and Turkey. The proportion is declining in Spain and Turkey. In all three countries, irrigation constitutes a virtually absolute priority, whence the need to make it effective. In

Italy, France and Yugoslavia, the percentage of public investment is much lower—10.7 and 3.5 per cent respectively.

The major part of investments in irrigation is financed out of public funds, especially in Yugoslavia and Turkey (to the extent of 100 and 95 per cent respectively); in Spain, France and Italy, the percentages are from 75 to 82 per cent. The figures are declining, particularly in the three last countries where the state is demanding greater effort from the farmers themselves.

II

RESULTS AT FARM LEVEL

Three studies were used to compare production systems, costs and incomes as between irrigated and non-irrigated farms. The first study covers 4,050 irrigated and non-irrigated farms in nine catchment basins in Spain. The second analyses 22 pilot farms in the Messara Valley in Crete. The third is based on the accounts of typical cotton farms in Texas.

Although the information used was varied, all three studies showed improvement in income after irrigation, whatever the country, region or type of farm. The average ratio of irrigated/non-irrigated income (taking income in non-irrigated farms=100) was 139 in 1967 for the Texas cotton plantations, measured by net agricultural incomes; it was 251 in Crete, measured by family farm income; the figure was still higher in Spain (with some differences according to region and irrigated area). There were also some disparities between different farms in the same region; in Crete, for instance, the post-irrigation family farm income varied in the proportion of 1 to 12, even within the group of 22 farms investigated.

Some other lessons can be drawn from the three studies relating to the use of land, labour and capital. The adoption of irrigation leads to more intensive use of these three factors, particularly of the resource which is most scarce: in Greece, land; in the United States, labour.

The use of land is all-important in all the Mediterranean countries. Yields in irrigated areas are always higher than in non-irrigated areas, but by how much depends on the degree of aridity and the technical standard of farming. The highest average for all crops combined is in Italy.

In the use of labour, the analyses reveal that irrigated farms in Spain require from 24 to 6 times more manpower than non-irrigated farms. The

ratio is found to be higher for large and medium sized farms than for small farms. In Greece, in areas where small farms predominate, even maximum intensification of production cannot create new jobs at farm level; it merely allows for a better use of the existing work force. In areas where medium-sized or, *a fortiori*, large farms predominate, the switch to intensive production does create new jobs; but this in turn raises problems, for instance in the United States and France, in sparsely populated regions.

In capital utilisation, if the total non-irrigated farm capital is taken as 100, the index for irrigated farms ranges from 236 to 647 in Spain, and was 166 in the United States in 1967. Reconversion, i.e. the introduction of new crops such as fruit and vegetables, causes the most difficult financing problems, even on large farms. In Yugoslavia, for example, the development of irrigation in the large socialised enterprises is hampered by the limited possibilities of self-financing and the difficulty of obtaining loans on favourable terms, although there has now been some improvement as a result of farm amalgamations.

Reconversion also sets a difficult problem for small and medium-sized farms, as considerable capital is needed and the returns are sometimes deferred, as in the case of fruit-growing. The farm's debt-paying capacity has to be carefully calculated, and the credit line adjusted to fit the enterprise. Imperfect co-ordination on this point may lead to delays in reconversion, with the farmers' level of indebtedness exceeding their capacity to repay.

III

IRRIGATION AND THE ECONOMY

It is much more difficult to assess the results for the irrigated area as a whole. Collective, not individual, investments are now involved; the impact is felt not by a single entrepreneur, but by the whole population of a region, and by whole sectors of economic activity.

The direct cost-benefit ratio receives most attention: the total investment expenditure is compared with the increase in farm income in the area concerned. The project's direct impact on agricultural income in the area is shown by the difference between the post-irrigation increase in the gross product of crop and livestock production, and the rise in current costs. Other direct effects are considered, e.g. the impact on employment, the balance of payments, and tax revenue.

Certain indirect effects may also be

traced: the increase in farmers' income leads to a higher demand for the means of production and for consumer goods; the satisfaction of these needs creates new activities and additional income for the other economic sectors. The social implications, the effects on the population's way of life and vocational training, and on the environment are of mounting importance but difficult to measure.

The criteria considered are sensitive, especially to deviations from the income and expenditure forecasts used for feasibility studies. If the project takes longer to execute than was planned, i.e. if earnings fall short of the forecasts, or costs are higher, the cost-benefit ratio may be seriously compromised.

Substantial Contribution

From the general standpoint of the national economy, irrigation has made a substantial contribution to the growth target in agricultural production. The countries where irrigation is least practised (Portugal and Yugoslavia) are those where agricultural production has expanded least. The rise in output has been much more considerable for fruit (increase of 70 per cent in average annual production between 1957/60 and 1965/68 for apples, pears, peaches, table grapes and citrus fruits combined), and for some vegetables and industrial crops (sugar beet and cotton), than for livestock products. Irrigation has permitted greater diversification of crops, but the problem of intensified livestock production on irrigation land still awaits solution, and will demand sustained efforts.

The quantitative increase in irrigated agricultural production was to be used for two purposes: to satisfy the anticipated increase in demand on the home market, and to secure improvement in the trade balance; which of these targets comes first depends on the branch of production concerned. The improvement in the trade balance was expected to result both from the drop in imports following the development of certain irrigated products, which have traditionally been in short supply in the southern European countries (e.g. livestock products and related commodities, and sugar), and from the rise in exports of other products considered to have good prospects on foreign markets (e.g. fruit, vegetables and cotton).

At the same time, irrigation should allow some diversification of agricultural exports, which represent a large proportion of the total exports from southern European countries, and thus render the trade balance less vulnerable

(over to page 100)

to slumps which may afflict specific markets.

How far have these objectives been attained? The picture is not entirely rosy. Interesting results have, indeed, been achieved in fruit and vegetable exports, which vary according to the country and the kinds of produce. There has, for example, been a substantial rise in apple exports from France, and of peaches and citrus fruits from Greece. In certain cases, however, further efforts are needed: the targets adopted for fruit and vegetable exports in some development plans have not been attained; worse still, surpluses have arisen in certain fruits; apart from the financial aspect, these have psychological consequences which are still making themselves felt. To exploit the potential demand still existing in this sector, and thus justify the development of irrigated fruit and vegetable crops on general economic grounds, better planning production to match demand is necessary.

Such a policy presupposes, in the first place, an accurate knowledge of the production apparatus, i.e. of the fruit-growing area and its medium-term development, which is imperfectly understood in the countries concerned. Modernisation of the marketing and transport mechanisms is also required. Lastly, to avoid any aggravation of competition in the Mediterranean region, genuine co-operation should be introduced in the fruit sector, involving at the least regular comparisons of production targets.

IV

FUTURE PROGRAMMES

The OECD study concludes with the general observation that irrigation programmes are increasingly becoming integrated with plans for water management. This involves solving the problems of regulating water courses and drainage of soils, while at the same time satisfying as far as possible the constantly growing demand for water for human consumption, agricultural uses and industrial purposes. Some competition is arising between these needs, especially in the most arid countries. National agencies to take stock of water resources and to co-ordinate their use are essential and have already been set up in some countries.

Irrigation, in fact, must be regarded as a factor of production, like mechanisation or the use of fertilisers. In all countries, the forecasts available point to a further expansion of the irrigated areas.

OECD urges that the economic approach gradually being adopted to programmes for development through irri-

gation should be pursued and extended, especially in the following fields:

Collection and periodic updating of statistical information on irrigated branches of production; deciding the choices to be made, for budget purposes, between the completion of current programmes and the introduction of new programmes; selection of projects with greater regard for socio-economic criteria; orientation of irrigated crop

patterns in accordance with the general targets of development plans, having regard to the potentialities of the farms, areas, and regions concerned.

Nor should the human factors essential to the success of any irrigation programme be overlooked, especially to prepare the farmers ahead of its inception and to educate them in its management and uses.

Mobile Money

E. B. BROOK

VIENNA.

THE HIGH tide of economic prophecy has receded with the arrival of the new year and, as the debris of hopes and doubts is left lying uselessly, it is possible to see more clearly the evidence of what is happening.

The surest indication of what is happening and likely to happen is that, despite revaluations and devaluations, money is continuing to move very freely both ways across the Atlantic. European investors are pumping funds into Wall Street to capitalise on what appears to be better short-term business prospects for the United States than for Europe. Meanwhile the huge American corporations continue to pour dollars into Europe.

The effect in the United States, if European money continues to flow back to Wall Street, will be that in this election year — and the US Presidential election is the central point of this year in many sectors within and without the USA — the American economy will, usefully, look and feel a lot better than it did in 1971. The realignment of exchange rates could provide a great stabilising force and the total result could be euphoric for American investors at home as well as abroad, with a resultant tactically-timed surge in US profits and investment levels.

Reason for US Investment

If this should prove to be the case the reasons for the continued movement of US investment funds to Europe need explanation. Six facts explain this unending fondness of American big corporations for investment in the European markets.

Controls over business and investment in Europe are far less restrictive than they are in the USA. The United States Justice Department's anti-trust division, with the aid of the courts, bans the largest commercial corpora-

tions from making acquisitions in the USA: in Europe, price controls and anti-trust enforcement is far less rigorous though the latter is beginning to tighten up in West Germany.

The European worker, though moving steadily towards the 40 hour week where he has not attained it already, is a more punctual and conscientious performer than his American counterpart. The concept of work as a personal achievement ranks far higher in Europe than it does in America.

Trade Unionism

Partly, perhaps, for this reason, the European trades unions—Britain's over-publicised strikes notwithstanding—are more co-operative and less aggressive organisations than they are in the USA. French unions, are adept at negotiations rather than at direct action and the relative weakness of the German unions has only recently been re-emphasized by the near-collapse of the steel-workers' strike after only a fortnight's work stoppage.

The social consciousness in Europe is also less aggressive than in the USA where consumer drives and anti-pollution campaigns operate on a scale quite foreign to European ideas. In Europe there is more resentment over motor car exhaust than over factory effluvia, with consequent much cheaper overheads for manufacturers and less expenditure for investors.

The expansion of the European Common Market from six to ten—especially the inclusion of Britain—is regarded by American business as at least doubling west Europe's business potential.

Labour costs in the USA are still higher than anywhere in Europe, though the gap is narrowing. The increasing interest of US business in the less aggressive parts of east Europe, especially in Yugoslavia, is evidence that

the American search for low labour cost areas in this continent is pushing farther afield and thrusting aside ideological barriers.

These two money movements across the Atlantic are not without their menace. Especially, if European countries find later this year they are being compelled again to hold surplus dollars, a new monetary crisis could build up. But since this is unlikely to happen before the American electorate is called on to vote and elect a new President no one is giving much thought to that possibility — mainly because it is not yet certain who will sit in Washington with the responsibility of handling it.

The next most significant new year "happening" is occurring in the USA itself—with possible long-term effects in Europe—where the Administration seems to be prepared to accept a five per cent level of unemployment as normal. Some think it may rise to six per cent, an uncomfortably high level in the United States especially as among women workers, the younger people and the poorer classes the percentage may be much higher still. The menace of these figures lies in the fact that the American public, unlike its Administration, sees in the level of unemployment the clearest indication of which way their national economy is going — and might vote accordingly rendering President Nixon's capture of the economic initiative ineffective.

Finally, at the turn of the year, there is a renewed sharpness in the relations between the USA and the European

Common Market. A Presidential Assistant, Mr Peterson, indicating the direction of President Nixon's thinking, celebrated the close of 1971 by issuing a report pointing the way to major international negotiations to establish new rules for world trade, to reform the world monetary system (again) and to establish new codes for international business investment.

The report is more critical than any previous US official document of the Common Market, especially of its high-price agricultural policy. It criticises the General Agreement on Tariffs and Trade (GATT) as an "ineffective" enforcer of trade rules and confirms the abandonment of the 1948 Bretton Woods ordering of world finances. While the report turns a critical and disparaging eye on post-war Europe and its international commercial institutions it throws an admiring glance toward Japan and hints that Japanese methods of government-business co-operation and long-term planning could very well be adopted by America. The most constructive suggestion in the report is the possibility of negotiation with the Common Market and others on zero tariffs, at least on industrial goods, in return for similar concessions.

Understandably, there have been reactions to this report in Europe. Common Market officials have denied that the European organization has become anti-American but insist that it must become even more independent of Washington in taking decisions. The Market has long sensed that US support for it has been dwindling and that its criticisms are becoming increasing-

ly barbed. Criticisms are, in fact, crossing the Atlantic with almost as much regularity as investments. Some in Europe suspect that America is steadily trying to break up the Market before it becomes too strong a competitor for the USA to handle comfortably.

The American-Market confrontation could be more serious than appears on the surface. Brussels and Paris both suspect that Washington is aiming at a disintegration of the Market's farm policies which, they feel, would mean the end of the European Economic Community. President Pompidou told a television audience at Christmas that the Market's farm policies were the cornerstone of economic integration and essential for a monetary and political union. Many European farmers fear that eventually they may be sacrificed for the "Atlantic" as opposed to a "European" Europe and President Pompidou's remarks were made to reassure them.

The market decision of negotiating zero tariffs for industrial products is expected as a possible way of resolving the question that appears to be shaping up between the Market and the USA. Europe is keenly conscious that a plan to create a vast European market with extensive interests in the Mediterranean area and in Africa rouses nervous hostility in Washington and that the emergence of blocs of influence as a result is a possibility that would leave Asian and South American countries, with growing trade needs and unemployment, as economic outcasts.



Our fleet of seventeen modern freighters offers fast, regular and dependable service between

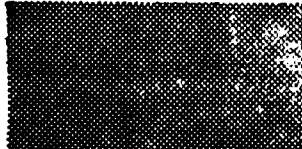
INDIA—U. K. & THE CONTINENT • INDIA/EAST PAKISTAN—SOUTH AMERICA
INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
INDIA—POLAND Also around the INDIAN COAST

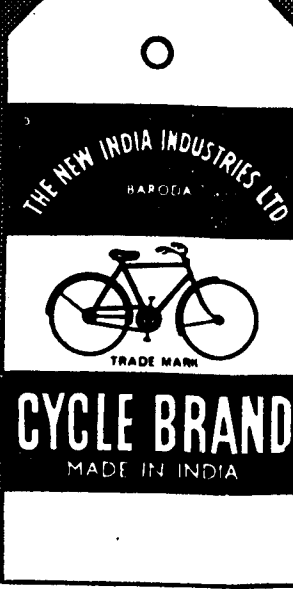
INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

5L
Xm 2, N72
N72.58

Quality wears a label







Cycle Brand
Wire Healds, All-metal Reeds, Jute Cambs and Jute Reeds.



Swar Brand
Egyptian Combed Cotton Yarn and Staple Fibre Yarn.



India Brand
Best Egyptian Cotton Healds, Heald Piecing Yarn, Finest Polished Steel Wire Reeds, Brass Reeds, Striking Combs and Dobby Harness without rubber.



THE NEW INDIA INDUSTRIES LIMITED

Baroda & Bombay

Stockists:

B. Mehta & Co., Bombay, Ahmedabad, Calcutta, Coimbatore, Mehta Parikh & Co. Pvt. Ltd., Ahmedabad, Bombay, Hindustan Textile Stores, Bombay, for all-metal reeds only.

CMNI-27-244M

The moving finger writes

ON AN epochal January 30, Jawaharlal Nehru, speaking to his countrymen, named Mahatma Gandhi "the Father of the Nation." Nehru did so partly from personal emotion, partly because of a sense of guilt and partly with a politician's feel for what would go with the public. Indira Gandhi, addressing the Lok Sabha on December 6, chose to designate Sheikh Mujibur Rehman as "the father of the new state" of Ganaprajatantriya Bangla Desh. The Sheikh has already been rejoicing in the appellation of *Banga Bandhu*, a title which was given to him out of the affection of his own people. I should have thought that if he is to have a new title, the matter should have been left to the decision of his countrymen.

Anyhow, although there have been stray attempts to substitute *Bangapitha* for *Banga Bandhu*, neither the idea nor the phrase has caught on. Mujib—if one may take the liberty of continuing to apply this term of admiring familiarity to him—remains, then, simply *Banga Bandhu*. This is just as well. It is possible that a president could have got away with the title of "father of the state", but it is impossible for a prime minister not to look ridiculous wearing so solemn a crown. Prime ministers after all have to go to the people for their votes. A father of the nation or even a father of the state is clearly in no position to contemplate this electioneering.

If it is indeed true that President Anwar Sadat of Egypt called off an offensive against Israel at the eleventh hour in December last because of the outbreak of the Indo-Pakistan war, we have here an excellent example of the ironies of history. The government of India has been persistently rejecting Israel's hand of friendship and has diplomatically been doing its utmost to support the Arab cause as against Israel's. Now, if President Sadat's statement is to be believed, it is India which has been indirectly responsible for Cairo not resuming hostilities against Israel before the end of 1971, as it had been threatening to do. In a way, then, India, by bringing to a head early in December its own confrontation with Pakistan over Bangla Desh, has done Israel a good turn—I am not

suggesting of course that Egypt would have necessarily profited had it gone to war with Israel. It should be interesting to learn what Tel Aviv thinks about it all.

* *

Although the larger newspapers in this country are not particularly noted for thrift in their spending on their editorial or other establishments, when it comes to news gathering, especially gathering foreign news, they have generally been content to retail to their readers news or features appearing in the American, the British or the French press even about matters which are of direct or special concern to our country. Indeed the usual practice of the representatives of our newspapers functioning abroad seems to be to sit down for a day in the week and summarise whatever might have been appearing in the press of the country in which they are resident and which may be presumed to be of interest to readers in India. Not surprisingly, then, the Anderson column has been a god-send to our newspapers and their special correspondents in Washington.

All this, perhaps, is in the day's game. What gets my goat, however, is the patronising way in which one or two of our newspapers have been referring to the Anderson scoop in their editorial comments. I am particularly annoyed by a suggestion that it is only the strict Official Secrets Act of the government of India which is coming in the way of our newspapers or their reporters or columnists pulling off similar feats of investigative journalism in our own country. This is a very poor excuse indeed for the failure of the not inexpensive news bureaux maintained by the large newspapers to get at behind-the-scenes facts about such developments or events as, for instance, the signing of the Indo-Soviet Treaty of Friendship and Co-operation.

The result is that our people come to know much more about how Dr Henry Kissinger works in the White House than about how Mr Haksar or Mr Dhar is functioning in the South Block. I am not necessarily implying that there has been something sinister about the way the Indo-Soviet pact was brought about, but I do hold that our news-

papers are not performing adequately in the area of probing into the human factors or even the mechanical processes that go into decision-making in government in this country. One consequence is that, when a foreign journalist, to wit, Mr Neville Maxwell, formerly New Delhi correspondent of the *Times* (London) comes out with his version of the India-China war of 1962, all that most of our editorial writers can do is to demand to know whether there is at all a limit to British perfidy.

* *

Mrs Shanti Sadiq Ali has been trying to make an honest rupee by writing articles to the newspapers on African politics. There is certainly no harm in this, but I do wish that, for her own sake, she would take her self-imposed stint a little more seriously. Her article on "The Nigerian Recovery", in *The Hindustan Times* of January 13, for instance, read suspiciously like an effortless paraphrase of what the *Time* magazine had written on the same topic a few days earlier. What *Time* or Mrs Sadiq Ali may have to say about the Nigerian political or economic reconstruction after the civil war may well be factually correct, but I must protest against the insensibility displayed by Mrs Sadiq Ali to the historic background, still so close, of the colossal tragedy of Biafra. Public memory may be short but at least the memory of individual persons should be somewhat longer. It is strange indeed that Mrs Sadiq Ali did not have even a symbolic tear to shed for the death and destruction the Ibo people suffered when they made their abortive bid to assert their tribal personality.

* *

Ours is a country where political scientists have been few but scientist politicians are many. Dr M. S. Swaminathan who is simply a scientists' scientist is therefore quite a phenomenon in our public life. His elevation to the post of Director-General of ICAR has coincided with this office being upgraded to the status of Secretary to the Government. Or, more accurately, it is the other way about. Either way, the green revolution is coming more and more into its own.

V.B.

Trade Winds

CERTIFICATES FOR G.S.P.

THE UNION government has authorised seven governmental authorities and their regional offices to issue the certificates of origin under the Generalised System of Preferences, popularly known as GSP. The authorities are: Export Inspection Council; Central Silk Board; Coir Board; Textile Commissioner (Textile Committee); All India Handicrafts Board; Jute Commissioner; and Chief Controller of Imports and Exports (officers in charge of export promotion work). The Generalised System of Preferences under which tariff concessions to developing countries have been extended by the developed countries, require the exporting parties to furnish a certificate of origin to qualify for the preferential treatment under the GSP. The member-states of the European Economic Community (EEC) introduced the GSP with effect from July 1, 1971. They had, however, permitted imports of products claiming GSP benefits from the beneficiary countries without the certificates of origin in prescribed form up to December 31, 1971, provided the certificates of origin as prescribed under the GSP are furnished later on. Japan introduced GSP from August 1, 1971. She had permitted imports from the beneficiary countries without prescribed certificates of origin up to November 30, 1971, which has since been extended to January 31, 1972, provided the certificates of origin in the prescribed form are submitted to the Japanese customs authorities at a later date. Norway introduced her GSP offers with effect from October 1, 1971, and her Rules of Origin are based on those already applied by member states of the EEC. Sweden has also introduced her GSP offers with effect from January 1, 1972. Information on the Rules of Origin, the prescribed forms of certificates and the manner in which the certificates are to be filled up, is available in a book on the 'Rules of Origin for Generalised System of Preferences' brought out by the Indian Institute of Foreign Trade.

I.D.A. LOAN

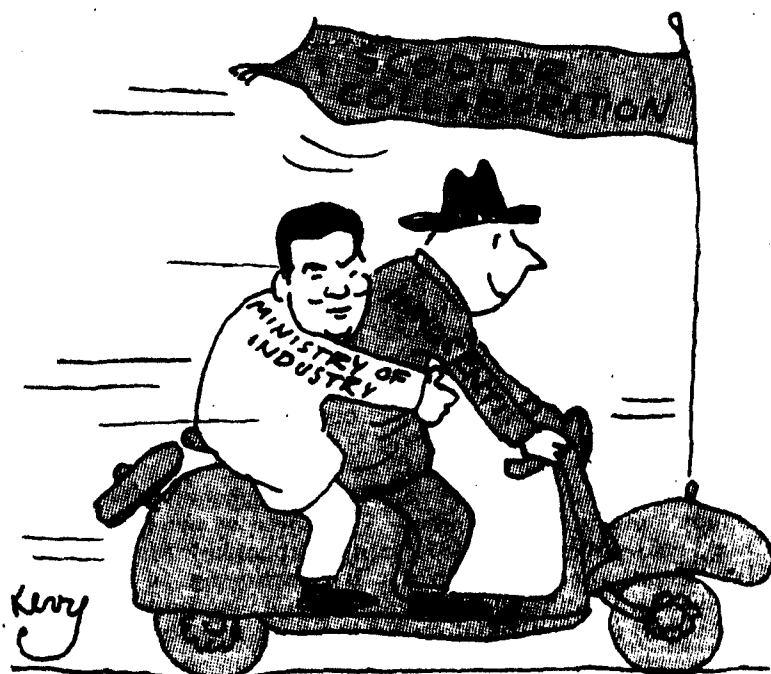
Indian Railways has been granted a credit of 75 million dollars by the International Development Association. With this the Railways have received a total of \$706 million from the World Bank Group, of which \$125 million have already been repaid. The new

credit, which is for a period of 50 years, does not bear any interest, but only a service charge of three-fourth of one per cent which is payable every six months beginning on May 15 this year. The principal amount of the credit has also to be repaid in instalments every six months beginning from May 15, 1982. The credit, which is the eleventh to be granted by the World Bank Group, will enable Indian Railways to finance the bulk of foreign exchange payments during the period October 1971 to September 1974. In addition, IDA have, as a special case, agreed that Indian Railways might pay for proprietary items purchased on a single tender basis up to a limit of \$17 million. This will enable Indian Railways to purchase components for electrical and diesel locomotives and EMUs, under collaboration agreements and licensing arrangements. The balance of the credit will be available for purchase of other components and materials required for the manufacture of electric and diesel locomotives, electric multiple units, coaches and wagons; equipment and materials for railway electrification schemes; signalling and telecommunication equipment; plant and machinery.

FOREIGN AID

Thanks to the steady improvement in our balance of payments position over the last nearly three years, our depen-

dence on economic assistance from abroad has gone down a great deal. The recent announcement by the US Administration about the stoppage of a portion of its aid which is already in the pipeline, therefore, is not likely to affect us much. At the end of March, 1968, our foreign exchange reserves aggregated to \$798 million. Against this, we, however, owed \$450 million to the International Monetary Fund. At the end of December last, whereas no payments were due to the IMF, our foreign exchange reserves totalled \$1,170 million, including the SDR's. Thus, since the end of March, 1968, our foreign exchange reserves have improved by about \$900 million. The net economic aid, after allowing for the accommodation for the servicing of the old debts, that we have been receiving during the recent past, has been of the order of \$350/375 million per annum. Only the United States has decided to stop its aid and that too in a limited way. Of the total US non-project aid of about \$390 million that was in the pipeline prior to the stoppage decision, assistance to the extent of \$185 million had been utilised in the sense that orders against it had been placed. Of the balance \$195 million, aid to the tune of \$105 million is not affected by the US Administration's decision as irrevocable letters of credit against this had already been opened. The aid which has been affected is thus \$86/87 million for which the letters of credit had not been opened. How far the reduction in imports of the goods financed by this aid will affect our economy, it is difficult to say, for the indigenous capacity for producing several of these goods has been considerably expanded in the last few years. The



major items for which the non-project aid from the US has been utilised in the recent past are textile fibres, newsprint, fertilisers, non-ferrous metals, spares and components, special steels and some petroleum products. The indigenous production of most of these commodities has been steadily going up and if the utilisation of the already installed capacities is improved, the dwindled imports may not have any significant impact on our economy.

As regards the project aid from the US, it is revealed by the official sources here that not many projects have been receiving this kind of aid in the recent past. Such projects as the Kandla Fertilizers may not be affected. The stoppage of the future aid from the US, however, may create some difficulties in regard to the future repayments of the loans already contracted. The picture in this regard is expected to clear up in the next few months.

It may be mentioned in this connection that although our exports received a setback during December because of hostilities with Pakistan, the total export earnings this year may only marginally fall short of the earlier estimate of about 10 per cent growth. The growth rate in exports, of course, is expected to exceed the fourth Plan target of seven per cent; it may be slightly more than eight per cent.

BONGAIGAON REFINERY

The Bongaigaon refinery and petrochemicals complex in Assam, the foundation stone of which was laid by the Prime Minister, Mrs Indira Gandhi, on January 19, is expected to be completed in about four years. The refinery is expected to cost Rs 16 crores. It will have one million tonnes crude throughput capacity. To begin with, 70 per cent of the crude requirements will be supplied by Oil India, a 50:50 partnership between the government of India and the Burmah Oil Company, the remaining 30 per cent supplies will come from the Oil and Natural Gas Commission's oilfields in upper Assam. Ultimately, the two suppliers will make available crude oil on 50:50 basis.

The petrochemicals complex, which is expected to cost Rs 66 crores, will have three units producing 33,000 tonnes of xylene, 30,000 tonnes of DMT and 30,000 tonnes of polyester fibre. There is also a proposal to establish a spinning plant for the use of polyester fibre. If it is finally decided to set up this unit, the total investment on the petrochemicals complex will go up by Rs 10 crores to Rs 76 crores. To meet the power requirements of the refinery and the petrochemicals complex may also be

established at Bongaigaon. The financial sanctions for the spinning unit and the project have yet to be secured. Those of the refinery and the three other units of the petrochemicals complex, have already been cleared. The import content in the refinery is estimated to be of the order of Rs 1.5 crores.

The setting up of the petrochemicals complex along with the refinery is expected to make the project viable. With a view to improving its profitability further, it is proposed to utilise the heavy stock from the refinery for producing fertilizers at Sindri. For this purpose, modernisation of the Sindri Fertilizer Project has been planned.

DEFICIT FINANCING

The Finance Ministry sources expect that despite the serious strains on the economy this year, caused by the large influx of refugees from Bangla Desh since March last, culminating in the Indo-Pakistan conflict, the total deficit on central account will not be much larger than Rs 230 crores envisaged by the Finance Minister in his budget speech. This optimism is based on the fact that the revenues, specially from the customs duties and the corporation tax, have registered a very encouraging trend. The additional taxation resorted to during the course of the year is also anticipated to significantly help in containing the deficit. Thanks to the wholesome growth in the deposits of banks, the borrowings of the central government too have been more than what was originally anticipated. The cumulative effect of all these factors, it is hoped, will contain the budgetary deficit this year within reasonable limits.

INDO-POLISH CO-OPERATION

India and Poland signed on January 14, a protocol which provides for collaboration over a wide range of projects particularly in coal mining, exploitation of non-ferrous metals, heavy machinery and shipping, besides increase in trade between the two countries. The protocol also provides for the setting up of a joint commission with three sub-committees to review progress in collaboration in specific fields. Particular mention has been made in the protocol for Polish technical assistance in the restructuring of the recently taken over coking coal mines, for the establishment of a central mines design centre and a central marine design centre. Assistance will also be available to step up production in the Mining and Allied Machinery Corporation at Durgapur. Poland has agreed to supply large cargo carriers as well as small tankers besides providing technical assistance for ship-building

yards to manufacture ship engines. Poland has also agreed to purchase railway wagons from India. Under the terms of the protocol, the two countries will set up joint ventures in the chemical industry in third countries.

CEILING ON URBAN PROPERTY

The Ministry of Works and Housing have set up an 11-member study group headed by Mr P. C. Mathew, Secretary of the Ministry, to examine the replies received from various state governments to the Draft Urban Property (Ceiling) Bill 1970. The group will consider the revisions required in the draft in the light of these replies and make recommendations before March 31, 1972. The study group consists of: Mr P. C. Mathew, Secretary, Ministry of Works and Housing as Chairman and the Finance Secretary or his representative; Mr S. R. Mehta, Joint Secretary, Ministry of Finance; Mr K. E. Johnson, Member, Central Board of Direct Taxes and Ex-Officio Joint Secretary to the government of India, Ministry of Finance, (Department of Revenue and Insurance); Mr N. N. Rampal, Officer on Special Duty, Department of Economic Affairs, Ministry of Finance; Mr P. Prabhakar Rao, Joint Secretary, Ministry of Works and Housing; Mr A. B. Malik, Joint Secretary, Department of Health, Ministry of Health & Family Planning; a representative of the Planning Commission; a representative of the Ministry of Law; and Mr B. S. Manchanda, Commissioner Municipal Corporation of Delhi as members. Deputy Secretary (UD), Ministry of Works & Housing will be Member-Secretary.

INDIA-BANGLA WATERWAYS

A five-man committee has been appointed by the government to go into the problems and requirements of river transport in the north-eastern region between West Bengal, Assam and Bangla Desh. The committee is to submit its report within a month in view of the urgent nature of the work. Among other things the terms of reference of the committee include the assessment of the traffic prospects, specification of various routes on which the operations can be undertaken and examination of the fleet capacity available for meeting the traffic requirements in West Bengal and Assam and other related matters. The committee will consist of Mr. G. C. Baveja, Joint Secretary, Ministry of Shipping and Transport; Mr T. K. Sarangan, Director, Ministry of Foreign Trade; Transport Secretaries to the governments of Assam and West Bengal, and Mr K. Srinivasan, Managing Dir-

ector, Central Inland Water Transport Corporation Ltd. who will also act as the convener. Mr H. P. Mathrani will be the technical adviser. The committee has been empowered to co-opt members.

PLASTICS FAIR

The All-India Plastics Manufacturers' Association has completed 25 years of notable service in the cause of the plastics industry and trade. The managing committee of the association have decided to celebrate the silver jubilee of the association sometime during April or May this year. Mr Kantikumar R. Podar has been appointed Chairman of the Silver Jubilee Celebration Committee. As part of the Silver Jubilee Celebration, the association is organising the Eighth Indian Plastics Fair at Cross Maidan, Bombay for three weeks from April 22 to May 15, 1972. The object of the fair is to highlight the achievements of the plastics industry in India during recent years and also to enlighten the general public as well as other industries about the innumerable applications of this modern versatile material, viz. plastics.

ANNUAL PLANS

Jammu & Kashmir : The outlay for 1972-73 annual Plan of Jammu & Kashmir will be of the order of Rs 36 crores. This was agreed to at a meeting held here recently between Mr. C. Subramaniam, Minister of Planning and Deputy Chairman, Planning Commission and the Chief Minister, Jammu & Kashmir, Syed Mir Qasim. Central assistance for the state's 1972-73 annual Plan will be Rs 32 crores. The fourth Plan outlay is Rs 158 crores. Expenditure during 1970-71 came to Rs 28.69 crores while the anticipated expenditure during 1971-72 is about Rs 30.70 crores. The distribution of Rs 36 crores approved for state's 1972-73 annual Plan among various heads of development would be of the following order (Rs in lakhs) : Agricultural Programmes 544; Co-operation, Community Development 90; Irrigation and Power 1090; Industry & Mining 190; Transport & Communications 645; Special Services 832; and Miscellaneous 209.

Orissa : The outlay for the annual Plan 1972-73 of Orissa will be Rs 57 crores. This was agreed to at a meeting held here recently between Mr C. Subramaniam, Minister of Planning and Deputy Chairman, Planning Commission and Mr Bishwanath Dass, Chief Minister of Orissa. The state's fourth Plan is of the order of Rs 222.60 crores. The expenditure during 1970-71 came to Rs 44.56 crores. The outlay during 1971-72 is Rs 48.33 crores and

the expenditure is likely to be about Rs 54.00 crores.

The Chief Minister explained the difficulties faced by the state in raising additional resources in view of the resources already raised and the several avenues already explored. While the state was rich in natural resources like minerals and water, exploitation of these and general development of the state called for massive investment. There were also areas like Adivasi development where additional effort was urgently required.

Himachal Pradesh : An outlay of the order of Rs 26 crores has been fixed for the annual Plan 1972-73 of Himachal Pradesh. Central assistance for the state's plan will be Rs 22.50 crores. This was agreed to at a meeting held here today between Mr C. Subramaniam, Minister of Planning and Deputy Chairman, Planning Commission and Dr Y. S. Parmar, Chief Minister, Himachal Pradesh. The fourth Plan outlay of Himachal Pradesh is of the order of Rs 101.4 crores. Plan expenditure during 1970-71 came to Rs 17.31 crores and the anticipated expenditure during 1971-72 is about Rs 20.19 crores. Distribution of Rs 26 crores among various heads of development is as follows : (Rs in lakhs) Agricultural Development Rs 652; Community Development, Co-operation and Panchayats 89; Irrigation and Power 438; Industry and Mining 165; Transport and Communications 688; Social Services 547; and Miscellaneous 21.

BANK BRANCH EXPANSION

The Reserve Bank of India proposes to draw up a three-year perspective plan for commercial banks branch expansion, with a view to helping the banks to co-ordinate their manpower planning with the expansion programme in a phased manner. All the lead banks have been asked to give firm indications regarding the centres where they would be opening offices in the current calendar year on the basis of licences and allotments already pending with them. They have also been asked to furnish plans for expansion state-wise in the years 1973 and 1974, keeping in view their responsibility in their respective lead districts, their areas of operation and the need for giving priority to the relatively underdeveloped and under-banked states. Though nearly one-third of the total number of new bank offices established since the nationalisation of 14 major banks in July 1969 have been opened in the underdeveloped states, the need for improving the performance in opening more offices in the relatively underdeveloped states is still great.

In order to enable the banks to draw

up state-wise plans for 1973 and 1974, it has been suggested that each lead bank should inform the Reserve Bank as well as all other banks about the centres where banking offices could be opened in the next three years. This would enable the Reserve Bank to co-ordinate the programmes of opening offices in lead and non-lead districts.

HINDUSTAN STEEL PRODUCTION

Hindustan Steel kept up its rising tempo of production. The rise in production in the three plants at Bhilai, Rourkela and Durgapur amounted to 15 per cent in ingot steel and 11 per cent in saleable steel being 340,100 tonnes of ingots and 225,600 tonnes of saleable steel in December as against 294,800 tonnes and 204,000 tonnes respectively in November. The alloy steel plant at Durgapur established a new monthly record with production during December 1971 rising to 7,305 tonnes ingots, 88 per cent of the installed capacity. This included 5,980 tonnes from steel melting shop number 1, also a record, the previous best being 6,985 tonnes in January 1970. The finished steel production of 2,107 tonnes from the bar mill and 107 tonnes of G.R. sheets were also monthly records. The blooming and billet mill rolled 357 tonnes on December 29, 1971, which is a record for any single day.

NOTICE

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

Notice is hereby given that the Board of Directors of the Company at a meeting held in Calcutta on 13th January, 1972, have declared payment of Final Dividend on the Company's Preference Stock for the year ending 31st March, 1972 at the rate of 3% (gross) to be paid on 30th March, 1972 after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Registers on 21st February, 1972.

Applications for transfers received in this Office before 12 o'clock noon on Monday, 21st February, 1972 will, if otherwise found in order, be registered on above date for the purpose of participation in the above Dividend.

By Order of the Board

S.K. MITRA
Secretary

Victoria House,
Calcutta, the 13th January,
1972.

Company Affairs

MYSORE CEMENTS

Mr G.D. Birla addressed the annual general meeting of Mysore Cements Ltd at Bangalore recently. He congratulated the Army, Navy and the Air Force and stated that the result of the war had been so decisive that even Pakistan had acknowledged its defeat without any ambiguity. The war had disproved the impression in foreign countries that India was a weak nation depending for its survival on others, he pointed out. Mr Birla described the stoppage of the US aid as "a blessing" and was fully confident that India would progress without it. "I am not a politician. I am a business man. Therefore, when I say something, I know what exactly I mean. Aid has not been a blessing to us. It has been partly a curse to India to get aid and depend on aid. Ultimately, you cannot walk with crutches. You have to stand on your own legs. And I have no doubt in my mind that India, with its resources, talents, manpower, democracy and with all the tradition behind it, can certainly do without aid. It may be a little inconvenient but if there is no challenge then life is not worth living. It is not that I am saying this today, I have told my American friends many a time previously that their aid is not doing us any good and sooner they stop it will be better for us," Mr Birla stated. Pointing out that ultimately it was the strength of an industrial base which made a country strong, Mr Birla added, that this country did not have a bad industrial base, and that base could be made still stronger.

SIEMENS

The directors of Siemens India Ltd have stepped up the dividend to 14 per cent for the year ended Sept. 30, 1971, from eight per cent paid previously. This dividend includes a public participation bonus dividend of two per cent. The entire dividend will be tax free in the hands of shareholders as it stems from exempt profits of the company's Kalwa undertaking. The pre-tax profit is Rs 264 lakhs, which is more than double the corresponding figure of the previous year. The after-tax profit is Rs 160 lakhs, after providing Rs 81 lakhs for depreciation, Rs 114 lakhs for taxation, Rs seven lakhs for taxation for prior years and Rs three lakhs for development rebate reserve. Sales have risen by 32.7 per cent to Rs 32.12 crores from Rs

24.21 crores and are likely to rise further in the current year.

DUNLOP

A record in export was achieved by Dunlop India Limited during 1971 when the company's foreign exchange earnings crossed the Rs 3.34 crore mark, 9.7 per cent higher than 1970. Dunlop India products were shipped to 71 countries, including seven new markets to which tyres were exported for the first time. The highlight of its 1971 export performance was an order of Rs 1.50 crores from Czechoslovakia, the highest ever placed by that country in India for tyres. Another first order of nearly Rs 42 lakhs was from the Democratic Republic of Korea.

NEW BANK OF INDIA

The New Bank of India Limited recorded significant improvement in its working during the year ended December 1971. Deposits increased from Rs 31.90 crores in 1970 to over Rs 44.00 crores. Advances increased from Rs 18.50 crores to Rs 26.50 crores, a rise of about 44 per cent. Paid up capital has increased from Rs 14.94 lakhs to Rs 22.37 lakhs, while reserves and carry forward, without taking into account the addition for the year 1971, is Rs 48.99 lakhs. The number of branches has increased from 68 to 95. The bank proposes to open its 100th branch at Ahmedabad on January 24, 1972.

STAR TEXTILE ENGINEERING

Star Textile Engineering Co. has developed modernisation equipment in jute spinning which would bring great benefit not only to the company by enabling it to almost double its sales turnover within a very short period, but also benefit the jute textile industry. The research and development was carried out indigenously by the company in association with the Indian Jute Industries' Research Association — IJIRA, Calcutta. The work on this development was started more than two years ago and the first prototype frame as designed and developed by the company was supplied to the IJIRA about four months ago for extensive trials and testing in spinning different qualities of jute material. The results recorded by the research institute have surpassed even the best expectations

and at a conservative estimate, an increase in productivity up to 20 per cent is achievable. Although the company has so far not supplied a complete frame, it has been flooded with inquiries for the supply of complete equipment. Already orders for 100 frames approximating to Rs 60 lakh have been negotiated.

AMERICAN UNIVERSAL

American Universal Electric (India) Ltd has proposed to issue equity and preference shares amounting to Rs 35 lakhs. Of this, equity shares of Rs 10 each valued at Rs 3 lakhs have been reserved for allotment to collaborators, Universal Electric Co., USA, for cash at par. The company will offer 200,000 equity shares of Rs 10 each and 12,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each to the public at par. The authorised capital is Rs one crore divided into equity shares of Rs 80 lakhs and redeemable preference shares of Rs 20 lakhs. Shares worth Rs 38 lakhs have already been subscribed and paid up. The subscription list will open on January 24 and close on February 4 or before but not earlier than January 28. The company was incorporated in 1963 at Faridabad with the object of manufacturing all kinds of electric motors and accessories. The company commenced production of motors in 1965. The company's sales in 1971 amounted to Rs 204.73 lakhs. Its assets amount to Rs 109.58 lakhs. The company has now new projects on hand for which it has obtained licences and sanctions.

HARYANA STEEL

Haryana Steel and Alloys Ltd, proposes to enter the capital market shortly with a public issue of Rs 37.05 lakhs, comprising 220,000 equity shares of Rs 10 each (Rs 22.05 lakhs) and 15,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (Rs 15 lakhs). The entire public issue has been underwritten. The company's authorised capital is Rs one crore (Rs 80 lakhs in equity shares and Rs 20 lakhs in preference shares). The paid-up capital is Rs 22.95 lakhs. The capital outlay on the project is estimated at Rs 80 lakhs, which will be met by share capital (Rs 60 lakhs) and loan from the Haryana Financial Corporation (Rs 20 lakhs).

BAJAJ PLASTICS

Bajaj Plastics Ltd, will shortly enter the capital market with a public issue of 150,000 equity shares of Rs 10 each to raise a portion of the finance for its Rs 75 lakh project for the manufacture

of high density polyethylene woven sacks and laminated fabrics. The company, whose public issue has been underwritten has an authorised capital of Rs 50 lakhs and an issued and subscribed capital of Rs 10 lakhs in equity shares of Rs 10 each. The company plans to implement its project with the help of a loan of Rs 20 lakhs from the Maharashtra State Financial Corporation, a term loan of Rs 17.50 lakhs from SICOM and bank borrowings of Rs 12.50 lakhs, besides the share capital of Rs 25 lakhs. The construction of factory building at Nagpur has already commenced and orders have been placed for plant and machinery of the indigenous origin. The plant is scheduled to start production in April.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the three weeks ended October 23, 1971. The list contains names and addresses of the licensees, articles of manufacture, types of licences — New Undertakings (NU); New Articles (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

Electrical Equipment

M/s Asian Cable Corp. of India Ltd.: "Nirmal" 241-242, Backbay Reclamation, Nariman Point, Bombay. Maharashtra—A.C.S.R./A.A.C. Conductors—500 tonnes p.a. (COB); M/s Electronics Corporation of India Ltd.: Industrial Development Area, Hyderabad. (Andhra Pradesh)—Microwave Antennae for Satellite communications — 2 Nos. (of the value of Rs 120 lakhs p.a. (NA); M/s Bharat Electronics Ltd.: Jalahalli, P.O. Bangalore-13 (Ghaziabad-Uttar Pradesh)—Sophisticated Electronic equipment. Radar and Microwave communication Equipment for Defence—Rs 15.00 crores. (NU); M/s Sahney Kirkwood, Commutators (P) Ltd: 27 Kirol, Near Vidyavihar Station Bombay-1. (Kiorl-Maharashtra)—(i) Small Commutators — 3,00,000 Nos. p.a. (ii) Commutator Section Segments & Bars—300 tonnes p.a. (SE); M/s Brentford Electric (India) Ltd: P-25, Transport Depot Rd., Calcutta-27. (Calcutta—West Bengal)—(i) Battery Chargers—2 (Two) Nos. p.a. (0.36 KW), (ii) Rectifiers—27 Nos. p.a. (7613 KW), (iii) Transducers — 2 (Two) Nos. p.a. (76 KW), (COB).

Transportation

M/s Payen-Talbro Pvt. Ltd.: 14/1 Delhi, Mathura Road. P.O. Amar Nagar, Faridabad. (Faridabad—Haryana); —Gaskets—5,00,00,000 Nos. p.a. after

expansion (SE); M/s Gaskets & Oil Seals Private Ltd.: P.O. Box 89, Padra Road, Baroda. (Baroda-Gujarat)—Gaskets—4,20,00,000 Nos. per annum. (SE); M/s Hindustan Steel Products: 20/1 Asaf Ali Road, New Delhi. (Ghaziabad, Uttar Pradesh)—48 CC Auto-cycles — 50,000 Nos. only p.a. (NU).

Industrial Machinery

M/s Textile Machinery Corporation Ltd: UCO Bank Building, Parliament Street, New Delhi. (Calcutta, West-Bengal)—Pressure Vessels and heat exchangers—Rs 112 lakhs p.a. (COB); M/s Pioneer Equipment Co. Pvt. Ltd: 58/1, Arunodaya Society Alkapuri, Baroda. (Baroda, Gujarat)—(i) Centrifugal Casting Machines—Rs 3.00 lakhs p.a. (ii) Sand Testing Equipment—Rs. 7.50 lakhs p.a. (iii) Magnetic Crack Detecting Machine—Rs 2.00 lakhs p.a. (NA); M/s Pioneer Equipment Co. Private Ltd.: 58/1, Arunodaya Society Alkapuri, Baroda. (Baroda, Gujarat)—Conveying Equipment—Rs 50.00 lakhs per annum (SE).

Machine Tools

M/s Reliable Engg. Works (Prop. Reme Pvt. Ltd.): F-39, NDSE, Part I, New Delhi. (Okhala, Delhi)—Hydraulic pumps, cylinder control valves and hydraulic accumulators—worth Rs 34.20 lakhs p.a. (NU).

Engg. Industries

M/s Dagger Forst Tools Ltd: Moti Mahal, Churchgate Reclamation, Bombay-20. (Thana, Maharashtra)—End Mills, Profiled Tools and other Cutters (all cutting tools)—250 Nos. p.a. (COB).

Chemicals

M/s Fertilizer Corporation of India Ltd: Trombay Unit, Bombay-74. (Bombay, Maharashtra)—Phosphoric Acid—32,000 M.T. p.a. (NA); M/s The Phosphate Co. Ltd: 14 Netaji Subhas Road, Calcutta-1. (Rishra, West Bengal)—Sulphate of Alumina—9,600 tonnes p.a. after expansion. (SE); M/s Indian Explosives Ltd: 34, Chowringhee, Calcutta-16. (Comia, Bihar)—Detonating Fuse—23 lakhs meters p.a. (COB); M/s Industrial Perfumes Ltd: Army and Navy Building, Mahatma Gandhi Road, Fort, Bombay-1, (Maharashtra)—(i) Perfumery Compounds—46 tonnes p.a. (ii) Aromatic Chemicals—133.75 tonnes p.a. (COB);

Drugs and Pharmaceuticals

M/s Abbott Laboratories (India) Pvt. Ltd: Jehangir Buildings, 133, Mahatma Gandhi Marg, Bombay-1.

(Maharashtra)—(i) Injectables—18,79,000 units (9449 litres) p.a. (ii) Liquids—2,36,000 litres p.a. (iii) Tablets—100 million tablets p.a. (iv) Capsules—8,00,000 Nos. p.a. (v) Granules—5,737 Kgs. p.a. (COB); M/s E. Merck (India) Pvt. Ltd: Shiv Sagar Estate 'A' Dr. Annie Besant Road, Worli, Bombay-18-WB. (Maharashtra)—1. Vitamin 'E'—4 tonnes p.a. 2. Rutin (Vitamin P)—4 tonnes p.a. 3. Fine Chemicals—200 tonnes p.a. Substantial Expansion. 1. Injections—50,000 litres p.a. 2. Syrups—2,40,000 Kgs. p.a. 3. Tablets/Capsules—110 million Nos. p.a. (NA/SE); M/s Indian Process Chemical Laboratory: Yeshwantapur, P.O. Bangalore-22. (Mysore)—1. Paracetamol—15 tonnes p.a. 2. Di-iodo-hydroxyquinoline—6 tonnes p.a. (NA).

Rubber Goods

M/s Dunlop India Ltd: Post Box No. 391, 57-B, Mirza Ghalib St., Calcutta-16 (West Bengal)—Grooved Rubber Pads for Indian Railways—About 50 tonnes or (5,00,000 pcs) p.a. (COB).

Leather

Shri M.M. Anwarullah, A.M. Ghouse & Co: 21, V.V. Koil Street, Parliament Madras. (Ambar-Tamil Nadu)—Tanned Goat Skins—9.7 lakhs pcs. p.a. (COB).

Glass

M/s Electric Lamp Mfgs. (India) Pvt. Ltd.: 1, Taratolla Road, Garden Reach, Calcutta. (Calcutta-West Bengal)—Hard Glass Shells—2,30,000 pcs. p.a. (COB).

Ceramics

M/s Orissa Industries Ltd: Katcheri Road, Rourkela. (Lathikata- Orissa)—Silicon Carbide Refractories — 100 tonnes p.a. (NA); M/s The Karanpura Development Co. Ltd.: Chartered Bank Buildings, Calcutta-1. (Ramgarh Area—Bihar)—Firebricks—5,000 tonnes p.a. (COB).

Cement

M/s Jaipur Udyog Ltd: 5, Parliament Street, Post Box No. 334, New Delhi. (Bawar-Rajasthan)—Portland Cement—600,000 tonnes per annum (COB); M/s Durgapur Cement Works: El/21, J.C. Bose Avenue, Durgapur-5. (Durgapur-West Bengal)—Slag Cement—600,000 tonnes per annum. (COB); M/s Southern Asbestos Cements Ltd: Chordia Mansion, 150-A, Mount Road, Madras-2. (Dharwar Distt. Mysore)—(i) Asbestos Cement corrugated and semi-corrugated and flat sheets and accessories—36,000 M. tonns p.a.

*Milk co-operatives
as an instrument for adult education*

Vitamins for cattle ? How about vitamins for children ?



Many Kaira villagers visit the Amuldan cattle feed factory which has been set up by their milk co-operatives. Here they learn that good cattle feed consists of proteins, carbohydrates and vitamins in a balanced formula.

A practical people, they are convinced only when they get results—healthier cattle, higher milk yields.

If the right foods plus vitamins can do this for cattle, what might it not do for their children? Relating knowledge to results, they are readier now to accept new scientific methods in other areas too. Ingrained traditional attitudes can change, and for the better.

Amul has shown the way.

NOW a 60-second contest for industrialists:



Given below are 10 of the problems industrialists often face, and the solutions to these are available from SICOM. Indicate the correct letters of alphabet of the SICOM solution against a particular problem. Remember, you've just 60 seconds.

Problems

- 1 You have the ☐ resources and you want to know what projects are profitable in Maharashtra.
- 2 You want a ☐ feasibility study made on your project and are willing to pay only 25% of the cost.
- 3 You need ☐ evaluation of an alternative site for your project.

- 4 You want to start ☐ a small or medium-scale industry and you need 75% capital assistance.
- 5 You know what ☐ industry to start but you don't know where in Maharashtra.
- 6 You want share ☐ capital participation and under-writing support.
- 7 You want short-term, medium-term or long-term loans on easy conditions.

- 8 You want to locate ☐ suppliers of raw materials.
- 9 You need interest-free loans (from the sales tax you pay) to set up another project.
- 10 You need ☐ expeditious clearances for various basic industrial needs like water, land, power, telephone, etc.

Solutions

- (a) SICOM's Project Investigation Service.
- (b) SICOM's Capital Participation Scheme.
- (c) SICOM's Plant Location Service.
- (d) SICOM's Industrial Services Division.
- (e) Government of Maharashtra's Package Scheme of Incentives. (SICOM administered).
- (f) SICOM's flexible schemes for financial assistance.

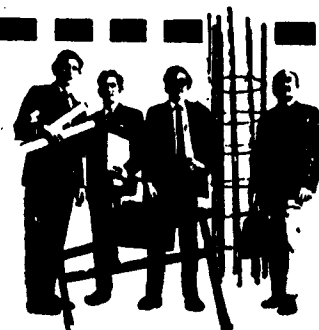
For correct solution to any or all of these problems write to the Senior Development Officer.

SICOM - the moving force for developing industries



THE STATE INDUSTRIAL AND INVESTMENT CORPORATION OF MAHARASHTRA LIMITED

Nirmal, 1st Floor, Nariman Point, Bombay-1.
Tel: 298216. Telex: 011-3066.



**SICOM people
work hard
with expertise
and guts
Like you.**

CHC-0001

January 21, 1972

(ii) Asbestos Cement—Irrigation and rain water pipes & fittings—36,000 M. tonnes p.a. (NU).

LETTERS OF INTENT

Ferrous Industries

M/s Zenith Tin Works (P) Ltd: Clerk Road, Mahalaxmi, Bombay-34. (Koyali-Gujarat)—(i) O.T.S. Canes—1000 tonnes p.a. (ii) Aluminium Collapsible Tubes—12 million Nos. p.a. (NU).

Prime Movers

M/s Inex Engine Valves (P) Ltd: 1, Narindra Place, New Delhi-1. (Poona-Maharashtra)—Engine Valves—14,000 Nos. after expansion p.a. (SE).

Electrical Equipment

M/s Bharat Earth Movers Ltd: P.B. No. 1783, Bangalore-17. (Kolar Gold Field, Mysore)—WABCO Front End Loader, 400 B Roll out (Scoop mobile)—50 Nos. p.a. (NA); M/s Electrical Control Apparatus (P) Ltd: 5/1, Abhiramapuram, 1st Street, Madras. (Tamil Nadu)—Lightning Arrestors—69, 240 Nos. p.a. (NU); M/s Electrical Mfg. Co. Ltd: 136, Jessore Road, Calcutta-55. (Naini, Allahabad-UP)—Cross Linked Polyethylene Cables—5,000 KM p.a. (NU); M/s Hindustan Electrical Lamp Mfg. Co: 2, Gurusaday Road, Calcutta-19. (Rajasthan)—(i) GLS Lamps—4.5 million Nos. p.a. (ii) Tungsten Wire—120 million Nos. p.a. (NU); M/s Mysore Electro Chemical Works Ltd: Yeshwantpur, Bangalore-22. (Mysore)—(i) Dry Batteries—3,00,000 Nos. p.a. (ii) Photoflash Batteries—60,000 Nos. p.a. (NA).

Transportation

M/s Coles Cranes of India Ltd.: Post Box No. 615, Calcutta-1. (Kamarhatty Tehsil Distt. 24, Parganas, West Bengal)—(i) Coles Endurance 30 T—26 Nos. p.a. (ii) Coles Hydra Truck 150 T—104 Nos. p.a. (iii) Coles Hydra Speed Crane—7/T—52 Nos. p.a. (iv) Coles Hydra Truck 70T—52 Nos. p.a. (NA); M/s Beclawat of India Ltd: Churchgate House, 32/34, Vir Nariman Road, Fort, Bombay-1. (Karamsad-Gujarat)—Automatic slack adjusters for railway coaches—8,000 Nos. p.a. (NA).

Industrial Machinery

M/s Vacuum Plant and Instrument Mfg. Co. (P) Ltd: T.R. Kirad, Plot No. 114, Anand Bagh Colony, Aundh, Poona-7. (Mundhawa-Maharashtra)—(i) Impregnating plant—Rs 60 lakhs p.a. (ii) Metal coating plants—Rs. 30 lakhs p.a. (iii) Coil winding machines & foil winding machines—Rs 16 lakhs p.a. (after expansion) (NA/SE); M/s Swastic Textile Trading Co. (P) Ltd: Motilal Hirabhai Market,

Railwaypura Post, Ahmedabad-2. (Ahmedabad-Gujarat)—(i) Polymerising machine—8 units p.a. after expansion. (ii) Felt cleaner combination—6 units p.a. after expansion. *New Articles.* (iii) Texset felt finishing and shrinking range—6 units p.a. (SE/NA); M/s Dalal Engg. (P) Ltd: Brighton No. 2, Off Nepean Sea Road, Bombay-6. (Kavesar, Distt. Thana-Maharashtra)—Jet Dyeing plants—10 plants valued at Rs. 45 lakhs p.a. (NA); M/s Venus Coated Abrasives: C/o Venus Paper Mills Ltd., B-38, Greater Kailash-1, New Delhi-48. (Haryana)—Coated Abrasives—40,000 reams p.a. (NU); Shri Chaparawa Bhagwandas: C/o Press Steels & Fabrication, Sanatnagar—Hyderabad-18. (Krishna Distt. AP)—(i) Hydraulic Truck Mounted cranes (5 tons capacity)—75 Nos. p.a. (ii) Self-propelled Hydraulic Cranes (8 tons capacity)—75 Nos. p.a. (NU); M/s Jessop & Co. Ltd: 63, Netaji Subhas Road, Calcutta. (Dum-Dum—W. Bengal)—Passenger and freight lifts—36 Nos. p.a. (NA); M/s Veljan Hydrar (P) Ltd: Balanagar, Hyderabad-37. (Hyderabad-AP)—Pneumatic equipment such as pneumatic cylinders, chucks, vices, hydro-pneumatic drill feed units, pneumatic control valves, filters, retractors, regulators, air line fittings and machine tool accessories, air cylinders, hydraulic cylinders, linear air motors, air hoists, air bench presses—Expansion from the existing capacity of Rs 10.00 lakhs to Rs 75 lakhs p.a. after expansion. (SE).

Agricultural Machinery

M/s Jessop & Co. Ltd: 63, Netaji Subhash Road, Calcutta-1. (Dum-Dum, West Bengal)—Gears & components for tractors—15,000 Nos. sets p.a. (1624 tonnes). (NA).

Engg. Industries

M/s Jairamdas Udyog (P) Ltd: 111/118, Silver Jubilee Park Road, Bangalore-2. (Mysore)—Expansion. (i) Twist Drills—29,00,000 Nos. p.a. after expansion. (ii) Ground Thread taps—3,12,000 Nos. p.a. after expansion. *New Articles.* (iii) Reamers (above 1" diameter)—24,000 Nos. p.a. (iv) Cutters & End mills above 20 mm diameter—96,000 Nos. p.a. (v) Segmental Saws—10,000 Nos. p.a. (NA/SE); M/s Mysore State Industrial & Development Corporation Ltd: 'Harinivas', 36, Cunningham Road, Bangalore-1-B. (Mysore)—Safety Razor Blades—300 million Nos. p.a. (NU); Shri V. Balakrishna: P.B. No. 194, Madurai-1 (Madras-Tamil Nadu)—Stainless Steel Razor Blades—180 million Nos. p.a. (NU); M/s Devidayal Cable Industries Ltd: Gupta Mills Estate, Remy Road, Darukhana, Bombay-10. (Thana-Maharashtra)—

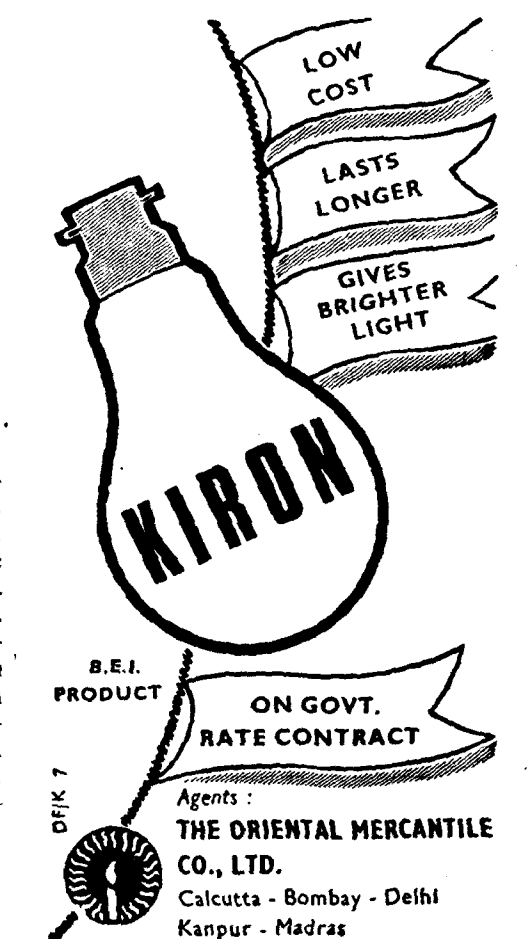
Diamond wire drawing dies—2500 No. p.a. (NA).

Chemicals

M/s Sanghi Oxygen Co: 39A, Hughes Road, Bombay-7. (Jaipur-Rajasthan)—Oxygen Gas—an additional capacity of .45 million cub. meters p.a. (i) Acetylene gas—An additional capacity of .10 million cub. meters (SE); M/s Mysore Porcelains Ltd: Science Institute Post Bag No. 1, Bangalore-1.B (Bangalore-Mysore)—Beryllium Oxide—120 tonnes p.a. (NA); M/s Anil Investment Corporation: Kishori Niwas, Birhana Road, Kanpur. (Ghaiziabad, UP)—Acetylene Gas—.10 million cub. meters. p.a. (NU); M/s Noble Paints and Varnish Co. (P) Ltd: Ferguson Road, Lower Parel, Bombay-13. (Thana, Maharashtra)—Synthetic Resins (Alkyd modified Phenolic and Maltic Resins)—Expansion from the existing capacity of 120 tonnes to 600 tonnes p.a. after expansion. (SE); M/s Brijmohan Das Nagory: Nagory Bhawan, Sarafa Rd. Gwalior (MP), (Korba-MP)—Calcium Carbide—14850 tonnes p.a. (NU); M/s Indian Carbide Co: C/o Triloki Bhushan Bansal, Sirsa (Distt. Hissar) (Dehradun-UP)—Calcium Carbide—14,850 tonnes p.a. (NU).

Drugs and Pharmaceuticals

M/s Indo Ceylon Dental & Surgical



Co. Ltd: 288, Netaji Subash Road, (Esplanade), P. Box No. 256, Madras-1. (Gujarat) (i) Monocaine Hydrochloride—400 Kgs. p.a. (ii) Monocaine Hydrochloride (Anaestubes/catridges)—2,00,00,000 Nos. p.a. (iii) Monocaine Hydrochloride in vials—80,000 Nos. p.a. (NU).

Textiles

M/s Orkay Silk Mills (P) Ltd: Kurla-Andheri Road, Saki Naka, Bombay-72. (Maharashtra)—Art Silk Fabrics—Expansion from the existing capacity of 54 power-ooms to 100 power looms. (SE).

Paper

M/s Rohit Pulp & Paper Mills Ltd.: Hassen Chambers, Parsee Bazar Street, Fort Bombay. (Khadki, Udvada, Distt. Bular—Gujarat)—(i) Writing & Printing Paper—Expansion from 8100 tonnes to 10,100 tonnes p.a. (ii) Pulp—Expansion from 8100 tonnes to 10,000 tonnes p.a. (SE); M/s Vyas & Vyas (P) Ltd: 1-C, Nanabhai Lane, Bombay-1, (Vapi—Gujarat)—(i) Presspahn—1000 tonnes p.a. (ii) Fibre Board—1000 tonnes p.a. (iii) Leatheroid—1000 tonnes p.a. (iv) Cable Paper—1500 tonnes p.a. (NU); M/s Eastend Paper Industries Ltd.: 18, Netaji Subhas Road, Calcutta. (Bansbaria, West Bengal)—(i) Paper—Expansion from the existing capacity of 3000 tonnes to 6,000 tonnes p.a. (ii) Duplex Board—3,000 tonnes after expansion p.a. (SE); Shri N.D. Mohta: Flat No. 9, 19, Worli Sea Face, Worli, Bombay. (Thana—Maharashtra)—Coated and Calendered Paper—3000 tonnes per annum (NU); Shri Dalpat Singh: Chairman, M/s Sonapat Co-operative Sugar Mills Ltd.: Sonapat, Distt. Rohtak, Haryana. (Sonapat—Haryana)—Sugar—Crushing capacity 1250/1500 tonnes of sugar cane per day, (NU).

Food Processing

Shri Narayan Prasad Nopany: "Meghdoot", 95-B, Netaji Subhas Road, Bombay-2. (Maharashtra)—Soft Drinks—96 million bottles p.a. (NU); M/s Duke & Sons (P) Ltd: Sunderbaug Estate, Wadala-Borla Road, Chamber Bombay-71. (Bombay, Maharashtra)—Soft Drinks—134.16 million Bottles p.a. (NU).

Glass

M/s Punj Sons (P) Ltd: M-13, Connaught Circus, New Delhi-1. (West Bengal)—Glass Fibre Tissues—300 tonnes p.a. (NU).

Ceramics

M/s Mysore State Industrial Invest-

ment and Development Corporation Ltd: 36, Cunningham Road, Bangalore-1. (Mysore)—(i) Fire Bricks—70,000 tonnes p.a. (ii) Silica Bricks—20,000 tonnes p.a. (iii) Basic Bricks—40,000 tonnes p.a. (NU); M/s Ishwar Industries Ltd: P.O. Ishwar Nagar, New Delhi. (Niwar-Jabalpur-Madhya Pradesh)—High Grog Ladle Fire Bricks and High Alumina Fire Bricks—12,000 tonnes p.a. (NA); Shri Vidur Rhaskar: P.O. Ishwar Nagar, New Delhi. (Gujarat)—High Alumina Cement—10,000 tonnes p.a. (NU).

Cigarettes

M/s Madhya Pradesh Audyogik Vikas Nigam Ltd: 'A' Block, Old Secretariat, Bhopal. (Mahdy Pradesh)—Cigarettes—4500 million pcs. p.a. (NU).

LICENCES REVOKED/SURRENDERED

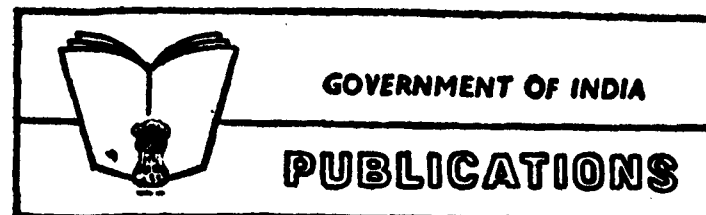
(Information pertains to particular licences only.)

M/s Asian Forging and Engineering Co. Ltd: Calcutta.—Steel Forgings and Transmission Towers; M/s Aminchand Payarelal. (M/s Appejay Structural Works (P) Ltd., Jullundur City.)—Steel Structural, and Steel Forgings; M/s East Anglia Plastics (India) Ltd: Calcutta—Cellulose Acetate flakes etc.; M/s Lynx Machinery Ltd: New Delhi.—Hydraulic units and frames for tipping and dumping equipments.

CHANGES IN THE NAMES OF OWNERS/UNDERTAKINGS

(Information pertains to particular licences only.)

M/s Deepak Nitrite (P) Ltd to M/s Deepak Nitrate Ltd.



Sl. No. and Symbol	Title	Price Rs. Ps	Postage Rs. Ps
1. Act 45 of 1860	The Indian Penal Code (As modified upto the 1st October, 1970)	2.85	1.30 including Registration
2. Act 3 of 1867	The Public Gambling Act, 1867 (As modified upto the 1st November, 1970)	1.40	0.15
3. Act 9 of 1872	The Indian Contract Act, 1872 (As modified upto the 1st November, 1970)	1.60	0.25
4. Act 9 of 1890	The Indian Railways Act, 1890 (As modified upto the 1st September, 1970)	1.80	0.20
5. Act 6 of 1898	The Indian Post Office Act, 1898 (As modified upto the 1st January, 1971)	1.00	0.15
6. Act 7 of 1922	The Emigration Act, 1922, Diglot (As modified upto the 1st November, 1970)	0.90	0.15
7. Act 2 of 1934	The Reserve Bank of India Act, 1934 (As modified upto the 1st November, 1970)	1.60	0.20
8. Act 54 of 1948	The Electricity (Supply) Act, 1949 (As modified upto the 1st June, 1971)	1.85	0.20
9. Act 34 of 1953	The Estate Duty Act, 1953 (As modified upto the 1st November, 1970)	1.75	0.20
10. Act 74 of 1956	The Central Sales Tax Act, 1956 (As modified upto the 1st February, 1971)	0.70	0.15
11. Act 102 of 1956	The Indian Medical Council Act, 1956 (As modified upto the 1st November, 1970)	1.55	0.20
12. Act 5 of 1970	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970)	0.40	0.15
13. Act 30 of 1970	The Army, Air Force and Naval Law (Amendment) Act, 1970.	0.20	0.15

N.D. 1. All the Acts have been issued by Govt. of India Ministry of Law.
2. Registration Charges of Re. 1.00 Extra for orders below Rs. 2.00.

Available from all authorised Selling Agents

FOR CASH SALE
GOVT. OF INDIA KITAB MAHAL,
JANPATH, NEW DELHI (PHONE 44561)
GOVT. OF INDIA BOOK DEPOT,
8, K. S. ROY ROAD, CALCUTTA-1,
(PHONE 21-3813)
SALE COUNTER (GOVT. OF INDIA
PUBLICATION BRANCH), UDYOG
BHAWAN, RAFI MARG, NEW DELHI.

FOR MAIL ORDERS
MANAGER
OF PUBLICATIONS
CIVIL LINES, DELHI-6

NOTE: "Postal Charges" extra for mail orders below Rs. 5.00
in India.

davp 71/473

BHEL: FOR POWER WHEN YOU NEED IT, WHERE YOU NEED IT!

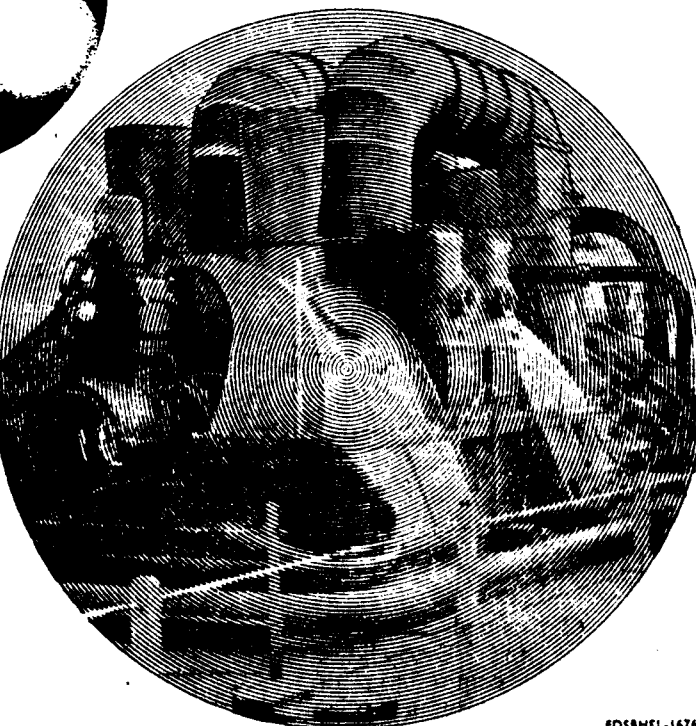
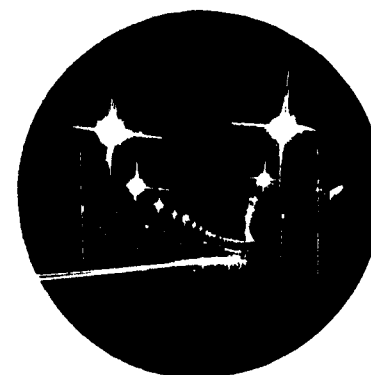
Without a pause or break, life goes on around us. Twenty-four hours a day. And electricity it is that keeps life pulsating in houses, hospitals and highways; in factories and farms. Electricity it is that keeps the nation ticking. Round the clock.

BHEL, Hyderabad, is very much a part of the nation's life. It helps generate power. It manufactures Turbosets for power generation.

Thermal power is generated by Turbosets of 60,000 KW and 110,000 KW capacity made at BHEL, Hyderabad. Supplied to thermal power stations in Andhra Pradesh, Bihar, Delhi, Haryana, Punjab, Tamil Nadu, Uttar Pradesh... And more are coming!

That's not all. BHEL also manufactures Air Blast and Minimum Oil Circuit Breakers. A variety of Industrial Turbines and Centrifugal Compressors meant for a host of different industries have been added to the widening range of products from BHEL, Hyderabad.

CAN YOU LIVE ONLY 20 HOURS A DAY?



BHARAT HEAVY ELECTRICALS LTD.

(A Govt. of India Undertaking)
Ramachandrapuram, Hyderabad-32
Regd. Office: 5, Parliament Street, New Delhi-1

RECORDS AND STATISTICS

National Accounts

THE STATISTICAL Intelligence Division of the Department of Statistics of the Reserve Bank of India in its October 1971 Bulletin has analysed the consolidated national accounts at current prices for the period 1960-61 to 1967-68 which were published by the Central Statistical Organisation in May last year. The analysis has shown that the national economy in 1967-68 operated at almost double the level at which it was operating in 1960-61 without any significant change in its structure. The crucial ratios such as gross capital formation to production, savings to consumption and reliance on foreign borrowings changed only marginally over the period under review. Full text of the study follows :—

SINCE 1970, the Central Statistical Organisation (CSO) has started publishing consolidated accounts of the nation in the White Paper on National Income. These accounts prepared according to the revised system of national accounts prescribed by the United Nations, are in the nature of double entry balance sheets, recording each of the various types of economic transactions twice, once as an income in one account and once as an outgo in another account. Although the UN system of accounts prescribes a very detailed classification according to the nature of transaction, industry-origin and the transacting agencies, lack of availability of detailed statistics makes it necessary to aggregate these detailed accounts into four consolidated accounts which is what the CSO has done. These four accounts relate to production, consumption, accumulation and exchange with the rest of the world.

Consolidated Accounts

The consolidated accounts at current prices for the period 1960-61 to 1967-68 have been published in the White Paper on National Income released by the CSO in May, 1971. Tables I to IV reproduce these accounts. Wherever possible, the break-up of a transaction carried out by the public authorities and the private sector has been given in these tables with the help of other data available in the White Paper, although such a break-up has not been provided in the accounts prepared by the CSO.

Account No. 1, named as Gross Domestic Product and Expenditure Account, shows the composition of gross domestic product at market prices

on the one hand and its disposal on the other. In effect, it shows how the producers received their incomes and how they allocated these incomes on various items of expenditure. If we subtract value of the fixed capital consumption from the gross domestic product at market prices and add net factor incomes together with net current transfers from the rest of the world, we get the national disposable income. Account No. 3, named as National Disposable Income and its Appropriation—shows the sources from which disposable income was received and how it was allocated. Account No. 5—Capital Finance Account—shows the sources and uses of funds for capital finance. Gross accumulation is obtained by adding to the gross domestic product, the factor incomes from the rest of the world

and net capital and current transfers from the rest of the world and subtracting the final consumption expenditure from it. External transactions relating to production, consumption and accumulation are described in Account No. 6. This is subdivided into two parts showing current and capital transactions. This account shows source-wise receipts of the nation from the rest of the world and their disposal in transactions with the rest of the world.

Some important items from these four accounts are given in the table below.

In this table, the totals in the four accounts and their important constituents are given. These are at current prices. It will be seen that over the period 1960-61 to 1967-68 the gross domestic product at current market prices increased by nearly 117 per cent. Compensation of employees and operating surplus of the producers, i.e., the factor payments which constitute nearly 90 per cent of the gross domestic product at market prices increased

SELECTED ITEMS FROM THE CONSOLIDATED NATIONAL ACCOUNTS

Item	1960-61 (Rs. Crores)	1967-68	Percentage increase
1	2	3	4
1. Gross domestic product at market prices	15,048	32,572	+116.5
1.a. Compensation of employees and operating surplus	13,366 (88.8)	28,633 (87.9)	+114.2
2. Disposable income	14,269 (94.8)	30,902 (94.9)	+116.6
2.a. Final consumption expenditure	13,044 (86.7)	28,465 (87.4)	+118.2
2.b. Savings (gross)	1,960 (13.0)	3,952 (12.1)	+101.6
3. Gross accumulation	2,005 (13.3)	3,974 (12.2)	+98.2
3.a. Gross capital formation	2,458 (16.3)	4,810 (14.8)	+95.7
4. Current receipts from the rest of the world	845 (5.6)	1,640 (5.0)	+94.1
5. Surplus of the nation on current transactions	-498 (-3.3)	-858 (2.6)	+72.3
6. Net capital receipts from the rest of the world	453 (3.0)	836 (2.6)	+84.5

(Figures in brackets are percentages with respect to Item No. 1.)

by about the same margin over the period. The national disposable income has also increased by the same proportion. The final consumption expenditure increased by a slightly higher margin as a result of which the increase in gross savings by about 102 per cent was somewhat less. The percentage increase in the gross accumulation and in the gross capital formation was 98 per cent and 96 per cent, respectively. Current receipts (gross) from the rest of the world increased by about 94 per cent but current payments to the rest of the world increased by a little lower margin (86 per cent) as a result of which the deficit of the nation on current account increased by only 72 per cent. This was almost entirely met by the net borrowings from the rest of the world which increased by about 84 per cent.

The percentage of gross savings to the gross domestic product at market prices declined from 13.0 per cent to 12.1 per cent over the period. Gross capital formation also declined from 16.3 per cent of the gross domestic product at market prices in 1960-61 to 14.8 per cent in 1967-68. Net capital receipts from the rest of the world which are largely in the nature of borrowings, declined from 3.0 per cent of the gross domestic product at market prices in 1960-61 to 2.6 per cent in 1967-68.

Examining the shares of different items in the four accounts and how these have changed over the period 1960-61 to 1967-68, it is seen that in the gross domestic product at market prices, the share of factor payments in public authorities increased from 8.4 per cent to 8.6 per cent while the share of factor payments in private sector fell from 80.5 per cent to 79.3 per cent. The percentage of indirect taxes rose from 6.9 per cent to 8.5 per cent. On the expenditure side in this account, the share of government final consumption expenditure rose from 7.2 per cent to 8.5 per cent. Another significant change was the decline in the share of increase in stocks in the private sector from 2.7 per cent to 0.7 per cent. Deduction on account of imports of goods and services fell from 8.2 per cent of the expenditure on gross domestic product to 6.8 per cent.

Government Share

In the National Disposable Income and Appropriation Account the share of government final consumption expenditure increased from 7.6 per cent to 9.0 per cent. As this was not matched by the increase in income, it subsequently reflected in the fall in share of public authorities' savings. Receipts on account of direct taxes in the disposable income increased from 7.3 per

cent to 9.0 per cent while those from factor payments in the private sector fell from 4.89 per cent to 8.6 per cent. This fall was partly compensated by the increase in the share of factor payment in public authorities from 8.8 per cent to 9.0 per cent of the disposable income.

In the Capital Finance Account, significant changes were noted in the items of gross accumulation. The share of increase in stocks in the private sector declined from 20.6 per cent to 5.2 per cent. But its share of gross fixed capital formation increased from 65.1 per cent to 84.3 per cent, despite a fall from 35.7 per cent to 30.4 per cent in the share of gross fixed capital formation by public authorities. The share of foreign borrowings remained almost at the same level. It, however, appears from the CSO brochure on "Estimates of Capital Formation in India 1960-61 to 1965-66" that the change in stocks is inclusive of errors and omission (so as to balance the receipt and expenditure sides of the capital finance account) and some caution needs to be exercised in drawing conclusions about the above changes. As regards sources of finances for gross capital accumulation, although the contribution of savings remained at the same level of about 61 per cent, the share of public authorities' savings fell from 14.9 per cent to 9.2 per cent. The share of net capital transfers from the rest of the world declined from 2.2 per cent to 0.6 per cent.

Share of Exports

In the External Transactions Account, exports formed about 93 per cent of the current receipts and there were marginal changes in the shares of different items in the current receipts over the period under review. On the disposal side, share of imports fell from 146.5 per cent to 134.0 per cent. Factor payments to the rest of the world increased from 10.4 per cent to 17.1 per cent of the external expenditure on current account. The deficit on current account which was about 59 per cent of the current receipts in 1960-61 declined to about 52 per cent of the current receipts in 1967-68. This deficit on current account was made good mainly through borrowings and partly from the net capital transfers from the rest of the world.

The sets of four accounts described above show how the economic transactors obtained their resources and how they spent them in the process of production, consumption, accumulation and exchange with the rest of the world. It is possible to indicate these flows in the form of a diagram which indicates the circulatory system between the

processes of production, consumption, accumulation and exchange with the rest of the world. The diagrams given on page 116 are drawn for the accounts for the years 1960-61 and 1967-68. The total volume of production, consumption and accumulation and exchange with the rest of the world is indicated in the four boxes shown in the diagrams.

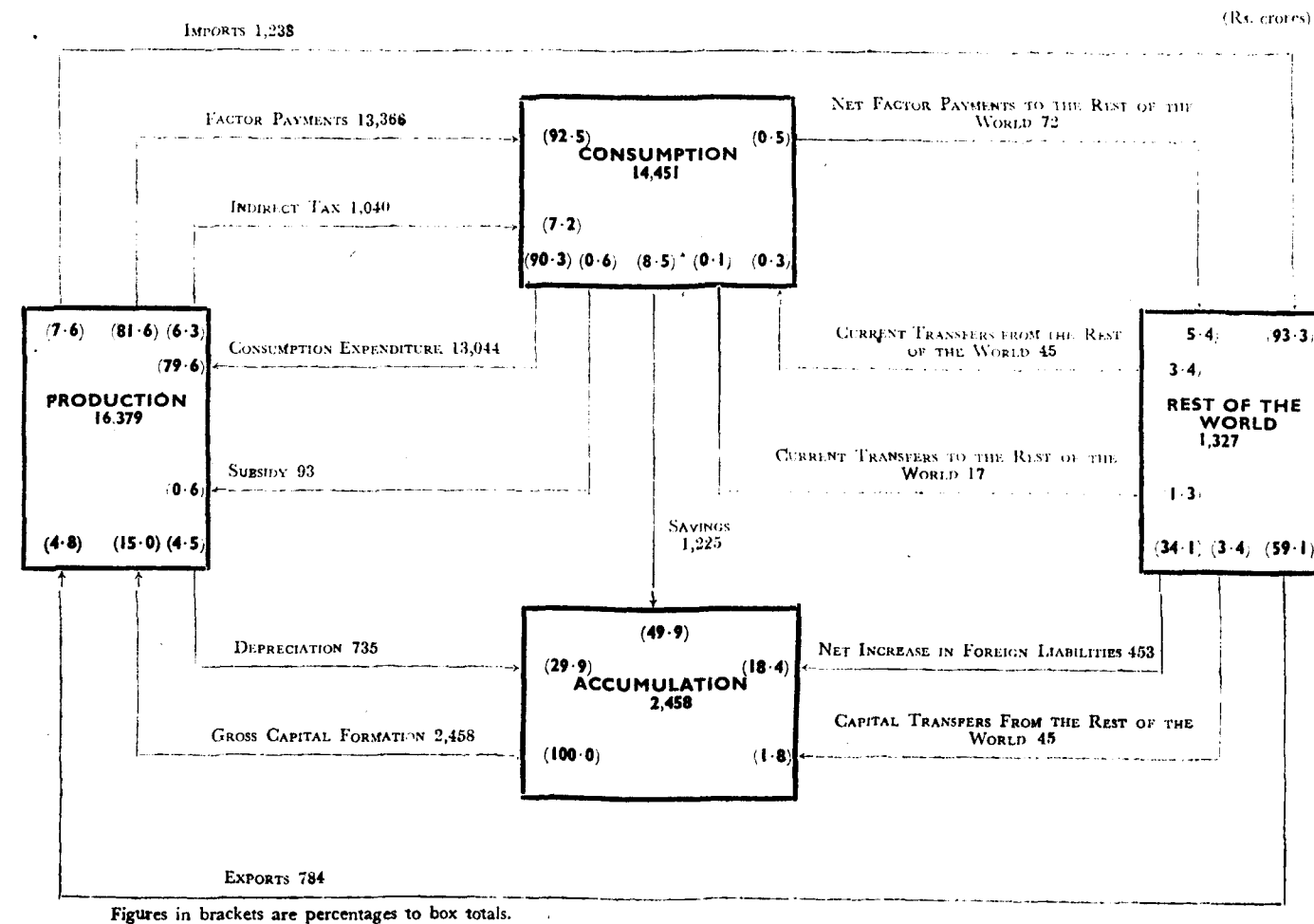
Gross Totals

As these diagrams are drawn on a gross basis, showing the total resources available with the transacting agents for distribution, the totals shown in the boxes do not tally exactly with the totals given in the four sets of accounts. For example, in Account No 1, the gross domestic product is net of subsidies while the expenditure on gross domestic product is net of imports. But in the diagrammatic representation, subsidies are shown on the receipt side while the import payments are shown on the expenditure side. A further illustration would make this diagram clear. In case of production, the value of production equals the expenditure incurred by the producers on imports, factor payments including operating surplus provision for depreciation and tax payments. On the other hand, it is also equal to the value of their sales for final consumption, exports, subsidy received and fixed capital formation and change in stocks of goods left with them. Thus the value of produce is, on one hand, equal to what the producers spent plus their profits and on the other hand, it is equal to value realised by them through sales plus change in stocks left with them.

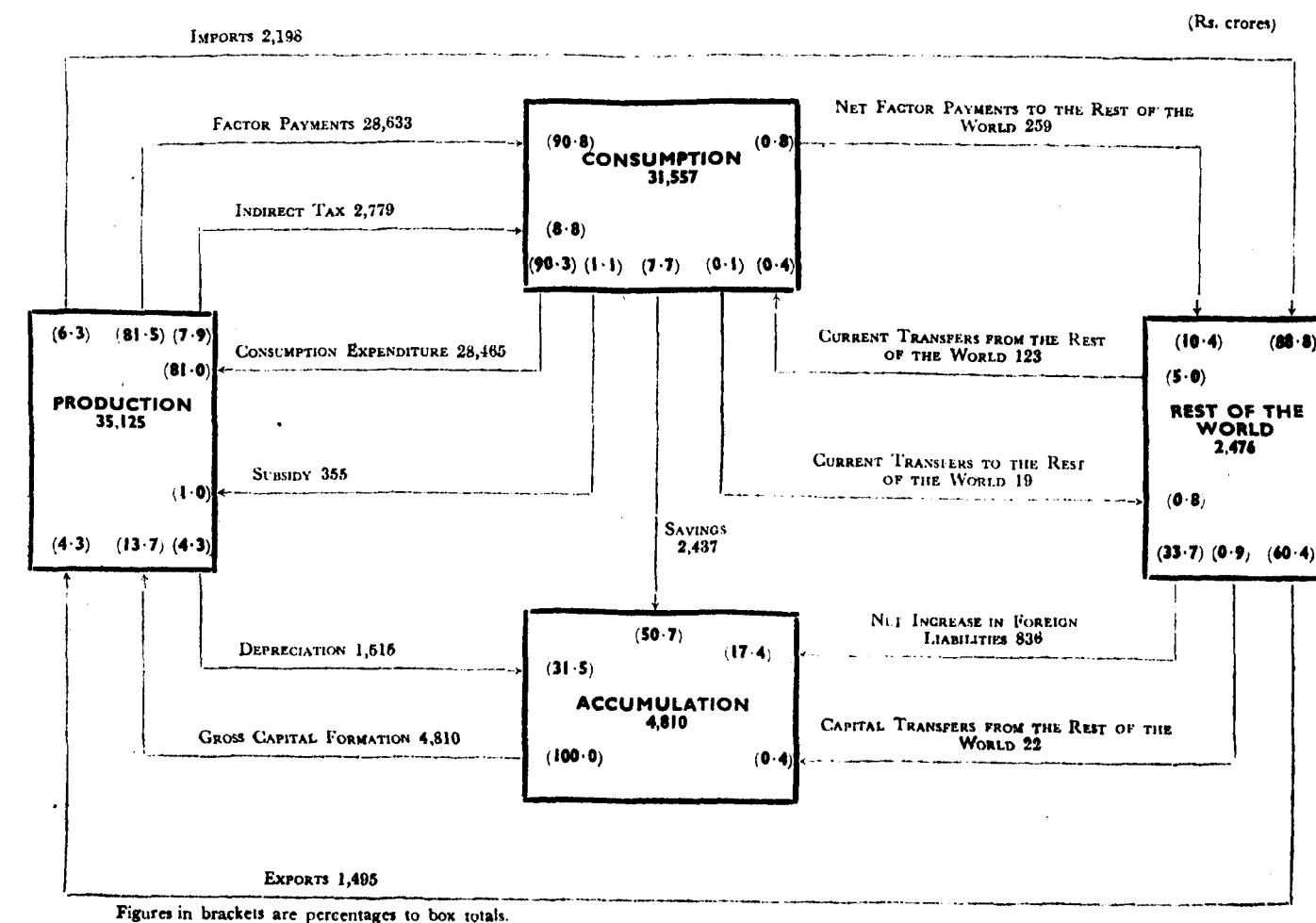
In 1960-61, producers received Rs 16,379 crores. About 80 per cent of it was received from consumers. Receipts from gross capital formation including the change in stocks formed about 15 per cent while exports accounted for five per cent. These resources were spent by the producers on imports (8 per cent), on factor payments, i.e., compensation to employees and operating surpluses (82 per cent), indirect taxes (six per cent) and depreciation reserves (four per cent). Consumers including government, received Rs 14,451 crores. In this, factor payments accounted for 92 per cent, indirect taxes for seven per cent, while current transfers from the rest of the world accounted for half a per cent. Nearly 91 per cent of these resources were spent on final consumption and subsidy to producers. Savings amounted to only eight per cent and the rest were transferred to the rest of the world in the form of net factor payments and current transfers.

The accumulation of capital amounted to Rs 2,458 crores. This includes

NATIONAL ACCOUNTS—1960-61



NATIONAL ACCOUNTS—1967-68



resources available through the acquisition of foreign assets which, in the Indian context, are negative, i.e., they are the net lendings of the rest of the world to India. In the original accounts, these borrowings are shown as a flow from accumulation to the rest of the world, with a negative sign and therefore do not get included in the resources for capital accumulation. Thus the amount of Rs 2,005 crores shown as accumula-

tion in the original accounts is somewhat understood. Inclusive of these borrowings, the total resources available in the accumulation account would be Rs 2,458 crores. Savings formed 50 per cent of the finance for capital accumulation while the depreciation reserves amounted to about 30 per cent.

The resources available through domestic capital accumulation were spent

entirely on gross capital formation and in addition foreign borrowings to the extent of Rs 453 crores, i.e. 23 per cent of the domestic resources available for capital accumulation were incurred for capital formation. Transactions with the rest of the world amounted to Rs 1,327 crores. Net factor payments and current transfers to the rest of the world amounted to about seven per cent of the exchange with

TABLE I
ACCOUNT 1—GROSS DOMESTIC PRODUCT AND EXPENDITURE
(at current prices)

(Rs crores)								
Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
1	2	3	4	5	6	7	8	9
1.1 Compensation of employees (3.5)	13366	14148	14981	17208	20209	20786	24136	28633
1.2 Operating surplus (3.6)								
(a) Public authorities	1257	1407	1560	1794	1988	2257	2505	2790
(b) Private	12109	12741	13421	15414	18221	18529	21631	25843
1.3 Consumption of fixed capital (5.7)	735	810	930	994	1115	1218	1382	1515
(a) Public authorities	64	60	72	73	81	83	88	98
(b) Private	671	750	858	921	1034	1135	1294	1417
1.4 Indirect taxes (3.9)	1040	1190	1408	1714	1931	2273	2594	2779
1.5 Less subsidies (3.10)	93	110	145	148	147	191	412	355
1.6 Gross domestic product at market prices	15048	16038	17175	19768	23108	24086	27700	32572
Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
10	11	12	13	14	15	16	17	
1.7 Government final consumption expenditure (3.1)	1086	1206	1458	1876	2005	2296	2496	2780
1.8 Private final consumption expenditure (3.2)	11958	12673	13213	14900	17849	18002	21318	25685
1.9 Increase in stocks (5.1)	437	248	309	303	363	258	486	251
(a) Public authorities	25	—27	44	3	42	3	—122	44
(b) Private	412	275	265	300	321	255	608	207
1.10 Gross fixed capital formation (5.2)	2021	2211	2574	2069	3402	4025	4101	4559
(a) Public authorities	716	753	899	1042	1167	1257	1223	1210
(b) Private	1305	1458	1675	2027	2235	2768	2878	3349
1.11 Exports of goods and services	784	802	835	985	1015	954	1322	1495
1.12 Less imports of goods and services	1238	1102	1214	1365	1526	1449	2023	32198
1.13 Expenditure on gross domestic product	15048	16038	17175	19768	23108	24086	27700	32572

the rest of the world while the imports payments amounted to 93 per cent. These resources were spent by the rest of the world on exports payments (59 per cent), current transfers to India (three per cent), the rest being lendings and capital transfers to India.

A similar configuration for the accounts for the year 1967-68 shows that the structure of these flows has remained essentially the same but for a few significant changes in respect of certain selected items in the exchange with the

rest of the world. In this account, the share of net factor payments to the rest of the world increased from about five per cent to 10 per cent while that of import payments fell from 93 per cent to 89 per cent. The share of net capital transfers from the rest of the world also declined from three per cent to one per cent. Lendings from abroad as a percentage of total remained at the same level.

It will be seen from the above analysis that the national economy in 1967-68

was operating at almost double the level at which it was operating in 1960-61, without any significant change in the structure. The crucial ratios in the economy of gross capital formation to production, savings to consumption and reliance on foreign borrowings have changed only marginally over the period, and since these accounts are prepared at the current prices it is difficult to assess the real benefits from the increase in the levels of economic transactions.

TABLE II
ACCOUNT 3—NATIONAL DISPOSABLE INCOME AND ITS APPROPRIATION
(at current prices)

(Rs crores)								
Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
1	2	3	4	5	6	7	8	9
3.1 Government final consumption expenditure (1.7)	1086	1206	1458	1876	2005	2296	2496	2780
3.2 Private final consumption expenditure (1.8)	11958	12673	13213	14900	17849	18002	21318	25685
3.3 Saving (5.6)	1225	1286	1500	1926	2031	2477	2359	2437
(a) Public authorities	298	366	408	513	598	542	413	365
(b) Private	927	920	1092	1413	1433	1935	1946	2072
3.4 Appropriation of disposable income	14269	15165	16171	18702	21885	22775	26173	30902
Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
	10	11	12	13	14	15	16	17
3.5 Compensation of employees (1.1)	13366	14148	14981	17208	20209	20786	24136	28633
3.6 Operating surplus (1.2)								
(a) Public authorities	1257	1407	1560	1794	1988	2257	2505	2790
(b) Private	12109	12741	13421	15414	18221	18529	21631	25843
3.7 Compensation of employees from the rest of the world, net	-72	-98	-108	-114	-148	-165	-233	-259
3.8 Property and entrepreneurial income from the rest of the world, net								
3.9 Indirect taxes (1.4)	1040	1190	1408	1714	1931	2273	2594	2779
3.10 Less subsidies (1.5)	93	110	144	148	147	191	412	355
3.11 Other current transfers from the rest of the world, net	28	35	34	42	40	72	88	104
3.12 Disposable income	14269	15165	16171	18702	21885	22775	26173	30902

TABLE III
ACCOUNT 5—CAPITAL FINANCE
(at current prices)

(Rs crores)								
Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
1	2	3	4	5	6	7	8	9
5.1 Increase in stocks (1.9)	437	248	309	303	363	258	486	251
(a) Public authorities	25	-27	44	3	42	3	-122	44
(b) Private	412	275	265	300	321	255	608	207
5.2 Gross fixed capital formation (1.10)	2021	2211	2574	3069	3402	4025	4101	4559
(a) Public authorities	716	753	899	1042	1167	1257	1223	1210
(b) Private	1305	1458	1675	2027	2235	2768	2878	3349
5.3 Purchases of intangible assets n.e.c. from the rest of the world, net	-453	-340	-393	-376	-491	-521	-839	-836
5.4 Net lending to the rest of the world, net								
5.5 Gross accumulation	2005	2119	2490	2996	3274	3762	3748	3974
Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
	10	11	12	13	14	15	16	17
5.6 Saving (3.3)	1225	1286	1500	1926	2031	2477	2359	2437
(a) Public authorities	298	366	408	513	598	542	413	365
(b) Private	927	920	1092	1413	1433	1935	1946	2072
5.7 Consumption of fixed capital (1.3)	835	810	930	994	1115	1218	1382	1515
(a) Public authorities	64	60	72	73	81	83	88	98
(b) Private	671	750	858	921	1034	1135	1294	1417
5.8 Capital transfers from the rest of the world, net	45	23	60	76	128	67	7	22
5.9 Finance of gross accumulation	2005	2119	2490	2996	3274	3762	3748	3974

TABLE IV
ACCOUNT 6—ALL ACCOUNTS—EXTERNAL TRANSACTIONS
at (current prices)

CURRENT TRANSACTIONS

(Rs crores)

Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
1	2	3	4	5	6	7	8	9
6.1 Exports of goods and services (1.11)	784	802	835	985	1015	954	1322	1495
6.2 Compensation of employees from the rest of the world	16	14	13	12	14	14	20	22
6.3 Property and entrepreneurial income from the rest of the world	45	53	48	55	56	88	108	123
6.4 Other current transfers from the rest of the world	845	869	896	1052	1085	1056	1450	1640
6.5 Current receipts								
Items	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
10	11	12	13	14	15	16	17	
6.6 Imports of goods and services (1.12)	1238	1102	1214	1365	1526	1449	2023	2198
6.7 Compensation of employees to the rest of the world	88	112	121	126	162	179	253	281
6.8 Property and entrepreneurial income to the rest of the world	17	18	14	13	16	16	20	19
6.9 Other current transfers to the rest of the world	—498	—363	—453	—452	—619	—588	—846	—858
6.10 Surplus of the nation on current transactions	845	869	896	1052	1085	1056	1415	1640
6.11 Disposal of current receipts								

ALL ACCOUNTS—EXTERNAL TRANSACTIONS
(at current prices)

CAPITAL TRANSACTIONS

(Rs crores)

Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
1	2	3	4	5	6	7	8	9
6.12 Surplus of the nation on current transactions	—498	—363	—453	—452	—619	—588	—846	—858
6.13 Capital transfers from the rest of the world, net	45	23	60	76	128	67	7	22
6.14 Receipts	—453	—340	—393	—376	—491	—521	—839	—836
Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
10	11	12	13	14	15	16	17	
6.15 Purchase of intangible assets n.e.c. from the rest of the world, net	—453	—340	—393	—376	—491	—521	—839	—836
6.16 Net acquisition of foreign financial assets								
6.17 Less net incurrence of foreign liabilities								
6.18 Disbursements	—453	—340	—393	—376	—491	—521	—839	—836

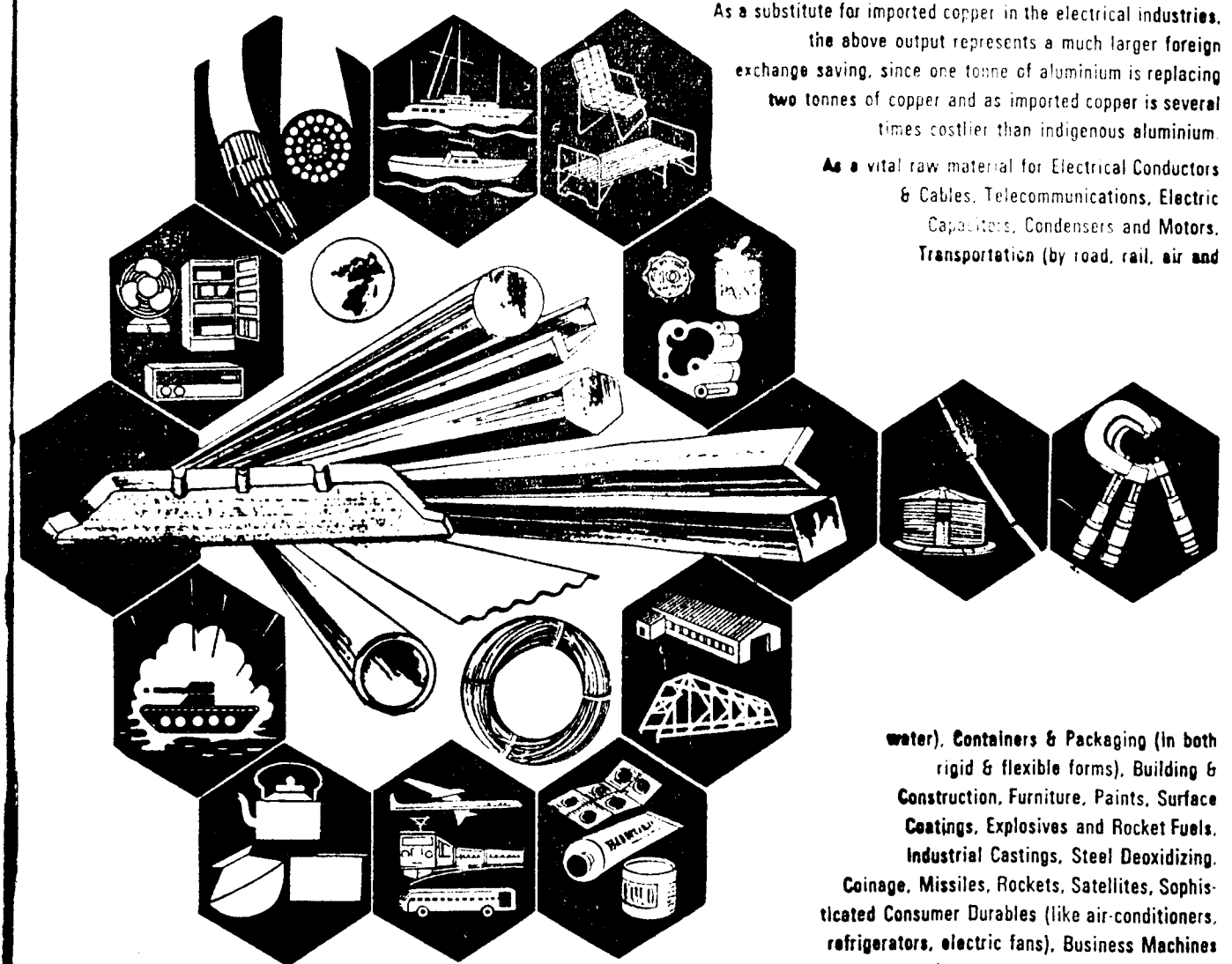
HINDALCO HELPS TO BUILD NATION'S ECONOMY...

In May, 1962 Hindalco started production of aluminium with a smelter capacity of 20,000 tonnes a year. The capacity was raised to 40,000 tonnes in November, 1965, 60,000 tonnes in August, 1967 and to 80,000 tonnes in May, 1969. Plans are in hand to expand the plant further to 120,000 tonnes by end-1973.

Between May, 1962 and December, 1970 Hindalco, now India's largest producer of aluminium, has produced 372,903 tonnes of aluminium, which has saved for the nation nearly Rs. 180 crores of precious foreign exchange.

As a substitute for imported copper in the electrical industries, the above output represents a much larger foreign exchange saving, since one tonne of aluminium is replacing two tonnes of copper and as imported copper is several times costlier than indigenous aluminium.

As a vital raw material for Electrical Conductors & Cables, Telecommunications, Electric Capacitors, Condensers and Motors, Transportation (by road, rail, air and



water), Containers & Packaging (in both rigid & flexible forms), Building & Construction, Furniture, Paints, Surface Coatings, Explosives and Rocket Fuels, Industrial Castings, Steel Deoxidizing,

Coinage, Missiles, Rockets, Satellites, Sophisticated Consumer Durables (like air-conditioners, refrigerators, electric fans), Business Machines (computers, typewriters, etc), Irrigation Piping, Grain

etc. Drainage Culverts, Water Mains and countless other applications, HINDALCO aluminium is helping to build a new India. With its almost limitless variety of forms and shapes and its versatile properties, HINDALCO aluminium is sure to play a crucial role in meeting industrial India's challenge today and tomorrow...



HINDUSTAN ALUMINIUM CORPORATION LTD.

WORKS : P.O. RENUKOOT, DISTRICT MIRZAPUR, U.P.



ATUL [®]

**DYES
CHEMICALS
PHARMACEUTICALS &
INTERMEDIATES**



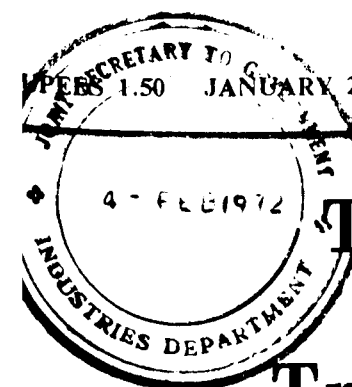
REGISTERED TRADE MARK

THE ATUL PRODUCTS LIMITED ATUL, VIA. BULSAR, WESTERN RAILWAY

Member of the National Safety Council
SAFETY HELPS PRODUCTION

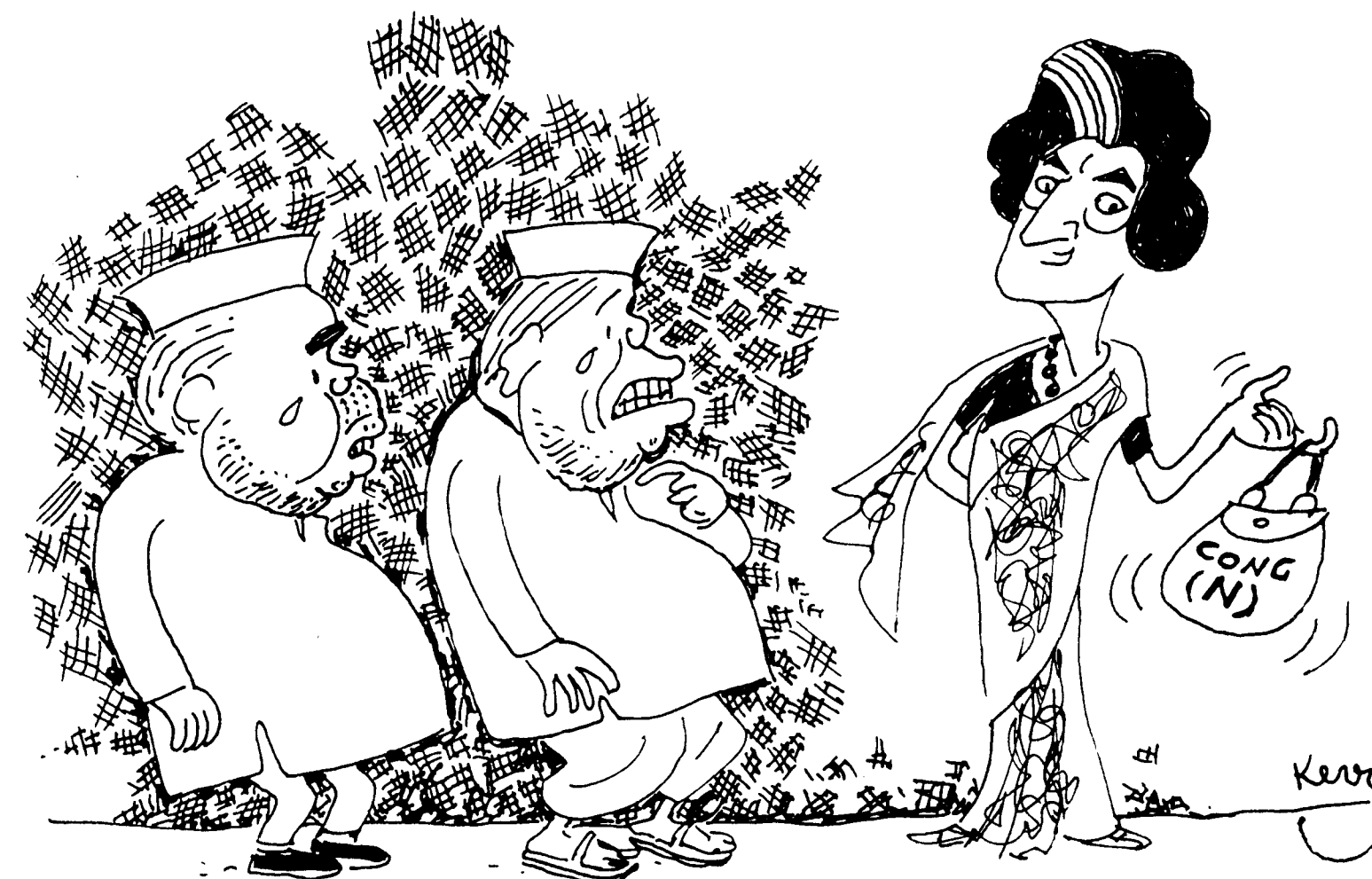
EASTERN 4 ECONOMIST

With a Special
Republic Day Feature



PRICE 1.50 JANUARY 28, 1972 VOL 58

Thoughts on Republic Day
Anatomy of IDBI Assistance
Trading with Bangla Desh
Anglo-Rhodesian Pact Analysed



The Cong (N) poll manifesto lays stress on self-reliance

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

**manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood**

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

JANUARY 28, 1972

Thoughts on Republic Day	125
Anatomy of IDBI Assistance	126
Trading with Bangla Desh	128
Whither Prices?—S. P. Chopra	129
WINDOW ON THE WORLD	133
Anglo-Rhodesian Pact Analysed.	
Investment Opportunities in the Philippines.	
Still Those Dollars.	
THE MOVING FINGER WRITES	139
TRADE WINDS	140
Enlarged EEC; Plant for Soda Ash; Centreless Grinding Machine; Sugar Movement Banned; UK Aid for Khetri; Japanese Aid Resumed; Delegation to W. Germany; Trade with Hungary; Maharashtra's Annual Plan; Participation in Trade Fairs; UNDP Assistance; MICO; Enamel for Soviet Union; New Business by LIC; Working Group on Air Cargo; Air France; Names in the News.	
COMPANY AFFAIRS	144
Mysore Cements; Golden Tobacco; Southern Petrochemical; Indian Copper; Alkali & Chemical; Indian Explosives; Dena Bank Ltd; Licences and Letters of Intent.	
PROSPECTUS ANNOUNCEMENT	148
Golden Tobacco Co. Ltd.	
REPUBLIC DAY FEATURE	151
22 Years of Republic.	
RECORDS AND STATISTICS	169
Indo-German Collaboration.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7-00 or \$17-00

Airmail & Advertisement Rates on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

THOUGHTS ON REPUBLIC DAY

THE EDITOR

REPUBLIC DAY is always a special day in the national calendar. It is quite naturally an occasion for the celebration of the people's pride and joy that they are free and sovereign in directing the course of their country's history. The 22nd anniversary of our Republic is of course a very special occasion and, in historic importance, it may be ranked next only to August 15, 1947, and January 26, 1950, in the chronicle of India after Independence. This is because this is the first national day which our nation is observing after passing from its adolescence to its adulthood. In saying this, it is not at all my intention to exaggerate the dimensions of the success of our Arms against Pakistan's. On the contrary, I am one of those who believe that India's military victory in the fourteen-day war is intrinsically the least significant element in the recent developments in our sub-continent. What is of true historic worth and substance is that the world at large and, what is even more important, the Indian people themselves have at last come face to face with the true place and role of India in Asian history which so obviously is a large part of world history.

In a speech delivered recently, Mr G.D. Birla spoke of the illusions about India which now lie shattered round the world. The illusions he referred to relate to a view of India as a weak and distracted land mass, large but lethargic, hungry and conscious of its hunger, but nevertheless inert and oddly fatalistic. Mr Birla says that, during his visits to the United States, this subject used to come up for discussion and although he tried to point out that this was not a correct notion of the essential nature of India and that it was only a matter of time before the weight of its position on the Asian continent is begun to be felt on the scales of world history, he was seldom successful in carrying conviction with his business or other friends in the United States.

Mr Birla has given his own explanation of why this was so, but, surely, one of the more important reasons why India was not being taken seriously was that so many people, including so many Indians, felt that much of India's energy, actual or potential, was fated to be consumed in a sterile political and military confrontation with Pakistan for which no end seemed to be in sight. It is this frustrating situation which has now been so dramatically terminated. As a result, the peoples and governments of other countries as well as the people and the government of India itself are now in a position to take measure of the role and responsibility which this country ought to and can discharge in the international affairs. Even as Asia's place in the world is being shaped in the crucible of current world history, India's emerging relations with her Asian neighbours, big or small, are likely to play nearly as significant a part as any likely results of the US-Chinese rapprochement. In this sense, India's international responsibilities, whether the Indian people like it or not, have increased and become important.

Mr Birla suggests that, one reason why India's potential had not been taken seriously hitherto was that, until this country was compelled to play the role it did in the creation of Bangla Desh, it was seldom conspicuous on the world stage. Today our country is very much in the limelight and, again, whether it likes it or not, it has to accept the challenges of the situation and meet them in a way which profits the Indian people and the international purposes which the Indian nation would like to serve. Meanwhile, many people, in many countries, who never used to think much of India, are now beginning to think differently.

This is evident from the fact that some of these people have now so enthusiastically taken to advising India on what India should or should not do in its relations or dealings with Bangla Desh or Pakistan. It is relevant to add that among these self-chosen counsellors there are not a few who had been openly critical or sceptical about this country's motives or objectives in the events connected with the issue of Bangla Desh. India is being now advised that it should not seek to exploit its links with Bangla Desh for what are described as "self-serving ventures" and that, beyond assisting in the establishment of a genuinely independent Bangla Desh to which the refugees can return, it should aspire to seek no special relationship with the new state. It is not necessary to question the *bona fides* of all those who talk in these terms and it is possible that some of them, such as Mr John B. Lewis, writing in *The New York Times* of December 9, are genuinely concerned that the government of India should not do anything which might lend retrospective justification for the allegations of aggrandisement so casually and

harshly made by the White House while the Indo-Pakistan hostilities were in progress. At the same time it is also permissible to argue that a great deal of the advice which is being gratuitously offered to India about how it should conduct itself with Bangla Desh is inspired by the thought that India should not become too influential in the politics of Asia lest the nations of the west find their diplomatic or military options becoming increasingly limited in south or south-east Asia.

Again, there is an even greater abundance of advice from all kinds of people abroad about India's duties and obligations towards Pakistan in general and the government of Mr Bhutto in particular. It is strange, indeed, that Mr Bhutto, whose political responsibility for the developments leading to the horrors of genocide in what was East Pakistan, is at least as great as Gen. Yahya Khan's legal and military responsibility for the tragedy, has, in the estimation of many people, become overnight a self-sacrificing statesman called to shoulder the burdens of a stricken country and its people. The people of Bangla Desh have been in no hurry to accept this image of Mr Bhutto and there is no reason why the people or the government of India should be any more accommodating either. If Mr Bhutto wears a cross at all, it is one which is very much of his own making. In any case, the question of sympathising with Mr Bhutto in his cares of office is just not relevant to such policies as India may or ought to develop towards Pakistan.

It has been said in some quarters at home and many abroad that India can afford to be generous to Pakistan and that she should find it all the more easy to be so because of its victory over the latter in the recent war. It has also been suggested that this generosity should be particularly shown with regard to a settlement with Pakistan over the Kashmir Valley so that a truly peaceful frontier could be established between the two countries and Pakistan converted into a friendly neighbour of India. Now let it be far from me to argue that India should crow over Pakistan's present misfortunes or try to exploit them in a spirit of self-aggrandisement, but I certainly fail to see the point of all these special pleadings about Pakistan. Leaving aside those who may have their own motives or purposes to serve in this matter and addressing myself only to those who sincerely believe that India, in its own interest, should be prepared for compromises which could win for it the friendship of Pakistan, I would point out that they are giving too much importance to Indo-Pakistan relations. They just do not seem to be aware of

the fact that Indo-Pakistan relations have necessarily lost in importance as a result of the dissolution of the old state of Pakistan.

There was a time when India might have been justified in paying a price—perhaps even a heavy price—for the friendship and co-operation of Pakistan as it then was. Today the perspective must be different because the basic factor, namely the balance of power in the Indian sub-continent, has been materially changed. It is now primarily for the diminished Pakistan to take the initiative in working out its relations with its neighbouring countries (including India) with a view to promoting its national security or obtaining other advantages for itself.

At the moment, the governments of the United States and China are making helpful noises in the ears of Islamabad, but it is highly unlikely that either government would consider it to be in its interest to participate in the old game of helping Pakistan to achieve military and therefore political parity with India in the sub-continent. In any case, so far as China is concerned, the diminished Pakistan of today cannot but be conscious of risks of its being turned into a client state or even a satellite should it go in for massive military or even only economic assistance from China. In the case of the United States, it is not wholly unreasonable to hope that the Nixon aberrations will soon cease and that Washington will be able to develop a more just as well as a realistic approach to its relations with the countries of this sub-continent.

In all probability Pakistan may hereafter prefer to be less bilaterally involved either with China or with the United States and simultaneously it may be-

come increasingly interested in developing associations with Iran, Saudi Arabia, Jordan and other like-minded Muslim countries of west Asia and also north Africa and thereby create for itself a newer identity different from that of a major actor in a drama predominantly of south-Asian politics. In these circumstances, it is both proper and prudent for India to shed the cheaper sentiments which belong to a past when India and Pakistan were parts of one country and begin to train itself to deal with Pakistan as the latter at present actually is, namely a much smaller country than itself with which it is desirable to be friendly especially because it is a neighbour, but the friendship of which at any price or, even at a price which is more than strictly reasonable, is not of extraordinary significance to its national security or other foreign policy objectives.

In the final analysis, it is not through the sophistication of its relations with its neighbouring countries, whichever they are, that India is going to consolidate its hold on the newly aroused consciousness of the world of its weight and value in Asian politics or international affairs generally. What will really be able to impart an enduring status to our country's role in the world community is the efficiency with which it is able to speed up the growth of its economy and thereby develop resources for raising the standard of living of its people. I am sure that Mr Birla will agree that among the reasons why India's possibilities were being lightly dismissed in other countries was that India has not yet been conspicuously successful in realising its potentialities of economic development. So long as this failure continues to dog the government and the people of this country, India cannot be said to have truly come into its own.

Anatomy of IDBI Assistance

IF IT is conceded that not everyone can be a scientist or a doctor, there is surely some force in the contention that not every one can start industries or become an industrialist. This latter realisation seems to be slowly dawning and the circles where the realisation appears to have made its impact most—and quite understandably so—are our apex financial institutions, such as, for instance, the Industrial Development Bank of India (IDBI). Fortunately it has not taken them long to realise that providing finance will not by itself lead to greater industrialisation, and this explains why we hear lately that these institutions have also taken up promotional activities. In other words, it is becoming evident that the work of

promoting is as important a prerequisite to starting new industry as providing finance. Indeed, the one genuine justification for the institution of managing agents used to be that these managing agents not only helped find the finance but also had the ability to promote as well as manage an industry.

We have before us the latest details of the operations of the IDBI—those for the half-year ended December 31, 1971. Compared to the corresponding half-year of 1970, at Rs 78.2 crores, effective sanctions of assistance during this period rose more than twofold, as against an increase of only 55 per cent during the half-year ended December 1970 over the half-year ended December 1969. It is noteworthy

that the bulk of the latest half-year's increase was brought about by an increase in direct assistance to industry, refinance of industrial loans and re-discounting assistance. The total sanctions in respect of these categories rose from Rs 31 crores (July-December 1970) to Rs 73.3 crores (July-December 1971).

This, according to the IDBI sources, suggests a substantial improvement in the climate for new investment decisions in the private corporate sector. This is also borne out by the fact that direct assistance to industrial concerns (other than for exports) rose from a bare Rs 9.9 crores during July-December, 1970 to Rs 33 crores during July-December, 1971. Similarly, sanctions under refinance of industrial loans during the half-year ended December, 1971 were higher by about 49 per cent compared to those during the corresponding half-year of 1970. The same trend was perceived in disbursements of assistance also. Thus, direct assistance (other than for exports) refinance of industrial loans and re-discounting of machinery bills disbursed during the latest half-year was Rs 13 crores higher than similar assistance made available during the six-month period July-December 1970.

Not a little of this improvement is due to the role of leadership that the IDBI has assumed. It is, however, not just leadership, but pragmatic leadership, as is evidenced by the following description of its approach in a recent press hand-out:

"Its (the IDBI's) approach in this field cannot be a stereotyped one but should have built-in flexibility to offer sufficient scope for innovation, experimentation and exploration. Consistent with the national objectives, it should be free from inhibitions emanating from any doctrinaire consideration. For instance, there should not be any bar in using the entrepreneurial/managerial skills of the successful industrial houses, provided the co-operation extended by them is consistent with the national objectives. With industrialisation as a prime national objective, the IDBI, as it has done in the past, would try to seek co-operation and assistance from as many institutions and individuals from different parts of the country as is feasible".

Here is a refreshingly realistic approach and given an uninhibited pursuit, the primary national objective of industrialisation should achieve a greater measure of fulfilment this year, what with the stress on self-reliance, forced on this country by the cessation of the US aid, sweeping across the country.

At this point, it is worth taking stock of the IDBI's promotional activities, if only to reassure ourselves that these

are consistent with the flexible and non-doctrinaire approach the IDBI claims to have set to itself. These promotional activities include industrial potential surveys, follow-up surveys and organisational framework for these surveys, identification of projects based on these surveys as well as on research studies carried out by the National Laboratories Technical Consultancy Service for project work, constitution of a working group of state industrial development corporations (SIDCs) and future study and strategy for industrial promotion.

The IDBI has already completed industrial potential surveys of backward districts (as classified by the Pandey Committee) in all states except the union territory of Pondicherry (this is being taken up this month) and Andhra Pradesh. Eight reports of these surveys have been submitted (and it is just as well that these are to be printed and made available to the public), while the others are in different stages of finalisation and preparation. Besides these, the IDBI has also successfully persuaded the concerned state governments to undertake similar surveys, offering the help of its own teams for the purpose.

For the purpose of following up these surveys, discussions were held on the organisational framework needed and procedures for reviewing the progress of industrial projects and ascertaining the problems of industrial units. These deliberations resulted in the IDBI's proposals for the formation of (a) an inter-institutional group at the state level for identification and implementation of industrial projects, (b) a jointly sponsored financed technical consultancy service centre for the state, (c) establishment of nuclei for organising appropriate training programmes for potential entrepreneurs and undertaking studies and research in industrial problems, and (d) setting up development centres at some focal district points for providing financial technical and marketing services to agriculturists/entrepreneurs.

Identification of a project is but the first step. This has to be examined by technical experts to find out whether and how far a given project is feasible, and, for this purpose, the IDBI has done well to avail itself of the services of even private technical consultants such as Kirloskar Consultants, Poona, J. N. Bose & Co., Calcutta and the Tata Economic Consultancy Services, Bombay. In addition to this, it has also sent a list of available technical consultants to state-level institutions, including the lead banks, to enable them to consult these experts. Further progress has been made with the suggestion given in the last annual report of the IDBI to set up a jointly sponsored and financed Technical Consultancy

Service Centre (TCSC), a beginning having been made in Kerala, Andhra Pradesh and Assam. On the basis of experience gained by these TCSCs, the IDBI proposes to set up similar centres in Jammu and Kashmir, Bihar, UP, Himachal Pradesh, Rajasthan and Madhya Pradesh.

Considerable interest is being evinced by the IDBI in project-oriented activities. This is because most of the joint-institutional study teams for the backward states have recommended, as is only to be expected in a backward economy such as ours, projects based on agriculture, livestock and local handicrafts. It is, however, recognised that these primary projects have a wider developmental content (project-cycle effect) and it is hoped they would not only have an impact on income but on new demand for improved types of housing, clothing and farm and other equipment which, in turn, would lead to the establishment of new industries.

The following up of projects through different stages of implementation has apparently impressed the IDBI about the need for entrepreneurs, especially where the concerned state governments are not in a position to undertake even an identified project. Hence its insistence not only on locating them but also on training new entrepreneurs. The IDBI officials have, therefore, taken up the additional responsibility of keeping in touch with leading local traders, dealers, business executives in industrial establishments, university departments, colleges of commerce and business administration, among others. In the USA, it is well known, top-ranking businessmen themselves go round the universities to pick up talented young men.

Perhaps, the most imaginative promotional activity of the IDBI is the one to get industrial houses to provide active managerial assistance. Convinced that, with the managerial talents and other resources at their disposal, these houses could identify areas for action in a group of backward villages or a whole backward district and effectively help their development plans, the IDBI has evolved a programme that could ensure a village household a minimum income of Rs 3,000 a year. Once the projects have been identified and the state governments concerned have agreed to provide all the necessary facilities, it should not be difficult for leading industrial houses to depute specially selected managerial personnel on their establishments to push ahead with the projects in a practical and business-like manner, the more so as some industrial houses such as the Mafatlals have undertaken such development work on their own, as, for instance, in Gujarat, and Orissa.

To ensure satisfactory results, however, it is imperative that the govern-

ments concerned place implicit trust in these houses and give free play to their individual initiative and enterprise. There is no need to reiterate at every stage the proviso "consistent with the national objectives", as is being done now, for no industrial house of repute would ever dream of indulging in any-

Trading with Bangla Desh

BUSINESS ORGANISATIONS in Calcutta have suggested that, in promoting trade with Bangla Desh, the government of India should use the normal trade channels as far as possible. New Delhi should consider this suggestion sympathetically in view of its favourable impact on employment. If private trade is used to the maximum in the exchange of goods and services between India and Bangla Desh it will help to generate a much larger volume of productive employment than what state trading can do. The State Trading Corporation and its allied organisations will, of course, play an important part in developing the trade with Bangla Desh. But the government should also give ample scope to the private trade so that, apart from creating more jobs, both the countries will stand to benefit from its vast experience and its capacity to deliver the goods speedily and at competitive prices. The government would also do well to associate the representatives of business community in Calcutta and other parts of the country in finalising the trading arrangements with Bangla Desh.

India's trade with Bangla Desh is likely to be largely a one-way traffic for some years. That country's requirements of consumer goods and capital equipment are quite substantial and they will increase steadily in the coming years. But at present it will not have much to offer to our country. Bangla Desh's exportable products include jute, jute goods, tea, paper and paper board, leather, betelnuts, spices, wood and timber, fish, poultry and certain agricultural items. Most of these are already available in India though we may need raw jute of superior quality, fish, and other agricultural products. It will be worthwhile for Bangla Desh to conduct a thorough techno-economic survey of its resources, preferably with the help of the National Council of Applied Economic Research which has considerable experience in this field, so that we can have a better idea of the availability of its resources.

The major exports from India to Bangla Desh will be industrial machinery of various kinds, cotton textiles and yarn, woollens, coal, steel, cement, iron and steel, mustard oil and oilseeds, vegetable oils, cigarettes and bidi leaves, electrical and non-electri-

cal goods, bicycles and other transport equipment, ceramics and insulators, glassware, and drugs and medicines. Other goods which Bangla Desh needs in substantial quantities from our country include, rice, sugar, salt, matches, kerosene, baby food, and building materials. India will be able to supply the needs of Bangla Desh in respect of these commodities only if energetic efforts are made to increase their production as quickly as possible. The recent decision of the government of India to encourage over fifty industries to maximise their output is, of course, helpful. But the new policy is not as realistic as it should be. The large business houses are still fettered in many ways from maximising their production. Besides, the government seems to expect too much from the small-scale sector. While small industries deserve all encouragement, pampering them by rigidly reserving certain items exclusively to be produced by them, and in other ways, is hardly the right way to promote their vigorous growth. In view of the imperative need to create an abundance of consumer goods especially in the context of supplies to Bangla Desh, the government of India's approach to industrial production and expansion needs to be made bolder and more practical.

The jute industries of both the countries offer considerable scope for joint action in many fields. The Bangla Desh government is assessing the actual extent of damage caused to the jute mills by the war and is considering how quickly they can be helped to resume their normal production. The problem however is not going to be easy. Even in united Pakistan the jute mills suffered from dearth of experienced managers and technical personnel. Consequently, the mills were not able to enforce effective control over costs and resources. Skilled labour was not always available in sufficient numbers and responsible leadership among workers was not conspicuous. The jute industry used to get considerable assistance from various bodies like the East Pakistan Industrial Development Corporation, the Industrial Development Bank of Pakistan and the Pakistan Industrial Credit and Investment Corporation. There were also other organisations like the Jute Board and the Jute

Marketing Corporation which assisted the farmers in many ways to increase and improve the production and export of raw jute. The government of Bangla Desh will take time to revive and restore its jute industry to its former health. Meanwhile, New Delhi should consider in what ways the jute industry of our country can collaborate with its counterpart in Bangla Desh not only in countering the threat from synthetics and other substitutes but also in discovering fresh markets for jute goods and devising new uses for jute.

India's engineering industry has a crucial role to play in promoting trade and economic co-operation with Bangla Desh. Before the suspension of Indo-Pakistan trade in 1965, we used to supply to East Pakistan various kinds of engineering goods like iron and steel, sewing machines, electric fans, builders' hardware, and so on. In the recent years, our engineering industry has expanded and diversified its production considerably and its products are in increasing demand not only in the developing countries of Asia and Africa but also in the advanced nations of Europe and America. In 1969-70, the export of our engineering goods, destination-wise, was as follows:—south-east Asia 22 per cent, west Asia 22 per cent, Africa 29 per cent, east Europe 10 per cent, west Europe 9 per cent, America 5 per cent, Australasia 2 per cent, and other regions 1 per cent. The major exports of our engineering goods include industrial and agricultural machinery, office equipment, consumer durables, automobiles and parts, heavy transport equipment, and miscellaneous manufactures of ferrous and non-ferrous metals. Our engineering industry is therefore well-equipped to meet the needs of Bangla Desh. But the industry has to be provided with the regular and sufficient supply of raw materials, especially steel of the right quality and also credit and other facilities so as to enable it to increase its production and exports. The small units of the engineering industry in West Bengal have a good opportunity to find a large market in Bangla Desh. Their difficulties in regard to finance and raw materials need special and sympathetic consideration.

In developing trade with Bangla Desh, we have to ensure that our exports to other traditional and non-traditional markets do not suffer. In the recent years our exports to Britain and the USA have shrunk while those to the Soviet Union and most countries of east Europe have expanded rapidly. Since the bulk of the machinery and materials we need have to come from the western nations, we should continue our efforts to step up our exports to them. We should also see to it that there is little scope for smuggling our goods across the border.

Whither Prices ?

S. P. CHOPRA

THE *Economic Times* index of wholesale prices recorded a rise of about four per cent in less than a month between December 18, 1971—the day of ceasefire between Indian and Pakistani forces—and January 12, 1971. However, the *Economic Adviser's* index of wholesale prices for the week-ended December 25, 1971, showed negligible increase of 0.2 per cent in the week, a rise of less than one per cent in the preceding month and more than three per cent in the preceding year. This insensitive official index tends to belittle the pressure which rising prices have been exerting on the less privileged sections of the society and also the salaried classes. It is high time that *Economic Adviser* to the Government of India reviewed the method of computing this index. The volume of goods traded as well as the share of each item in the market has altered materially during the past decade requiring a re-designing of the procedure for the calculation of the index so that it may reflect accurately the movements in prices.

Throughout the planning period in this country, the plan documents have set out various computations based on the utilisation of financial resources at constant prices but, unfortunately, no Plan has seen stability in prices which, in fact, have risen year after year. The table below shows the spurts in the official index of wholesale prices with all its limitations. A rise of 6.3 per cent in the second five-year Plan period

was followed by an increase of 5.8 per cent in the third five-year Plan period. The spurt in prices was as much as 15.9 per cent in 1966-67; only in 1968-69 there was a marginal decline of one per cent. In all the subsequent years the prices once again moved upwards. In the first half of the fiscal year 1971-72, there was a rise of the order of 3.3 per cent. Over the whole year, prices are likely to rise by a much higher percentage than that seen in 1970-71.

The Prime Minister and the Finance Minister have repeatedly urged the trading community and the industrialists to assist the government in holding the price line. There is no doubt that in certain pockets of the country the prices of consumer goods were raised by traders because of shortages resulting from the transport bottleneck created by diversion of transport facilities to war effort. These activities of the unscrupulous elements among traders need to be condemned in unmistakable terms but besides this short-term spurt in prices, the economy of this country has seen a secular uptrend in prices as discussed above. This trend in prices is the direct result of industrial and monetary policies pursued by the government. Instead of blaming the industrialists and the trading class and making them a scapegoat the government must take its full share of the blame for all the hardships which have been borne by consumers not only in the recent past but over the planning period (of nearly

two decades) because the rise in prices was the direct outcome of the government's policies.

The consumer industries have received step-motherly treatment all these years. Their rate of progress has been much slower than that of producer industries. Consequently, the expansion in money supply in order to finance producer industries and other activities of the government has been much faster than the supply of consumer goods. This is the basic reason for a secular uptrend in prices. For example, between December 25, 1970, and December 24, 1971, money supply with the public increased by more than Rs 800 crores. Surely the increase in the supply of consumer goods—food and non-food together—was not of that order; hence the inflationary pressure which is steadily reducing the standard of living of certain sections of society, particularly those living below the poverty line and also those who have fixed incomes. The same pattern prevailed in the sixties when the rise in money supply in each year was much bigger than the increase in consumer goods. The year 1968-69 was the only exception.

The challenge of rising prices can be met effectively only by encouraging the production of consumer goods. Luckily, there has recently been a welcome shift in the policy of the government. The liberalisation of the licensing policy which is likely to take the number of licences issued in 1971 to an all-time peak, is a right step though belatedly taken. The result of this policy in increased production will become manifest only after two or three years. Again, the permission to expand the capacity of each unit in 54 industries (many of which are consumer industries) by 100 per cent without reference

ANNUAL RATE OF VARIATION IN INDEX OF WHOLESALE PRICES

	Second Plan	Third Plan	1963-64 to 1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72 (April-Sept.)
1. All commodities	+ 6.3	+ 5.8	+ 8.9	+15.9	+11.0	— 1.0	+ 3.7	+ 5.5	+ 3.3
2. Food articles	+ 6.9	+ 7.2	+10.2	+18.4	+21.2	— 4.5	Nil	+ 3.6	+ 2.6
3. Liquor & tobacco	+ 6.4	+ 4.8	+ 7.9	— 4.6	+ 4.8	+55.3	+ 1.3	— 5.2	+ 2.1
4. Fuel, power, etc.	+ 4.8	+ 5.1	+ 6.5	+10.9	+ 8.5	+ 4.6	+ 4.4	+ 4.3	+ 4.5
5. Industrial raw materials	+ 8.4	+ 5.8	+11.7	+20.9	— 4.2	+ 1.6	+14.5	+ 9.6	— 1.6
6. Manufactures	+ 4.5	+ 3.8	+ 5.1	+ 9.2	+ 1.5	+ 1.9	+ 8.1	+ 8.0	+ 6.4

Note : Figures up to 1968-69 based on index with base 1952-53=100
The rest are based on index with base 1960-61=100

to the government is another encouraging step taken by the government recently but this again will take time to show results. The licensing bottleneck has no doubt been removed but the industry will have to find resources for implementing the expansion plans.

What is disconcerting is that food prices, particularly of rice and wheat, have also been rising in recent weeks. According to official statistics, this country has had four bumper harvests. It is hard to believe that this fortuitous spell will persist. We may be in for one or two difficult years in foodgrains production. Rains are vital for winter crops in the north though at the time of writing there is no sign of them all over the northern states of this country. The diversion of a part of our surplus in foodgrains to Bangla Desh is also likely to reduce the safe margin that we have by way of buffer stocks in balancing demand and supply. The imports of foodgrains from the USA under PL 480 would have been welcome but because of the altered political climate, this country perhaps had no option. In recent weeks even wheat prices have been moving up despite the relatively comfortable stock position publicised by the Ministry of Food and Agriculture.

Deficit Financing

Because the supply of foodgrains in the country was comparatively easy until recently, the government of India did not hesitate in undertaking increased deficit financing partly to meet the expenditure on refugees from Bangla Desh and partly to meet the cost of the Indo-Pakistan hostilities. Both these were essential expenditures and were indeed unavoidable but they have left an impact on the markets and the official attempts at holding the price line are likely to fail in the short period. The result of excessive expenditure by the centre and the states has already been reflected in the increase in money supply which is chasing the available foodgrains and other consumer goods.

Without learning a lesson from its past mistakes the government has held out the threat of price controls in the case of such consumer goods as rice, wheat, sugar, etc. which would not solve the problem of shortages. The key to this problem lies in encouraging the production of foodgrains and consumer industrial goods by all possible means. In the case of food crops, attempts should be made to provide the farmer with requisite inputs at the right time. And, after having removed the hurdle of licensing procedure, the government must see to it that all possible facilities are given to those industrial

units which wish to expand their capacities. Besides providing the necessary foreign exchange for spares, attempts should be made to procure raw materials for units which expand their capacities.

This applies particularly to cotton textiles, vanaspati and engineering goods. Unless the government helps these industries in expanding their production and the banks are also advised to be liberal in providing working capital, the anticipated increase in production would not take place and

the rising trend in prices would not be arrested. It will result in renewed demands for increased dearness allowances by various vocal sections of society such as government servants and organised labour which the government and the industry would be obliged to concede as in the past. The increased monetary allowances would again press upon the supply of available goods leading to further inflation in prices, throwing the economy into a vicious circle. The key to this dilemma lies in increased production to which all our energies should be directed.

SUBSCRIPTION ORDER FORM

MANAGER
THE EASTERN ECONOMIST LTD.,
New Delhi.

Please register my/our name for a copy of Eastern Economist Weekly/Records and Statistics Quarterly for a period of one year/six months from _____

A sum of Rs _____ is being sent by M.O. _____ sent herewith

Address (block letters) _____

Signature _____

RATES OF SUBSCRIPTION

	Inland	Foreign
EASTERN ECONOMIST (Published every Friday)		
Annual Subscription	Rs. 85.00	£ 7.00 \$ 17.00
Half-Yearly Subscription	Rs. 45.00	£ 3.50 \$ 9.00
RECORDS & STATISTICS (Quarterly)		
Annual Subscription	Rs. 16.00	£ 1.50 \$ 3.50
Single Copy	Rs. 4.00	£ 0.40 \$ 1.00

Note- Subscription may commence, for the sake of convenience, from the first of any calendar month.

The back issues of previous years available; rates on enquiry. It is requested that payment for the required period be sent along with instructions.

Foreign air mail rates on application.

WELL SPOKEN OF MODI STEEL WIRES

Ask any manufacturer. Modi Steel Wires are the first and finest choice for all wire products— from clips to bicycle spokes to high tension cables. Modi Steels is the only plant in India to have Electric Arc Furnaces for Steel melting, a Wire Rod Rolling Mill and a Wire-Drawing plant all under one roof. This facilitates the production of special kinds of steel for specific end products of wire, according to customer's specific requirements, as well as ensures rigid quality control at all stages. Modi Steel Wires are available in a wide range of forms, all conforming to ISI specifications. Modi Steels are licensee for IS/280/1962- the highest guarantee of quality.



USE MODI STEEL WIRES FOR MARKET SATISFACTION

**MODI
STEELS**

MODINAGAR (U.P.)
GRAMS: MODISTEEL PHONE: 439

(MODI STEELS DEPOTS)

M/s. MODI INDUSTRIES LTD. (Steel Section), Ferozepur Road, LUDHIANA, tele: 2539. M/s. MODI INDUSTRIES LTD. (Steel Section), 908/6 Bazar Gandanwala, AMRITSAR, tele: 44539. M/s. MODI INDUSTRIES LTD. (Steel Section), Flat No. 1, Plot No. 180, 'Shreyas', Nariman Point, Madam Cama Road, BOMBAY-20, tele: 295556/295527. M/s. MODI INDUSTRIES SALES DEPOT, 6, Little Russell Street, CALCUTTA-16, tele: 440035/440042. M/s. MODI INDUSTRIES LTD. (Steel Section), G. T. Road, KUNDLI (SONEPAT), tele: 89373. M/s. MODI INDUSTRIES LTD. (Steel section) 7, Raj Niwas Marg, DELHI-6, tele: 227470. M/s. MODI INDUSTRIES LTD. (Steel Section), Kanti Chandra Road, 179, Kanpur Bhawan, Benipark, JAIPUR, tele: 61673. M/s. MODI INDUSTRIES LTD. (Steel Section), 55, Linghi Chetty Street, 2nd floor, MADRAS-1, tele: 27904.

ASK MR. MEHTA HOW HE INCREASED HIS EXPORT TURNOVER BY NEARLY 600% IN ONLY TWO YEARS*



In 1968 Mr. Mehta's turnover was Rs. 10 lakhs. It had taken him years to achieve this. The credit limit his bankers allowed him was not adequate. Many export opportunities were lost because the buyers insisted on credit terms, but he would not take the risk. Mr. Mehta knew that there was a tremendous potential in his line of business. Yet he could do very little to expand it further. Until he came to E.C.G.C.

With a guarantee from the E.C.G.C. he easily obtained a substantially higher credit limit from his bankers. He also started increasing his exports with confidence since all his credit risks were covered by the E.C.G.C. insurance.

THE RESULTS WERE SPECTACULAR. WITHIN THE FIRST 12 MONTHS HIS EXPORTS INCREASED TO RS. 30 LAKHS. IN THE NEXT 12 MONTHS IT SHOT UP TO RS. 72 LAKHS. TODAY MR. MEHTA IS WELL ESTABLISHED ON HIS WAY TO BECOME ONE OF THE MAJOR EXPORTERS IN THIS COUNTRY.

*(An actual case history from the files of E.C.G.C.)

EXPORT CREDIT & GUARANTEE CORPORATION LIMITED

(A GOVERNMENT OF INDIA CONCERN)

REGD. OFFICE:
10th Floor, Express Towers,
Nariman Point, Bombay 1 BR.

BRANCHES:

BOMBAY: 4, Rampart Row, Bombay-1.

CALCUTTA: Tata Centre, 10th Floor,

43, Chowringhee Road, Calcutta-16.

NEW DELHI: Chaudri House,

10-A, Curzon Road, New Delhi-1.

MADRAS:

Indian Bank Building, 1st Floor,

17th North Beach Road, Madras-1.

COCHIN: Chaturuthi Bldg.,

1st Floor, Mahatma Gandhi Rd., Ernakulam, Cochin-16.



Please send me complete details
regarding the services
offered by E.C.G.C.

NAME _____

ADDRESS _____

DEPT. (EE) _____

For complete details mail the coupon to your nearest branch office.

WINDOW ON THE WORLD

Anglo-Rhodesian Pact Analysed

JOSSLEYN HENNESSY

LONDON.

I FIVE PRINCIPLES

AMONG THE reasons why the Tories won the 1970 election was their pledge to make further effort to find a "sensible and just solution" to the Rhodesian problem "in accordance with the five principles".

Shortly after the election, the government made contact with the Rhodesian government; preliminary exchanges were taken a stage further in the spring and summer of 1971 when Lord Goodman paid four visits to Salisbury on behalf of the British government. On November 9, 1971, Sir Alec Douglas-Home announced that he would go to Rhodesia to see himself whether a settlement could be reached. Sir Alec said that he was under no illusions that his task would be easy but "that the effort is, in the widest sense, in the public interest. I have no doubt at all".

After ten days of arduous negotiation in Salisbury the Secretary of State, who was accompanied by the Attorney-General, Sir Peter Rawlinson, and Lord Goodman, signed an agreement with the Smith government containing proposals for a settlement to be put to the Rhodesian people as a whole. When reporting to the House of Commons in November, Sir Alec Douglas-Home said he believed that the proposals were fair and honourable and that "they provide an opportunity to set a new course in Rhodesia which can be to the greater harmony of all races and to the partnership and prosperity of all Rhodesia".

Labour Opposition

The details of the proposed settlement were published in a White Paper, *Rhodesia — Proposals for a Settlement* (Cmd 4835), which also contains a full text of the Declaration of Rights to be introduced into the Rhodesian Constitution. After a one-day debate on December 1, the House of Commons voted by a majority of 28 in favour of a government motion approving the proposals and endorsing the decision that they should be put to the people of Rhodesia for their judgment. A Labour opposition amendment rejecting the proposals on the grounds that they failed to satisfy the five principles was

defeated. The two-day debate in the House of Lords in December resulted in substantial support for the government's policy. An Opposition amendment was rejected by 201 votes to 76.

"I have been very conscious these last years", Sir Alec Douglas-Home told the House of Commons, "that Britain's influence on the Rhodesian situation was running out and that we must exercise it while anything of it remained to try to obtain the best deal possible for the Rhodesian African. That is the sole reason why I assumed the responsibility of trying to find a settlement with Mr Smith's government. It was a heavy responsibility because one cannot but be conscious of the limitations on the best which is involved in compromise..."

The passage of time has clearly not helped Britain to fulfil its responsibilities towards Rhodesians as a whole. Not only has Britain's ability to influence the situation diminished from what it was in 1965, but a related trend has taken Rhodesia further along the road to apartheid.

Siege Mentality

International isolation of Rhodesia has created a siege mentality, which has been no help to those putting forward a moderate, liberal point of view. There can be little doubt that the single most important effect of the United Nations mandatory sanctions has been on the political balance within the country — the hand of the right wing has been strengthened and that of the moderates weakened. Nor has the Rhodesian resistance to apartheid been strengthened by close contact with South Africa which has been forced upon Rhodesia since sanctions. It would be wrong to say that sanctions have had no effect at all on the Rhodesian economy. They clearly have. But their primary economic effect has not been to prevent Rhodesia from getting the commodities it needs nor from selling abroad, but to starve her of the funds required for development. And those who have suffered most from this are the Africans in whose interests the sanctions policy was followed in the first place.

Given these circumstances, the standard against which British diplomacy has to be measured is essentially practi-

cal and limited, namely, whether Britain has used its remaining influence on the situation to encourage Rhodesia on to a track which leads to a saner multi-racial society and away from its present track which is leading to a full apartheid system.

The question is not whether Mr Smith has been converted to a liberal way of thinking. It would have been naive to set this as an objective. Nor is it a valid criticism of the agreement that it provides no absolute guarantee that the settlement will be adhered to by present and future Rhodesian governments. There can be no such guarantee short of the use of force, and successive British governments, both Conservative and Labour, have ruled out recourse to military power in Rhodesia. No external safeguards of the kind that Harold Wilson toyed with at the time of the *Tiger* and *Fearless* talks can alter this basic fact.

Encouraging Moderates

What one has to rely upon—and the same would have been true had an agreement been signed under the Labour government — is the self-interest of White Rhodesians and the effect which any settlement can be expected to have on the political balance within Rhodesia as the moderate elements are now given the chance of reasserting themselves. In agreeing to a settlement which widens substantially the opportunities for African political advance, the Smith government has in fact recognised that Rhodesia cannot prosper economically in the long run in its present isolated international position.

The same basic choice between holding back African political advance on the one hand, and providing the means whereby Rhodesia can grow in wealth and prosperity on the other, is likely to confront Rhodesian governments in the years ahead. The white population is too small to meet anything like the requirements of an expanding economy. It is in the light of these considerations that I view the proposed settlement, the main features of which I outline below in terms of the five principles.

II

MAIN POINTS OF SETTLEMENT

1. *Unimpeded Progress Towards Majority Rule:* Under the proposals an amendment will be made to the Rhodesian Constitution to enable the advance of African representation to go beyond parity. The present principle of directly and indirectly elected Africans in parliament will continue, but there will be created a new Higher African Roll (HAR) with the same qualifications as

the European Roll. New African seats will be created as the proportion of voters on the HAR increases in relation to the number of voters on the European Roll, each proportionate increase of six per cent resulting in the creation of two new African seats. The additional seats created in this way will be filled by direct and indirect election alternately, with indirect election being carried out by an electoral college on the same basis as is used for the existing eight African seats filled by indirect election. New African seats will be filled with effect from the dissolution of Parliament following the date on which it is established that such seats are due. However the four additional seats which, on present estimates, seem likely to become due before the next general election (which might not be until 1975) will be filled by holding by-elections.

At the first election after parity of representation is reached (by which time the number of voters on the HAR and European Roll will be equal) the transition to majority rule will be achieved by the creation of ten new Common Roll seats.

Parity Stage

As the number of African voters on the Common Roll increases, so the Africans will win a majority of the ten Common Roll seats. At the parity stage, when there will be fifty African members of the House of Assembly, a referendum will be held amongst voters in both the Higher and Lower African Rolls to determine whether all African members should in future be directly elected. If the referendum decides against the continuance of indirect election, an election to give effect to the change will be held within one year or thereafter. After this election (or referendum if it is decided to retain the indirectly elected status) an independent commission of equal numbers of Africans and Europeans, with a leading member of the Rhodesian Judiciary as chairman, will be set up to ascertain whether the creation of a Common Roll is in accordance with the wishes of the Rhodesian people and, if not, whether any alternative arrangements would command general support. The commission will report to the legislature within a year. Since any changes in the law to give effect to recommendations made by the independent commission will be changes to the entrenched clauses, the "blocking mechanism" described below will apply.

II. No Retrogressive Amendments to the Constitution. This will be prevented by a blocking mechanism under the control of the directly elected African members. During the period up to parity any amendment to the specially entrenched clauses of the Constitution

dealing with the political rights and status of the Africans will have to be approved by a two-thirds majority of total membership in each House of Parliament and a simple majority of both African and European representatives in the Lower House, their members voting separately.

This means that, even if all the indirectly elected Africans were to vote for such an amendment, one of the directly elected African members would have to vote the same way to get the necessary simple majority of all Africans in the Assembly. It could be expected that the indirectly elected Africans would strengthen Parliamentary resistance to any discriminatory proposal since the tribal colleges that elect them contain a majority of elected councillors and are thus based on the elective process. Once parity is reached the blocking mechanism will revert to two-thirds majority. This would mean that at least seventeen African members of the Lower House would have to approve any change to the specially entrenched clauses and at that stage Africans would be represented by directly elected members if that were their choice (see above, paragraphs on the principle).

III. Immediate Improvement in the Political Status of the African Population. This is to be achieved partly by the creation of the Higher African Roll, which will mean additional African representation in the House of Assembly. Elections for the first two years are to be held as soon as the necessary registration and electoral formalities have been completed. The franchise qualifications for the Lower African Roll will be extended with the result that many more Africans will be able to vote.

Economic Growth

Steps will be taken to expand the economy and stimulate economic growth in the Tribal Trust Lands. There will be a development programme to increase educational and job opportunities for Africans. Britain will provide up to £5,000,000 a year for ten years in capital and technical assistance to be matched against equal sums provided by the Rhodesian government. Sir Alec Douglas-Home told the House of Commons in December: "All the evidence is that many countries are only waiting for a settlement to invest heavily in Rhodesian enterprise. Such expansion would transform the prospect for the Rhodesian African and, incidentally, as his education and income increased, have a significant effect on his political status and the pace of political advance under the first principle."

IV. Progress Towards Ending Racial

Discrimination. The Rhodesian government has intimated its firm intention to make progress towards ending racial discrimination and has agreed to important new instruments, namely a Declaration of Rights which, unlike the present Declaration, is enforceable in the courts, and a commission to review racial discrimination.

The provisions in the Declaration dealing with discrimination will be the same as those covered in the 1961 Constitution. They will effectively prevent any increase in discrimination whether by the enactment of fresh laws or by new secondary legislation carried through on the basis of existing laws. This is a significant prohibition because many of the more irksome discriminatory practices recently introduced into Rhodesia are carried through by means of subordinate legislation particularly under the Land Tenure Act, which gives widespread powers to the government.

Land Tenure Act

The Land Tenure Act is a piece of legislation to which the commission on racial discrimination will pay particular attention when it examines all aspects of racial discrimination in Rhodesia. The composition of the commission has been agreed with the British government and it includes an African. The Rhodesian government is on record that the commission's recommendations will carry special authority and has given an assurance that they will commend to Parliament such changes to the existing legislation as are required to give them effect "subject only to considerations that any government would be obliged to regard as of an overriding character". Short of asking the Rhodesian government to accept all the recommendations of the commission (which would have been tantamount to asking it to renounce some of the powers of government in the commission's favour), respect for the commission's recommendations is made subject to the minimum possible qualifications.

The proposed settlement includes a number of basic changes to the present Rhodesian Constitution: the objectionable income tax regulator is to be abolished; progress beyond parity will become possible; directly elected African representatives will be able to block retrogressive amendments, and protection of individual rights has been restored to the courts.

III TEST OF ACCEPTABILITY

The foregoing proposals are conditional upon the British government being satisfied that they are acceptable

to the Rhodesian people as a whole. I emphasise that it is the British government—not the United Nations or any other body—which has to be satisfied on this fifth principle.

The government will come to its conclusion on the basis of a report presented to it by the commission, headed by Lord Pearce, to test acceptability. Four deputy chairmen and ten other members have been appointed to the commission which began work this month. It will travel the length and breadth of Rhodesia to sound opinion. The Rhodesian authorities have agreed to allow a full and fair test to permit normal political activities to the satisfaction of the commission, provided that they are conducted in a peaceful and democratic manner. Anyone who wishes to give evidence to the commission will be able to do so in camera and the commission will have the right to take opinions from any one it pleases, including detainees and restrictees.

In the House of Commons Sir Alec

Investment Opportunities in the Philippines

APOLINARIO OROSA
Director General, Presidential Economic Staff, the Philippines

LIKE ALL developing nations, the Philippines is accelerating the development of her industrial sector. And like all developing nations, it has gone out of its way to attract foreign capital to solve the financial constraints of its programme.

In the Philippines, the climate is favourable to private investments. Positive factors in determining whether to locate or invest in new enterprise in this country include political stability, modern commercial laws, adequacy of experienced technical and managerial personnel; a relatively low labour cost; absence of exchange controls, a large domestic market; basic friendly foreign relationship and an adherence to the free enterprise system.

The Philippine constitution provides all the basic guarantees sought by investors, including the following: due process and equal protection by law, freedom from unjust searches and seizures, expropriation for a public purpose only and upon payment of just compensation, adherence to the principle of international law in the treatment of foreign nationals and their investments.

In the area of foreign investment, the

Douglas-Home stressed that not until Mr Smith's government had passed through the Rhodesian Parliament the changes required to the Rhodesian Constitution and law under the proposed settlement would the British Parliament be asked to grant Rhodesia independence and that economic sanctions would not be removed until Westminster had legislated to this effect.

Obviously these measures fall far short of the ideal, but we do not live in an ideal world, and if either the British government or spokesmen for the Africans had insisted on an ideal settlement, the dead-locked *status quo* would have continued indefinitely, which would have been to the disadvantage of the Africans, since it would have thrust the white Rhodesians more and more into the arms of the white South Africans. As it is, the Anglo-Rhodesian agreement is a first step in the right direction, which, I believe, will start a ball rolling downhill, which nothing will be able to stop. Even though its initial rate of progress will be slow, it must gather speed.

stated preference of the government is for joint ventures with substantial Filipino capital and management participation.

The Philippine government has passed two important laws designed to attract both local and foreign investors into what the government considers a preferred area of investment. The Investment Incentives Act of 1967 (also known as Republic Act No. 5186) is considered to be a milestone in economic legislation concerning the development of industries in the Philippines. It is comprehensive in scope with the primary objective of stimulating economic activities in areas which are preferred from the standpoint of the development programme. The law has been made to tie in neatly with the goals and objective of the four-year development programme.

Besides the basic rights guaranteed by the constitution, the law explicitly states other rights which are recognized by the government and which are to be enjoyed by all investors. To enumerate them:

(1) Repatriation of investments; (2) remittance of earnings; (3) remittance of payments on contractual obligations;

(4) freedom from expropriation; and (5) freedom from requisition, except in the event of war or national emergency, with guarantee of just compensation.

Among the incentives provided by the law are: (1) Deduction of organisational and pre-operating expenses; (2) accelerated depreciation; (3) net operating loss carry-over; (4) tax exemption on imported capital equipment; (5) tax credit on domestic capital equipment to user and manufacturer; (6) tax credit for withholding tax on interest; (7) employment of foreign nationals; (8) deduction for expansion or re-investment; (9) anti-dumping protection; (10) protection from government competition; (11) exemption from taxes under the Internal Revenue Code except income tax on a gradually diminishing percentage from registration up to December 31, 1981; (12) post-operative tariff protection; (13) for export oriented industries double deduction of promotional expenses, double deduction of shipping costs on Philippine vessels, 150 per cent deduction of shipping costs on foreign vessels and special tax credit on raw materials; (14) protection of patents and other proprietary rights against infringement; (15) capital gain tax exemption; (16) tax allowance to the extent of actual investment but not exceeding 10 per cent of taxable income; (17) tax exemption on sale of stock dividend received from a pioneer enterprise provided the sale occurs within seven years from date of registration of enterprise.

Other Incentives

Other incentives are available from previous legislation such as:

(1) Tax free importation of capital equipment, material and spare parts for use in the mining industry (Mining & Petroleum Acts); (2) exemption from taxes and duties of the importation of machinery, equipment and spare parts on a graduated basis for selected basic industries (Basic Industries Act); (3) assistance to vessels of Philippine registry in international trade, (Overseas Shipping Act); (4) any enterprise that becomes a subsidiary of registered authorities, such as the Mindanao Development Authority may avail itself of the tax incentives enjoyed by said authorities; (5) Tax exemption to registered co-operatives; and (6) tax exemption granted to registered cottage industries (Nacida Act).

The above incentives are generally given only to Filipino industries. However, foreigners can still participate in joint ventures as their participation

does not exceed 40 per cent. The industry remains Filipino by definition.

It is interesting to note however that section 19-d of the Investment Incentives Act provides that "if the measured capacity of any preferred, non-pioneer area is not filled within three years from the date of its declaration as preferred, non-pioneer area, the board shall allow enterprises not possessing the required percentage of Philippine ownership and control, but otherwise qualified, to be registered in such areas".

At present the following areas are available for registration by enterprises without the required percentage of Philippine ownership: (1) Pulp and paper; (2) Tomato paste; (3) Dinnerware; (4) Refractories; (5) Pumps; (6) Barges and tugboats; and (7) Fishing boats.

Every year more areas become available to foreign majority ownership as these projects become unfulfilled.

Every year the Philippine Board of Investments comes out with a list of priority area of investment. Its Fourth Investment Priorities Plan has a list of more than 90 industries with required capacity and investment requirements under the following general heading:

(1) Forest products; (2) fiber products; (3) crop production; (4) metallic mineral products; (5) non-metallic mineral products; (6) chemical products; (7) iron or steel bars industries; (8) non-ferrous metal products; (9) hand tools; (10) industrial machinery; (11) farm machinery; (12) fabricated metal products; (13) engines; (14) electrical equipment; (15) transport equipment; (16) food processing; and (17) livestock and fishing.

Export Incentives

The government has also recently approved an export incentive act which grants incentives to export producers, traders and service exporters registered with the Philippine Board of Investments. The Board of Investments comes out yearly with an export priorities plan.

The Philippine climate for investment is further enhanced by the general condition of the Philippine economy as can be seen in the later part of this article. Aside from the incentives enumerated above the government has embarked on social and infrastructural projects to enhance its industrialisation programme. These are made clear from the summary of its four-year develop-

ment programme which is given below.

Basically, the present four-year Plan continues to strive for the sustained material prosperity for maximum number of citizens. Viewed in different ways this assumes different meanings: high per capita income, full employment, equitable distribution of wealth, regional industrialisation, and internal economic stability.

Having started the momentum of growth in recent years, the new Plan aims to capitalise on this momentum to further accelerate aggregate growth to more ambitious levels. Real GNP is expected to grow at an annual average of 6.3 per cent.

Strategy of Export

Toward the above five goals, the programme has adopted the strategy of export and labour-intensity as a solution to the two big problems which have arisen during the time—balance of payments deficits and unemployment. This strategy will direct investment flows within the economy towards the intermediate objectives of the Plan. There will be a departure from the inward looking import substitution scheme adopted in previous plans. However, this does not imply total abandonment of import substitution but the encouragement of import-competing which is not far removed from export promotion.

While the four year 1972-75 Plan envisions a continuation of the development process embodied in the 1970-74 Plan, it also shifts emphasis to new areas which shall be instrumental in the attainment of the required economic transformation for sustained rapid growth. In the earlier development Plan, five areas were specifically cited: land reform, manpower training, infrastructure, community development and family planning. These have been carried over to the present development programme with an additional eleven priority areas. These include: co-operatives, educational reform, housing, rural electrification, food production, export promotion, tourism, national employment programme and cottage industries, massive land distribution and health and ecology.

The following are some of the highlights of the present Plan.

Agriculture: After having attained surplus production in the basic staple-rice, the agricultural programme proposes to expand production in other food crops. This will simultaneously

enable farmers to earn more from marketing such cash crops and at the same time increase the consumer supply of high-nutritional food.

The implementation of the Land Reform Programme is to be accelerated via a Land Bank bond-land swap scheme. In this scheme, the marketability of Land Bank bonds is improved by conferring on these bonds a preferential feature in bids for purchase of public lands selected for disposal. The preferential feature may be in terms of limiting the purchases to holders of Land Bank bonds.

Industry: The programme aims towards diversification of manufacturing processes specifically oriented toward exports. In order to attain the rational restructuring of the industrial sector, priority projects together with their investment requirements are listed. The current listing of priority industries is contained in the Fourth Investment Priority Plan, described above, which has been incorporated into the National Economic Plan.

Human Resources Development: In the final analysis, the strength of any economy lies in the constructive contribution of each individual citizen. To a great extent, this is determined by environment in which he lives and the opportunities to which he has access. Accordingly, this programme is geared towards creating better environment and opportunities especially for those in the lower income groups. Thus, for example, in addition to providing education, health community development projects, and other social services, the government will accelerate the rate of constructing low-cost dwellings.

Public Sector: Greater reliance shall be placed on savings in the current budget to meet the funding requirements for capital development during the Plan period.

Improvements in Transport

In roads, more emphasis shall be concentrated on the construction of a structurally adequate system of primary roads, supported by an extensive network of secondary and feeder roads to meet transport demands from all sectors.

An outcrop of the completion of the transport survey made possible with the assistance of the World Bank will be the generation of more infrastructure projects which are likely to be favourably

considered by foreign financial institutions for funding.

Fiscal year 1971 ushered in the last year of the Four-Year (FY 1971-74) Economic Programme with a satisfactory rate of growth. Overall performance of the Philippine economy has surpassed planned targets in spite of difficulties, both internal and external.

Gross national product valued at 1967 prices rose by 4.7 per cent. The increase was an improvement over the 4.5 per cent Plan target for the same year. Actual GNP in 1971 of P31.8 billion excelled the target level of P30.6 billion.

Creditable Performance

On a sectoral basis, the performance of the manufacturing sector was creditable in spite of the need for economic adjustments due to import restrictions and the floating exchange rate. Manufacturing registered an increase of 3.7 per cent in FY 1971 surpassing the planned moderate increase of 1.9 per cent.

The export-oriented mining and quarrying sector improved greatly over the expectation of the development Plan because of the continued existence of a strong demand for copper. With a recorded increase of 19.2 per cent, the estimated target rate of 12.1 per cent was greatly exceeded.

Agriculture, with a growth of 5.3 per cent, was the only major sector which failed to cope with the plan's estimated growth of 7.8 per cent. This failure to conform with the target was primarily due to the destructive typhoons which visited the country during the middle of the fiscal year and caused the destruction of crops. Even then, agriculture remained the largest contributor to the country's gross output.

The other complementary sectors like construction, trade, transport and services followed the prevailing trend of production in the principal sectors with an aggregate increase of 4.2 per cent as compared with 2.1 per cent in the development programme.

With respect to the balance of payments, based on actual figures for three quarters projected to the end of the fiscal year, imports are expected to increase marginally by about 1.1 per cent. On the other hand, exports will increase by almost 16 per cent, or more than two and a half times the planned increase of 6.6 per cent. Latest data available show substantial increases in exports of most of the major products. For the

first eight months sales of sugar, desiccated coconut and copra rose by about 30 per cent, while those of coconut oil and plywood went up by 112 and 100 per cent respectively with respect to exports over a comparative period last year. As a result, there will be a trade gap of only \$13 million. This development greatly reduced the Plan expectation of a trade gap of \$80 million pointing to a possible increase in international reserves of about \$35 million.

Hand in hand with these favourable developments, several problem areas remain to be tackled, notably the following:

The expected new tax legislation, especially needed for low-cost mass housing and financing the land reform programme has so far not been enacted.

The amount of long-term foreign financing actually obtained from the multilateral consultative group at Paris was smaller than expected, though the prospects for coming years are said to be good. As a result, the rate of short-term borrowing and amortization has been much higher than planned.

There is the prospect of a reduction in the US sugar quota equivalent to about \$28 million annually, or as much

as 2.7 per cent of projected merchandise export earnings.

Renewed expansion entails increases in importation and further infrastructure development financed by taxation; so that developments in these problem areas will have important implications for future growth.

Moreover, prospects for the next four years are bright in view of the rich natural and human resources that abound in the country. Approximately one-third of the country's total land area of 30,000 hectares is suitable for agricultural purposes.

The Philippines has numerous fishing grounds which are well-stocked with an assorted variety of edible fish. Some 15 metallic and 20 non-metallic minerals are known to be existing in the country. It stands out as having the world's largest deposits of chrome and one of the richest nickel reserves. It also ranks as one of the biggest gold producers in Asia and has remained among the top ten gold-producing countries in the world.

Furthermore, the country boasts of a literacy rate well above south-east Asia and the far east. Its high level of literacy provides for the emergence of a dynamic entrepreneurial class aware of existing business opportunities and willing to take risks for profit.

Still Those Dollars

E. B. BROOK

VIENNA.

By the time this article appears, the four applicants—Britain, Norway, the Irish Republic and Denmark—will have signed the agreement for their accession to the European Common Market, a growth that would transform it from a close association of six states to one of ten. (This agreement was signed on Saturday, January 22—Ed.) Their membership will become effective only at the beginning of next year. In the meantime there are still things that could happen to upset this arrangement—in Britain anti-Market forces remain very active to reduce support for Market membership in Parliament, in Ireland and Norway the governments must submit the subject to a plebiscite.

The sentiment for entry has everywhere met strong challenge—the Danes were doubtful, the Irish fought to the last for better prices for sugar beet and the Norwegians almost refused at the last moment on the vital question of fishing limits and fishing grounds. In Britain, the almost crusading attitude

of the government is meeting growing cynicism and with outright opposition in northern England and Scotland. Everywhere there remains a lurking fear that the technocrats who have established themselves in Brussels over the past 15 years will prove to be the real rulers of the Market although in recent years French and German leaders have demonstrated their power to flout the technocrats' decisions without demur or apology.

In this waiting period the condition of the Common Market gives several of its members reason for discontent. The economic slowdown, first apparent last autumn, continues. Industrial disputes in Italy, W. Germany and Belgium have helped to keep the pace of industrial expansion slow, with France as a partial exception. A fall in the rate of utilization of industrial capacity has reflected the lack of buoyancy in the Market's formerly flourishing industrial sector; stockpiling of finished goods increases while advances in productivity have slowed. As a result, unemployment is rising as the level of investment

sinks. This trend is most apparent in the iron, steel and non-ferrous metals industries, in mechanical and electrical engineering and in the motor vehicle sector. Price rises are increasing the stringency of the capital investment cut-back. As usual, in such circumstances, consumer prices are rising steadily — worst of all in Holland with an 8.3 per cent rise, mostly around 5.5 per cent with Italy relatively fortunate with only a 4.5 per cent rise in living costs.

The French, though sitting relatively pretty, are disturbed by the pronounced slump in West Germany, their biggest customer which takes more than one-fifth of all French exports. The government in Paris refuses to admit concern, but French industrialists do not expect a bigger growth this year than a meagre 1.7 per cent while unemployment is expected to increase from 380,000 to at least 600,000, or more than 3 per cent of the labour force. This would be about twice the present percentage of worklessness in West Germany where almost all leading motor manufacturers have laid off staff.

Adamant Members

These more difficult days for the Market's present members do not persuade them to greater latitude in discussing details with the newcomers. They are refusing to allow any of the applicants' special needs to disrupt what the European Community has achieved so far. The French are particularly adamant on this point; the Market's achievement is considered in Paris to be largely the result of logical French attitudes and France is firmly defending their results. Neither to the newcomers nor to the Americans will the French-led Market yield many millimetres in bargaining.

Meanwhile, the continued flow of US dollars to Europe and the retention by foreign holders of massive hoards of dollars is doing nothing to relieve strain on the money markets. This trend contradicts the expectations of almost all foreign exchange dealers who had anticipated a fast, heavy return of dollars to the USA, following December's reduction of the dollar's price in gold and the realignment of foreign exchange rates. The general deduction is that uncertainty over the health of the dollar has not receded noticeably and that concern for the future stability of international facilities for trade and investment continues. People with money are still waiting to see how international finance moves before shifting their funds around.

At the end of 1970 US liquid liabilities to foreigners were 43.2 billion dol-

lars; near the end of 1971 they had risen to 65 billion. Of this sum, about 20 billion dollars constitutes the highly mobile, dangerous "hot money" element in international finance. The soaring price of gold in late December and early January has provided the most definite evidence of abiding uncertainty about the dollar's future.

Another significant development in trans-Atlantic money movement is that the Europeans, until fairly recently amateurs in the intricacies of US domestic investment, have become smart dealers on the American exchanges. This smartness has resulted in a good deal of obscurity as to how much foreign money has actually moved over to America in the form of investment funds. Since the New York Stock Exchange rules prohibit foreign firms from buying a seat there more than 20 European brokers have become members of other US stock exchanges — Boston, Mid-West or Pacific Coast for example — some now belong to three or four US exchanges. Since total transactions by and on behalf of foreign institutions could account for as much as a quarter of total institutional trading — possibly more than 20,000 million dollars

a year — and much of it remains unreported to the US Federal Reserve Board, this foreign participation in US trading and the flow of money from Europe to the USA are increasingly understated.

The knowledgeableness of foreign dealers is also remarked and causes not a little uneasiness on American exchanges. The buying from Europe is mostly institutional and invariably highly speculative. The earlier floundering by foreigners in American stocks are a thing of the past. European investment is going into relatively low price but good class stocks offered by many of America's secondary companies and increasingly into research and high technology companies.

The net effect is to give a boost to Wall Street but to make the US Treasury control over foreign funds less certain. It also means another channel into which funds are flowing out of Europe into the USA as a part counter-action to the continuous heavy movement of dollars eastwards across the Atlantic to make the biggest continued international movement of funds in history.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

**The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.**

The moving finger writes

WHETHER THE Prime Minister reshuffles portfolios in order to reduce such importance as her senior colleagues in the cabinet may still possess, or not, it is clear enough that, even as it is, the ministers of the central government, whoever they may be, are being made increasingly inconsequential. During each and every half-hour of all its working hours, All India Radio is uttering Mrs Indira Gandhi's name in some context or the other, under some pretext or the other, with the mindless monotony of a metronome. The press is no better. It has always been a weakness of our newspapers to fill their columns with the most detailed reports of the speeches of politicians in power. Right now, with the Prime Minister moving about the country making speeches, the press is simply wallowing in the slush of this stenography. Pakistan, it is said, has shrunk to the size of a minor power as a result of the recent war. But what has been the fate of India? Has it not been reduced to the size of a single individual, namely, Mrs Indira Gandhi?

That the Prime Minister herself is actively encouraging this process is clear enough. Whether it is the inauguration of a new state or an industrial plant, the Prime Minister must personally perform the chores. It does not seem to concern her at all that there is the Vice-President of India, in addition to the President and that the one or the other of the two is meant precisely to perform the more august of these ceremonies, while a petrochemical plant, for instance, could safely be allowed to be inaugurated by the chief minister of the state in question or the concerned minister in the central government. But, then, if other people are permitted to be featured on such occasions which are duly publicised by the radio or the newspapers, how will it be possible for the Prime Minister to sustain the legend that nothing moves in government or country except through her exertions?

At a recent press conference, when Mrs Indira Gandhi was asked whether the president of her party—a man who goes by the name of Mr Sanjivayya—had drawn up a programme for her touring the country in connection with the elections for the state legislatures, the Prime Minister smiled most casually and said something to the effect that, whether anyone drew up a programme for her or not, she was in any case travelling all the time. This, may I submit,

is in fact my main complaint against Mrs Gandhi? In my view she is pushing the practice of personal government to a point where India's nascent democratic growth is bound to be thwarted since a personality cult is the enemy of the orderly political education of an electorate in a democracy. So much is being said so glibly, so often, about the charisma of this leader or that, that I wonder whether it is at all being realised that a nation can never become self-reliant except through its people maturing into a confident citizenship. No political institution and no political personality could properly come in the way of this process without impeding the evolution of a true democracy.

The Prime Minister had been working very hard during the greater part of last year. She had attempted much and achieved a great deal. She had also been making almost impossible demands on her mental energies or reserves of physical stamina. It would therefore be very much in the fitness of things if she were to decide to relax and take life easy for a while. In view of the forthcoming general elections to some state legislatures, this would also be very much in the interests of the country.

For one thing, if Mrs Gandhi's personal intervention is kept to a minimum, the other political parties will not be compelled to fight against unfair odds. The voters in the state concerned may be better able to exercise their franchise in terms of issues of state politics. They may not have to be worrying themselves all the time whether it was not their patriotic duty to be grateful to Mrs Gandhi for winning the war. We have already seen how sharply and substantially the proceedings of Parliament have lost in significance because of the meagre representation which opposition parties have secured in the Lok Sabha as a consequence of the landslide victory secured by the ruling party in the last general election. It will certainly not be good for the country that this emphasis on one-party rule should be further accentuated by the results of the forthcoming elections for some state legislatures. Especially because of the raging sweep of the current personality cult in the country, it has become all the more necessary for the various schools or shades of political thought or activity

to be properly represented in our parliamentary institutions.

I find that the newspapers are unwilling or unable to readjust themselves to some of the changed political realities. They continue to spend excessive newspaper space on what may be going on in the mind of Mr Bhutto or what is going on in Pakistan. They do not seem to appreciate the fact that Pakistan need not continue to be the obsession with us that it has so far been. It will be healthy and wholesome for both Pakistan and India if the politicians and the press of the two countries would only permit themselves to think about or discuss things other than the affairs of India or Pakistan as the case may be or, indeed, even Indo-Pakistan problems or relations. It will do a world of good to life and living in the sub-continent if Pakistan and India could manage to ignore each other's existence for a while. Even eventually I do not see why our interest in Pakistan or its affairs should be more than what it is, say, in the affairs of Burma or Ceylon.

I would venture further and say that it is also necessary for us to cultivate a proper mood of detachment or objectivity about our country's relations with Bangla Desh. If the argument is that India must involve itself deeply in the affairs of Bangla Desh if the latter is at all to be able to get on its feet, the short answer is that this is nonsense. There is, first, the truth to be faced that our national resources are not enough for our making more than a part contribution to the economic aid which Bangla Desh would need. Secondly, it is obvious that a number of countries are only too willing to extend economic co-operation to Bangla Desh if only because these countries are anxious to develop trade contacts with or explore business opportunities in the new state. It is consequently neither necessary nor possible for the government of India to try to underwrite Dacca in economic terms. Even in political terms it would be a sound development if Bangla Desh were to become an outward looking state subject to such special political relationship with India as may be indicated by its geography or the history of its freedom struggle. Even so I do not see why, in due course, India's relations with Bangla Desh should not settle down to the broad pattern of India's relations with Nepal.

V. B.

Trade Winds

ENLARGED E.E.C.

WITH THE completion of Britain's negotiations with the European Economic Community, the decks were finally cleared for the Prime Minister, Mr Edward Heath, to sign the treaty of accession. The signing ceremony was arranged in Brussels, the EEC's headquarters, on January 22, when the leaders of the other three candidate countries, the Republic of Ireland, Denmark and Norway also signed the treaty. The EEC now consists of 10 members. The negotiations between Britain and the EEC were finally concluded after 18 months of hard bargaining. Britain had already agreed among other things, to a five-year transitional period for adaption to the rules of the EEC in the agricultural and industrial fields. It had promised to run down the official sterling balances after entry. It had advised the developing members of the Commonwealth to apply for an association agreement or a simple trade agreement with the enlarged EEC.

PLANT FOR SODA ASH

With the ever-growing demand of soda ash in textile industry, glass industry, detergents, washing, etc. there is a considerable need for design and fabrication of complete plant required for setting up of new units for production of soda ash as well as to meet replacement & modernisation programmes of the existing soda ash producing units in the country. According to the tentative estimate of target drawn up to cover the fourth and fifth Plan periods, the capacity for production of soda ash that is required to be installed by 1978-79 will be of the order of 1.6 million tonnes per year. After taking into consideration the capacity already existing, there is likelihood of creating additional new capacity for production of soda ash by installing four soda ash plants in terms of 400 tonnes per day plant (by the standard Solvay process) and four soda ash plants in terms of 200-tonnes per day plant (by the modified Solvay process) to achieve the aforesaid target. At present there is no manufacturing unit for the design and manufacture of complete soda ash plant although the major portion of individual equipment or machinery of a complete soda ash plant can be manufactured by indigenous manufacturers according to the designs and drawings supplied by the user or design engineering firms. The government invited from prospective

entrepreneurs proposals for Industrial Act licence for establishing capacity for the design and manufacture of complete soda ash plant. Requests for foreign collaborations would also be considered. Entrepreneurs desirous of establishing capacities for manufacture of such plants are requested to submit applications before March 15, 1972.

CENTRELESS GRINDING MACHINE

An agreement for the manufacture of centreless grinding machines at the Machines Tool Corporation of India Ltd. Ajmer, in collaboration with M/s Skodaexport of Czechoslovakia was signed in New Delhi recently by the general manager of the corporation and the resident director of Skodaexport. These machines are expected to be put up for sale in the first half of 1973. During the current financial year, the corporation has established manufacture of four types of sophisticated grinding machines. The company hopes to achieve production to the tune of Rs 72 lakhs during the current financial year, besides manufacturing jigs and fixtures of the value of Rs 12.00 lakhs which would otherwise have been imported.

SUGAR MOVEMENT BANNED

The union government has banned with immediate effect the inter-state movement of sugar by the trade. Under the order of the government, the inter-state movement by recognised sugar dealers of sugar produced by vacuum pan process has been banned. The restriction does not apply to transport of sugar by a recognised dealer who is nominated by a state government to purchase and bring sugar by road from a factory in another state. It does not also apply to transport of sugar on government account or by the Food Corporation for exports.

U.K. AID FOR KHETRI

Britain is allocating about £830,000 of aid for India's Khetri copper project, of Hindustan Copper Ltd in Madhya Pradesh. This assistance will finance imports of equipment.

JAPANESE AID RESUMED

The Japanese government decided recently to resume economic aid to the country. The aid had been suspended during the recent India-Pakistan war. Resumption was proposed by the Fo-

reign Minister, Mr Takeo Fukuda, at a cabinet meeting and approved by the cabinet.

DELEGATION TO W. GERMANY

A delegation of the Federation of Indian Chambers of Commerce and Industry that visited West Germany recently has stated that a more liberal policy towards foreign capital and technical know-how would attract German capital to this country. Identifying the scope for Indo-West German collaboration, the delegation has pointed out that it would be possible for parties in the two countries to set up joint ventures in other developing countries and has suggested that subcontracting could be left to this country. The delegation found a "rekindled" interest among German businessmen and industrialists and an awareness among them of the implications of the agricultural breakthrough and India's vast market potential.

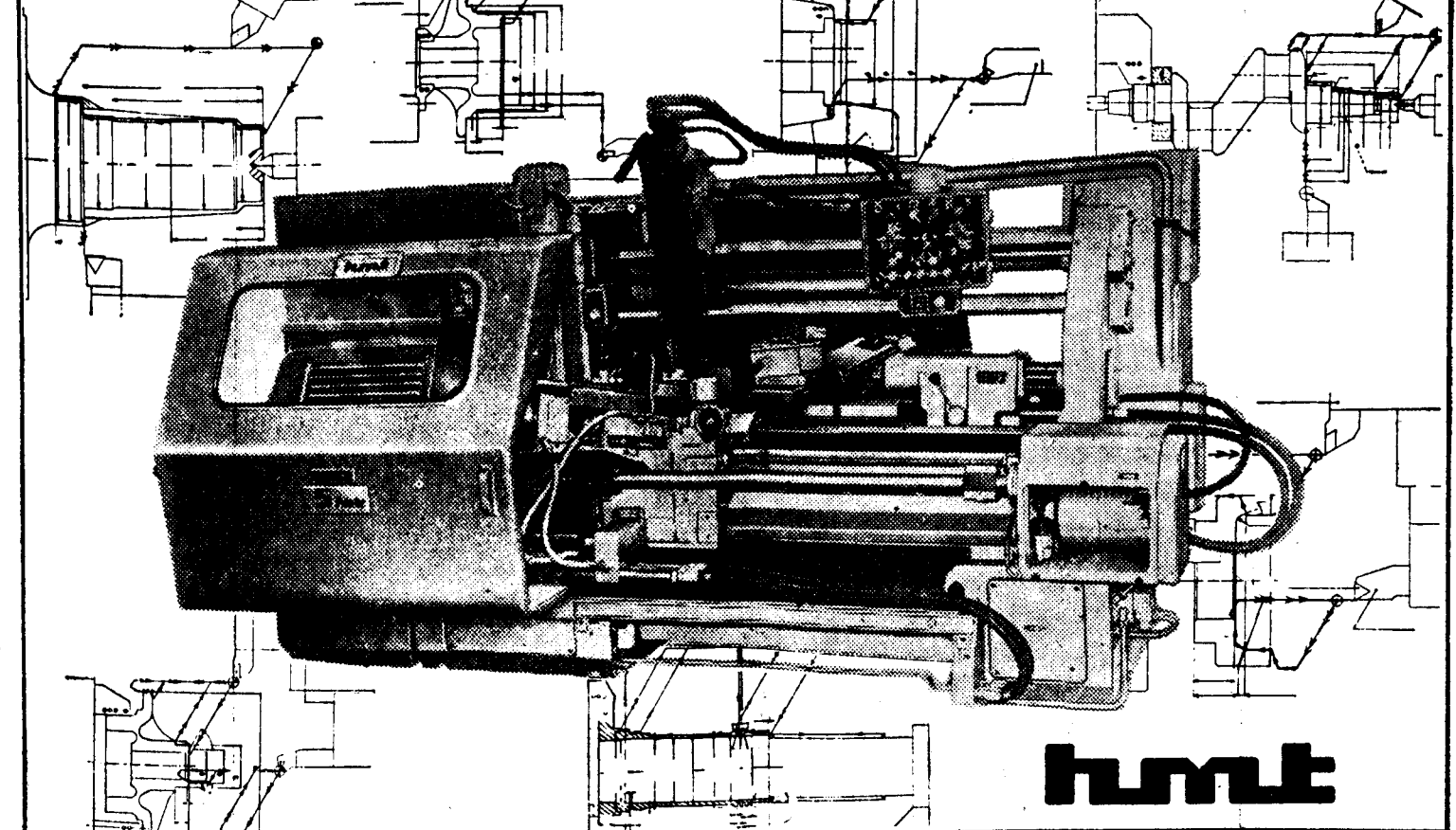
TRADE WITH HUNGARY

The Indo-Hungarian trade protocol for 1972, which was signed recently provides for trade turn-over totalling approximately Rs 55 crores. India's principal exports to Hungary will include non-traditional goods such as steel pipes, drugs, textile machinery, structural, tyres and tubes, auto ancillaries and machine tools. There will also be exports of traditional items such as tea, oilcakes, jute fabrics and leather. The main Hungarian exports to India will be of steel products, wheels and axles for rolling stock, aluminium, dumpers and machine tools. At the talks preceding the signing of protocol, the two countries agreed to further expand and diversify the pattern of trade.

MAHARASHTRA'S ANNUAL PLAN

An outlay of Rs 205 crores has been fixed for the annual Plan 1972-73 of Maharashtra. Central assistance will be of the order of Rs 46.64 crores. This was agreed to at a meeting held recently between Mr C. Subramaniam, Minister of Planning and Deputy Chairman, Planning Commission, and Mr V.P. Naik, Chief Minister of Maharashtra. The fourth Plan outlay of Maharashtra is of the order of Rs 898.12 crores. The Plan expenditure during 1970-71 came to Rs 168.99 crores and the anticipated expenditure during 1971-72 is Rs 180.79 crores. The Planning Minister emphasised the need for larger additional resource mobilisation to step up the rate of growth. The distribution of Rs 200 crores among various heads of development of the state's 1972-73 annual Plan is as follows (Rs in lakhs): Agricultural Programmes 3714; Community De-

There isn't a copying lathe made in India as fool-proof and accurate as HMT Pilote



The exclusive piloting principle

HMT Pilote works on the principle of hydraulically piloted longitudinal saddle traverse — the lead screw keeps its accuracy indefinitely since all it does is to impulse a hydraulic control valve working against a thrust of a few ounces. The spindle retains its full motor power for turning. Fluctuations due to varying depth of cut in copying are not shared with the feed power. Feed stops when the spindle stops. A hydraulic unit independently powers the feed.

Sustained punch card accuracy

HMT Pilote offers you sustained accuracy with the fool-proof punched card programming upto 4 cutting cycles.

The card is easy to prepare. Simple and quick to attach. Saves you manual setting time. No need to keep a spare drum for change of programme. Store all the cards, for repetitive operations with absolute accuracy.

And then...three tool posts enable undercutting and grooving simultaneously.

HMT Pilote is capable of straightforward turning as well as copying. The one and only machine for small and medium or quantity turning.

All this and more!

Two years spares to turn downtime to profits.

Tooling up to suit your needs. (Order the machine early — tooling up takes time, you know?)

Erection and demonstration at site.

SPECIFICATIONS

HMT S Pilote	
Swing over bed	455 mm.
Centre distance	500 or 1000 mm.
Speed	100 to 3150 rpm.
Feed	0.036 to 0.9 mm.
Power	11.25 or 22.5 kw
HMT Transpilote	
Swing over bed	350 mm.
Centre distance	500 mm.
Speed	315 to 4000 rpm.
Feed	0.09 to 0.9 mm.
Power	15, 11.3, 7.5 or 6 kw.

HINDUSTAN MACHINE TOOLS LIMITED, HMT P.O., Bangalore 31
Factories at: Bangalore - Pinjore - Kalamassery - Hyderabad
Showrooms at: New Delhi - Bombay - Poona - Calcutta - Madras
Sales Engineers at: Ahmedabad - Jabalpur - Kanpur - Jamshedpur - Visakhapatnam

FROM TOY BALLOONS TO MANSFIELD TYRES: THE LESSONS OF 25 YEARS



**"Growth
comes from
financial
stability"**

A company marches on its exchequer. At MRF, our financial wheels are lubricated with sound monetary practices and a responsible management. This only comes with experience. And we've had twenty-five years of it. Which explains our firm investment policy and our steadily soaring dividends.

□ After twenty-five years of sterling stability, the future seems golden.



**THE SILVER YEARS
MADRAS RUBBER
FACTORY LTD.**

(In collaboration with Mansfield Tyre & Rubber Company, U. S. A.)
175/1 Anna Salai, Madras 2, India.

LINTAS-MSF. 53-145

velopment, Co-operation, Panchayats 1139; Irrigation & Power 7423; Industry and Mining 882; Transport and Communication 1420; Social Services 4908 and Miscellaneous 513. The distribution of five crores rupees will be worked out later in consultation with the state officials.

PARTICIPATION IN TRADE FAIRS

It has come to the notice of the government that in some cases, organisers of exhibitions and trade fairs in India invited foreign firms or governments to participate in their exhibitions or trade fairs without the prior approval of the union government. It has been pointed out that prior approval of the government of India should be obtained before foreign firms or governments or their missions in India are invited to participate in the exhibitions or trade fairs. Direct invitations to foreigners were not only contrary to international customs and usage but were also likely to lead to confusion and embarrassment to the government.

U.N.D.P. ASSISTANCE

Leather industry in this country with an annual output of Rs 200 crores, has been sought to be modernised and export-oriented with the financial and technical assistance approved by the Governing Council of the United Nations' Development Programme (UNDP) at its current meeting in New York. The Governing Council of UNDP has also decided to extend similar assistance to a five-year project of streamlining the marketing and inspection facilities for agricultural products, especially perishable goods, and the establishment of a Structural Engineering Research Centre at Madras for solving problems of building and relevant industries. All the three projects have provision for training abroad counterpart Indian personnel who will be in a position to take over and run them efficiently on their completion. The UNDP assistance to the leather industry will be through the supply of equipment and experts to the Central Leather Research Institute at Madras. The project, phased over four and a half years, will receive \$351,400 from UNDP with United Nations Industrial Development Organization (UNIDO) as the executing agency.

With another UNDP contribution of a little over one million dollars, the Central Agriculture Research and Training Institute at Nagpur will be equipped with experimental precooling and cold storage units, refrigerated transport and facilities for quality testing and demonstration of grading processes. For the regional centre of Structural

Engineering Research at Madras, the UNDP will extend assistance to the tune of \$666,500 with the government of India contributing nearly double the amount in rupees for local costs. The three-year project is primarily production-oriented, aimed at assisting the building industry by developing advanced techniques in the context of Indian conditions.

MICO

Motor Industries Co. Ltd, Bangalore, (collaboration with Robert Bosch of West Germany) will receive a 30-year 21.36 million DM (Rs 4.35 crores) low-interest loan from German Capital Assistance funds for its plant expansion in Bangalore and their planned new facilities in Nasik. With its expansion programme the company plans to nearly double its capacity for the production of fuel-injection equipment and spark-plugs.

The company has been awarded a Gold Medal by the Mysore State Export Promotion Advisory Board in recognition of the company's outstanding export performance in 1970-71. Direct exports by MICO amounted to more than Rs 1.20 crores in 1971. The bulk of MICO exports continues to go to West Germany. The other importing countries are Egypt, Ceylon, Philippines, Singapore, Malaysia, Burma, Thailand, Hong Kong, Sudan, Greece, Italy and Iran. The products exported include multi-cylinder and single-cylinder fuel injection pumps, elements, delivery valves, nozzles and other components, and also spark plug insulators. In addition to direct exports, MICO products find their way abroad through the exports of Indian-made vehicles and stationary engines to more than 30 countries. At a recent ceremony MICO presented to Mr S.L. Kirloskar Chairman of Kirloskar Oil Engine Ltd, the two millionth single-cylinder fuel injection pump manufactured by the company. The first such pump was supplied to Kirloskar Oil Engines in 1954.

ENAMEL FOR SOVIET UNION

A large export order from the Soviet Union for 250,000 litres of the well known Robbialac synthetic enamel and 10,000 litres of nitro-cellulose lacquers, highlights Jenson & Nicholson's performance in the export field. During the year ended June 1971, Jenson & Nicholson's sales increased 4.5 per cent over the previous year. A 20 per cent increase in sales is expected during the current year. Extensive market surveys to identify product and market opportunities for decorative and industrial paints have recently been completed. Based on the results of these surveys, the company plans to introduce shortly

some new categories of paint in the market. The company's distribution network is also being expanded to cover growth areas, and recently, three new depots have been opened in Punjab, Bihar and Madhya Pradesh.

NEW BUSINESS BY L.I.C.

The total new business completed by the Life Insurance Corporation of India in December, 1971, amounted to Rs 283.98 crores involving 352,879 policies. In nine months from April to December 1971, the new business completed by the corporation totalled Rs 1,010.58 crores as against Rs 776.38 crores new business completed in the corresponding period of 1970—a rise of Rs 234.20 crores. In the number of policies also, there was a rise of 216,698, from 1,017,967 in 1970 to 1,234,665 in 1971.

WORKING GROUP ON AIR CARGO

A Working Group on Air Cargo will look into the bottlenecks coming in the way of shippers taking full advantage of air transport for increasing India's exports and suggest methods to overcome them. The Working Group, set up in the Ministry of Foreign Trade, is headed by Mr T.K. Sarangan, Director (Transport) of the Ministry and includes representatives of Directorate-General of Civil Aviation, Central Board of Excise & Customs, Air-India, Indian Airlines Corporation, State Trading Corporation and Operations Research Group, Baroda. The Working Group has welcomed suggestions from shippers for increasing exports by air. Communications in this regard are to be addressed to Member-Secretary, Working Group on Air Cargo, Ministry of Foreign Trade, Udyog Bhavan, New Delhi latest by February 1, 1972.

AIR FRANCE

Air France reported a 27.3 per cent increase in air cargo shipments, and an 11.2 per cent traffic increase in terms of passenger-kilometers during the month of November 1971 as compared with figures for November 1970. In terms of passenger-kilometers, the airline reported traffic increases by 30 per cent on its services to the Middle East, by 13.3 per cent to South America, by 12.3 per cent to Asia and Africa, and by 11.3 per cent to North America.

NAMES IN THE NEWS

Mr John R. Taverner has taken over as Regional Director of the newly formed South Asia Operations of Rohm and Haas Company.

Company Affairs

MYSORE CEMENTS

MR G.D. Birla, while addressing the annual general meeting of Mysore Cements Ltd, stated that the efficiency of the plant of the company had been maintained at a perfect level. Unfortunately, he added, the cost of production had been going up every year and the prices had been controlled. To what extent the company would show good result in the next year or two could not be stated with certainty. Efforts were being made to bring about modifications to reduce the cost of production. He, therefore, hoped that in 1973-74, the company should be able to show better result. "Till then, we have to be content with our efficiency and performance," he pointed out. He informed the shareholders the time had come when Mysore Cements should not only try to economise and show good results in profits but also pay due attention to the social life of its own surrounding, what now-a-days was called social objectives. In this context, he pointed out that the company had decided to encourage Shri Siddaganga Institute of Technology, which was near the company's factory. Mr G.D. Birla himself visited the institution and felt that it was doing good work. He, therefore, agreed to put up an auditorium in the institute and the board of directors of the company had approved giving a grant of Rs two lakhs. Mr Birla also pointed out that the company had to help other small institutions too.

GOLDEN TOBACCO

Golden Tobacco Company Ltd will enter the capital market on February 3, with an issue of Rs 1.50 crores made up of 1.5 million equity share of Rs 10 each. The subscription list will close on February 14, or earlier at the discretion of the directors but not before February 7, 1972. The company has an authorised capital of Rs 7.50 crores and issued, subscribed and paid-up capital of Rs 3.50 crores. The entire present issue has been underwritten by LIC (Rs 40 lakhs) Unit Trust of India (Rs 40 lakhs), ICICI (Rs 15 lakhs), Champaklal Devidas (Rs 25 lakhs), D.S. Purhhoodas & Co. (Rs 5 lakhs), Lewis & Jones (Rs 3 lakhs), Batlivala and Karani (Rs 3 lakhs), Jamnadas Morarjee & Co., (Rs 3 lakhs), Valji Bhimji (Rs 2 lakhs), Naval Chand T. Shah & Co. (Rs 3 lakhs), Maganlal T. Vora (Rs 2 lakhs), Place, Siddons and Gough Pvt. Ltd, (Rs 3 lakhs), H.P. Mehta & Co., (Rs

3 lakhs) and Harbans Singh Mehta & Co., (Rs 3 lakhs).

The company has a cigarette manufacturing factory at Bombay. It is a composite unit with its own up-to-date workshop, carpentry and printing press. The factory has modern equipment installed for various operations involved in manufacturing cigarettes. The company today has its main tobacco purchasing division at Guntur, four tobacco redrying plants, eight grading and stripping depots and a wide network of buying points. The company has been granted licence for a cigarette factory with an annual capacity of 4,500 million pieces to be established in Gujarat. The company has also been granted import licences worth over Rs 70 lakhs for import of plant, machinery and equipment from various countries in Europe. Orders have been placed against these licences. The construction work of factory building is in progress, the plant and machinery are on way for the first phase of the manufacturing programme and the unit is expected to start production by mid-1972. The company does not have any foreign collaboration and the proposed project is being executed fully by the company's own personnel.

SOUTHERN PETROCHEMICAL

Southern Petrochemical Industries Corporation Ltd, will enter the capital market on February 2, with an issue

of 9.81 crores. The issue will close on February 16 or earlier at the discretion of the directors but no before February 5, 1972. Out of the present issue 550,000 equity shares of Rs 10 each at par for cash have been agreed to be subscribed by engineering associates of promoters and 147,070 equity shares of Rs 10 each at par have been reserved for allotment to present and future staff of the company. The remaining 7,690,000 equity shares of Rs 10 each have been offered for public subscription. As many as 142,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each have also been offered for public subscription. The entire public issue has been underwritten. The company has been licensed to establish a large fertilizer-cum-chemical complex at Tuticorin, based on naphtha as feedstock. The licensed annual capacity of the plant is ammonia 352,000 tonnes, urea 5,12,000 tonnes, diammonium phosphate 28,000 tonnes, complex fertilizers, 160,000 tonnes, sulphuric acid 150,000 tonnes and phosphoric acid 52,800 tonnes. The British government is giving a loan of £7,750,000 for the construction of ammonia plant at the fertilizer complex at Tuticorin.

INDIAN COPPER

A flash smelter was commissioned at Ghatsila recently by Indian Copper Corporation Limited, who are the only producers of copper in the country. The flash smelter is the most modern pyro-metallurgical process of extracting copper from the concentrates. This is the first smelter of its kind in India and eighth in the world. It is claimed by Indian Copper that this smelter will increase the country's copper production and help recovery of sulphur as sul-

January 28, 1972

phuric acid resulting in considerable foreign exchange saving.

ALKALI & CHEMICAL

Most of the operations of Alkali & Chemical Corporation of India have turned out a satisfactory performance in what at times has been a difficult year. With a rise of 15 per cent both in sales and pre-tax profits the dividend rate has been increased from 15 per cent to 17.5 per cent during the year 1970-71. The production of polythene reached an all-time high with a spurt of 18 per cent due to technical improvements. Similarly, rubber chemicals production achieved a record level. The company's second paints plant at Hyderabad had been completed within eight months and has attained a high rate of production from start-up. An important breakthrough in turn-key exports was achieved by the company when it was commissioned to build a paints plant for ICI in Indonesia at Djakarta in the face of international competition. The plant is expected to be completed next year and the project will earn substantial foreign exchange for the country from design and engineering charges as well as from the export of equipment.

INDIAN EXPLOSIVES

Indian Explosives Ltd recorded sales at Rs 33.09 crores during the year ended September 30, 1971, Rs 7.63 crores higher than last year. Pre-tax profits of Rs 2.49 crores however was less than that earned last year (Rs 2.83 crores). The profits would have been substantially higher, but for the disruption at Kanpur fertiliser plant due to labour troubles and the impact of rising costs of raw materials, engineering supplies and utilities, as well as staff and labour. The dividend rate, however, was maintained at 15 per cent. The chairman, Mr. D.G. Owen, has pointed out that the profit of Rs. 2.49 crores was after interest payment of Rs 2.39 crores on the heavy borrowings for the fertiliser project. Last year such payments amounted to Rs 1.61 crores. The explosives division had a record production of just over 30,000 tonnes as a result of constant efforts to improve the productivity of both men and machines. Sales at 29,000 tonnes would have been more but for the restricted mining activities towards the end of the year due to unprecedented monsoons. Though the gap between supply and demand for commercial explosives has been bridged for the present, there will be a shortfall by 1974-75. The company has accordingly submitted a proposal to the government for setting up another plant in one of the backward areas of central or western India, for which it

EASTERN ECONOMIST

145

possesses the requisite expertise and experience. The proposal has been so designed that the capital expenditure and foreign exchange needs would be minimal and would not involve any fresh know-how payment or foreign collaboration.

DENA BANK LTD.

The directors of Dena Bank Ltd, have recommended a dividend of Rs six per share (12 per cent) for the year 1971.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the two weeks ended November 6, 1971. The list contains names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU); New Articles (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

Ferrous Industries

M/s Andhra Steel Corporation: P-38, India Exchange Place, Calcutta. (Hyderabad-Andhra Pradesh)—1. Special Steel Wires—3000 Tonnes pa, 2. Galvanised Steel Wires—3000 Tonnes pa (NU).

Telecommunication

M/s Advani-Oerlikon (P) Ltd: Radia House, 6-Rampart Row, Bombay. (Chinchwad-Maharashtra) — Variable

Gang Condensers—0.6 million nos (NA).

Transportation

M/s Tractor Ancillaries Pvt Ltd: 5, Mir Bakar Ali Compound, Sanstha Vasahat, Pratap Road, Raopura, Baroda, Gujarat) — Crankshaft — 10,000 Nos pa, Camshaft—10,000 pa (NA).

Industrial Machinery

M/s Busching Schmitz Pvt Ltd: 66-Ring Road, Lajpat Nagar III, New Delhi. (Ballabgarh-Haryana) — Trans-former Oil Filters, Insulating Oil Filters, Turbine Oil Filters, and Dehydration Sets. (Rs 60 lakhs pa) (NA); M/s Hindustan Boilers: 21, Hamam Street, Bombay. (Udyog Nagar, Surat-Gujarat) — Multimesh Disc Filters and Filaments—1,20,000 Nos pa (NU); M/s Grindwell Abrasives Ltd: Army & Navy Bldg, Mahatma Gandhi Road, Bombay-1. (Bangalore-Mysore)—Silicon Carbide Synthetic Abrasive Grains—2,500 Tonnes per annum (NU).

Scientific Instruments

M/s Hindustan Boilers: 21, Hamam Street, Bombay. (Udyog Nagar, Surat, Gujarat)—Industrial and Laboratory Sieves and Elements—30,000 pa (NU).

Chemicals

M/s Kamani Bros Pvt Ltd: Nicol Road, Ballard Estate, Bombay. (Madras-Tamil Nadu)—Carbon Black 30 million pounds pa (NU); M/s Eyre Smelting P Ltd: 5-Hide Road, Calcutta-43. (Calcutta-West Bengal)—Fluxes

Eastern Economist 25 Years Ago

JANUARY 31, 1947



The writing on the wall

No one can pretend to predict the outlines of war time or post-war budgets. Many years ago (in 1923) Sir Padamji Ginhwa in speaking on one of Sir Basil Blackett's budgets described the facility with which the Indian Finance Member used to handle the budget. Sir Basil Blackett having sent for his principal assistants and having ascertained that the additional taxation required was of the order of, say, Rs 16 crores would, according to the description merely ask for copies of the Tariff Act, the Income Tax Act and the Opium Manual and a blue pencil, and would go on increasing the duties till the gap was made up. Central budgets are hardly as simple as that in these days. There are gaping differences between the budget estimates, the revised and the actuals. Under the Principal Heads of Revenue for example Actuals 1944-45 were less than the Revised by nearly Rs 20 crores—

which, though it is an error of the order of 7% only, makes a great difference to a peace-time budget and even in the post-war years (when expenditure has shrunk to reasonable proportions) may decide whether there is a surplus or a deficit. It is related of Lord Randolph Churchill that after having persuaded his Cabinet to agree to some unorthodox budget proposals he returned his calculations to Sir Algon West (his Permanent Secretary of the Treasury) saying "there are all the figures. They are uncut gems. Put the best facets on them that you can but don't let me see them again till the end of the financial year". Finance Members these days do not hope to follow Lord Randolph Churchill, but the budget figures come out unexpectedly even when they are being reviewed at various stages during the year.

and Solder Paints 1000 Tonnes pa (COB).

Drugs and Pharmaceuticals

M/s Khandalwal Laboratories Pvt Ltd: 79/87, Kalachowki Road, Post Box No 7808, Bombay. (Maharashtra) —1. Theophylline—20 Tonnes pa, 2. Aminophylline—11.4 Tonnes pa, 3. Caffeine—30 Tonnes pa (NA); M/s Unichem Laboratories Ltd: S. V. Road, Bombay. (Maharashtra)—1. Thiace-tazone—12 Tonnes pa (after expansion), 2. Thiace-tazone Tablets—1200 lakh tablets pa (after expansion) (SE); M/s Wyeth Laboratories Ltd: Steel Crete House, Dinsha Wacha Road, PO Box 1423, Bombay. (Maharashtra)—1. Testosterone Pure—25 kg pa, 2. Testosterone Enanthate 45 kg pa, 3. Testosterone Hexa Hydro Benzoate—5 kgs pa, 4. 17-Alpha Hydroxy Progesterone Caproate—270 kgs pa, 5. Norgestrel and Ethinyl Estradiol (OVRAL)—67 lakhs Nos (COB); M/s Indian Process Chemical Laboratory: Yeshwantapur PO, Bangalore-22. (Mysore)—1. Paracetamol—15 Tonnes pa, 2. Di-iodohydroxyquinoline—6 Tonnes pa (NA).

Fermentation Industries

M/s Skol Breweries Ltd: Udyog Bhavan, 29-Walchand Hirachand Marg, Ballard Estate, Bombay-1. (Maharashtra)—Beer—50,000 H.L. pa (NU).

Food Processing Industries

M/s Jullundur Co-operative Can-neries Ltd: GT Road, Jullundur City. (Punjab)—1. Canned and Bottled Products—2000 tonnes pa, 2. Dehy-drated Products—300 tonnes pa (NU).

Leather

M/s The Hindustan Tanneries Pvt Ltd: PO Box No 277, Kanpur-10. (Uttar Pradesh)—1. Chrome Upper Leather—1.80 lakh nos pa, 2. Garment Leather from Skins—1.50 lakh Nos pa, 3. Suede Leather from Skins—1.50 lakh nos pa (NA).

Ceramics

M/s Dalmia Ceramic Industries: (Prop Dalmia Cement Ltd) 4-Scindia House, New Delhi-4. (Dalmiapuram—Tamil Nadu —1.)—Various types of Fire Bricks etc—18,000 Tonnes pa (COB).

LETTERS OF INTENT

Metallurgical Industries

M/s Gogte Minerals : 126, Church-gate Reclamation, Bombay-20. (Maha-rashtra)—Mild & Special Steel Bil-lets—50,000 Tonnes pa (NU); M/s Aluminium Manufacturing Co Ltd : 2, Jessore Road, Dum Dum, Calcutta-

28. (Dum Dum-West Bengal)—Alumi-nium Milk Cans—96,000 Nos pa after expansion (SE); M/s Coventry Spring & Engg Co Pvt Ltd : 23, Ganesh Chandra Avenue, Calcutta-13. (Nag-pur-Maharashtra)—Metallic Industrial Springs of all types—500 Tonnes pa (SE); M/s Jonas Woodhead & Sons (India) Ltd : 44, Thirunrermalai Road, Madras-44. (Crompt-Tamil Nadu)—Metallic Industrial Springs of all types—600 Tonnes pa (SE); Shri Jaswant Worah—c/o M/s K Worah & Co Pvt Ltd : P B No 45 PO, Jharia, Distt Dhanbad, Bihar. (MP)—Metallic In-dustrial Springs of all types—300 Tonnes pa (NU); M/s Hada Tools Ltd : 10-A, Harrington Street, Calcutta-16. (Haryana)—Metallic Indus-trial Springs of all types—300 Tonnes pa (NU); M/s Himalika Enterprises : C-50, Defence Colony, New Delhi-3. (Faridabad-Haryana)—Aluminium Col-lapsible Tubes (including Soft Metal Tubes). 12 million nos pa (NU).

Prime Movers

M/s Industrial & Agricultural Engg Co (Bombay) Pvt Ltd : 196, LB Shastri Marg, Bhandup, Bombay-78-NB. (Bom-bay-Maharashtra) — Gas Burners—Worth Rs 50 lakh pa (NA).

Electrical Equipment

Lt.Col. L.K. Malhotra (Retd)—B-20, Sarvodaya Enclave, New Delhi-17. M/s Moulded and General Containers : (Punjab/Faridabad or Ghaziabad-Haryana, Uttar Pradesh)—Battery Con-tainers—2,40,000 Nos pa (NU); M/s Meenaxi Wire Industries (Assam) Ltd: 14/13, Ezra Street, Calcutta-1. (Assam)—1. Enamelled Copper Wire—100 Tonnes (400 tonnes after expansion) pa, 2. Paper etc, Covered Wires—100 tonnes pa (SE); Shri K. P. Singh: 14, Aurangzeb Road, New Delhi. (Farida-bad-Haryana)—1. Marine Batteries—600 cells pa, 2. Hard Rubber Contain-ers—3,00,000 Nos pa, 3. P.V.C. Sepera-tors—120,00,000 Nos pa (NU); Shri S. V.L. Visvanathan, —T-9, Green Park, New Delhi (M/s Lakshmi Allied Bat-teries (P) Ltd : (Faridabad-Haryana) Battery Containers—4,00,000 Nos pa (NU).

Transportation

Shri Manubhai H. Thakkar Partner, Ashwin Industries : Samalaya, Distt Baroda. (Gujarat Passenger Cars—25,000 pa (NU); Shri O. P. Bharadwaj—H-3, Lajpat Nagar-III, New Delhi. (Ballabgarh-Haryana) Piston, Piston Rings and Piston Pins—worth Rs 5 lakhs, 40 lakhs and 5 lakhs pa respec-tively (NU); M/s Gannon Dunkerley & Co Ltd : Chartered Bank Building, Bombay-1. (Nagpur-Maharashtra)—Engine Valves—10,00,000 Nos pa (NU); Shri J. J. Mehta—Jonette : 544,

Jama Jamshed Road, Matuga, Bombay-19. (Maharashtra) Spur, Helical, Bevel and Worm Gears—2000 Tonnes pa (NU).

Industrial Machinery

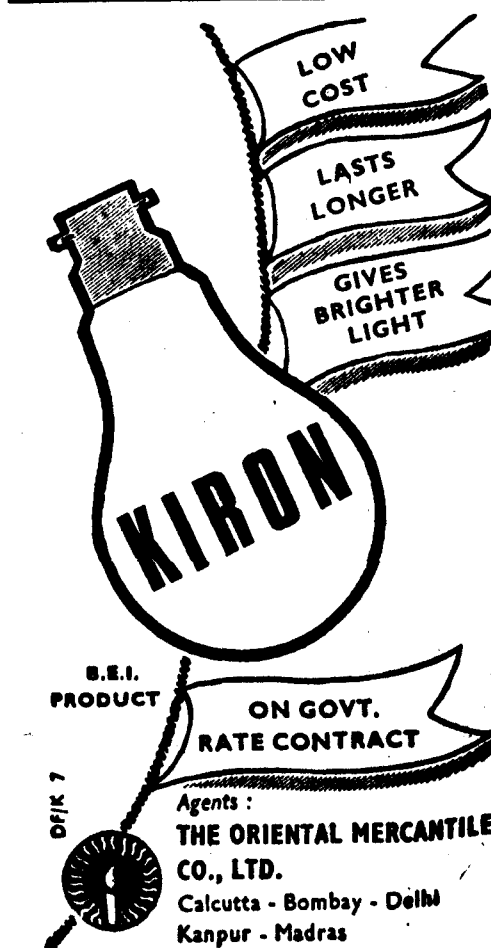
M/s New Field Engineering Co.: 13, Nirman Society, Alakapuri, Ba-roda-5. (Nandesani-Gujarat)—Ejec-tors—Worth Rs 100 lakhs pa. (NU).

Engineering

M/s Cosmosteels Pvt. Ltd: 18-Netaji Subhas Road, Calcutta-1. (Bhopal-Mad-hya Pradesh)—Saftey Razor Blades—180 millions nos. pa., Stainless Steel—108 million Nos. pa., Carbon Steel—72 mil-lion Nos. pa. (NU); M/s Poddar Es-tates Ltd: 31-Dalhousie Square (S), Calcutta-1. (Mysore-Maharashtra)—Safety Razor Blades—250 million Nos. pa., Stainless Steel—100 million Nos pa., Carbon Steel—150 million Nos pa. (NU).

Chemicals

M/s Vijay Mills Company Ltd: Baroda Road, (Ahmedabad-2 Gujarat)—1. Borax—17,000 tonnes pa., 2. Boric Acid—3,000 tonnes pa. (NA); Shri K. Kalappa, B.E.—: R-1-895/2, Tilak Road, Hyderabad-1 (AP) (Hy-derabad-1 Andhra Pradesh)—PVC In-dustrial Sacks—9.0 million Nos pa. (NU); M/s Sanjay Investment Ltd: 2, Barabourne Road, Calcutta-1.



(Rajasthan)—Calcium Carbide—14,850 pa. (NU); M/s The Upper India Sugar Mills Ltd: National Insurance Bldg., 5, Parliament Street, New Delhi-1. (Thana - Maharashtra)—Pentaerythri-tel—1200 tonnes pa. (NU); M/s Bridgestone Chemicals & Asbestos Pvt. Ltd: 20/1, Asaf Ali Road, New Delhi. (Sanathnagar-Andhra Pradesh)—Calcium Carbide—12,000 Tonnes pa. (NU); M/s Tamil Nadu Industrial De-velopment Corpn. Ltd: 3rd Floor, L.L.A., Buldg., 150-A, Mount Road, Madras-2. (Salem). (Tamil Nadu)—Calcium Carbide—14,850 Tonnes pa. (NU); M/s Traco Traders Pvt. Ltd: 77/LA, Park Street, Calcutta-16. (Tam-luk-West Bengal)—Calcium Carbide—14,850 Tonnes pa. (NU); M/s Tamil Nadu Industrial Development Corpn. Ltd: 150, Mount Road, Madras. (Tamil Nadu)—1. Borax—15,000 Tonnes pa., 2. Boric Acid—3,000 Tonnes pa. (NU); M/s The Southern Gas Ltd: 803, Prasad Cham-bers, Behind Roxy Cinema, Bombay-4. (Ghataprabha or Mangalore). (Mysore)—Calcium Carbide—14,850 Tonnes pa. (NU); M/s Industrial Oxy-gen Co. (P) Ltd: G.P.O. Post Box No. 91, Poona-1. (Poona-Maharashtra)—Acetylene Gas—10 million cu. meters pa. (SE); M/s Industrial Chemicals Ltd: Dhun Building, 175/1, Mount Road Madras-2. (Tirumelveli-Tamil Nadu)—Calcium Carbide—14,850 tonnes pa. (SE); Shri B. K. Jalan: 2, Saliia School Road, Howrah-1 (WB). (Goak, Belgaum Distt.) (Mysore)—Calcium Carbide—14,850 tonnes pa. (NU); The Rajasthan State Indus-trial & Mineral Development Corpn. Ltd: 100, Jawaharlal Nehru Marg, Jaipur. (Rajasthan)—Calcium Car-bide—14,850 tonnes pa. (NU); Shri Ram Aggarwal: Ground Floor, Kamath's Bangalow, Bajaj Nagar 265, South Ambazari Road, 265, Nagpur-3. Wani, Distt. Yeotmal. (Maharashtra)—Calcium Carbide—14,850 Tonnes pa. (NU); M/s Khan-delwal Ferro Alloys Ltd: Khandelwal Bhavan, 166, Dr D.N. Road, Bombay-1. (Khan Distt. Nagpur). (Maha-rashtra)—Calcium Carbide—14,850 tol-nes pa. (NU); M/s Bishan Daya Kejriwal & Sons: Kishori Nivas, Bir-hana Road, Kanpur, UP. (Mirzapur—UP.)—Calcium Carbide—14,850 Ton-nes pa. (NU); M/s North India Chemicals Co: C/o Shri O.P. Khaitan, Himalaya House, Flat B-72, 23, Kasturba Gandhi Marg, New Delhi. (Ghaziabad-Uttar Pradesh)—Calcium Carbide—14,850 Tonnes pa. (NU); Shri Gauri Shankar Agarwal: Bagaria Bhawan, Prithviraj Road, 'C' Scheme, Jaipur (Rajasthan). (Bhartpur-Rajasthan)—Acetylene Gas—10 million cu-meters pa. (NU); Shri V.K. Singhal: S.M.S. High-way, Jaipur-1. (Rajasthan). (Jaipur-

Rajasthan)—Acetylene Gas—10 million cu-meters pa. (NU); Shri Harkrishin L. Poorawani: 32, Mira So-ciety, 39, Shankarseth Road, Poona-9. (Belgaum-Mysore)—Dissolved Acety-lene Gas—10 million cu. meters pa. (NU); M/s Bharat Oxygen Co: Dr Bardes' Hospital, Near Nehru Garden Nasik (Maharashtra). (Nasik-Maha-rashtra)—Dissolved Acetylene Gas 10 million cubic meters pa. (NU).

Paper

M/ Chomosyn Private Ltd: 38., Suran Road, Andheri East, Bombay-69 (Vapi Tehsil-Gujarat)—High Glass Coated Paper—3000 tonnes pa. (NU); Shri N. Sambasiva Rao—Director, Abhyudaya Finance Enterprises Pvt. Ltd: Chunduruvuri Palace, Guntur. (Andhra Pradesh)—Art and Chrome Coated Papers—3000 tonnes pa. (NU).

Sugar

M/s Krishna Sahakari Sakhar Kar-khana Ltd: Rethare-Budruk, P.O. Shivnagar, Distt. Satara, Maha-rashtra. (Rethare-Maharashtra)—Sugar crushing capacity 2,600 tonnes per day, 5,000 tonnes cane per day. (SE).

Food Processing Industries

M/s Khemka & Co (Agencies) Pvt. Ltd: 2-D, Vulcan Insurance Building, 202-A, Veer Nariman Road, Church-

gate Reclamation, Bombay. (Maha-rashtra)—Dehydrated Vegetables and Onions—750 tonnes pa. (NU); M/s Jagatjit Industries Ltd: 54, Ring Road, Lajpatnagar-III, New Delhi-24. (Maha-rashtra)—1. Soya Protein Isolate & Concentrates. 2,500 tonnes pa., 2. For-mulated Soya Products like textured Protein Food, Infant Weaning Foods, Soya Milk Beverages, & other formu-lations. 10,000 tonnes pa., 3. Soya-bean Oil—6500 tonne pa., 4. Defatted & Full Fat Flour—25,000 tonnes pa. (NU).

Rubber Goods

Shri K. Kalappa—M/s Jayeswee Tyres Pvt. Ltd: 4-1-895/2, Tilak Road, Hyderabad (AP). (Nacharam Distt. (Hyderabad-Andhra Pradesh)—Scooter Tyres—1,80,000 Nos. pa., Scooter Tubes—270,000 Nos. pa. (NU).

Timber Products

M/s The Ballarpur Collieries Co: Bisesar House, P.B. No 11, Temple Road, Nagpur-1. (Maharashtra)—Veneers—3,000,000 sq. meter pa., Ply-wood—5,000,000 sq. meter, pa. (NU).

Miscellaneous Industries

M/s National Tobacco Co of India Ltd: National Tabacco Bldg., 1 & 2, Old Court House, Corner, Calcutta-1. (Andhra Pradesh)—Cigarettes—4300 million pa. (NU).

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its mate-rial in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to:

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS
GOLDEN TOBACCO COMPANY LIMITED

(Registered under the Indian Companies Act, 1913)

Announcement Regarding

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Registered Office of the Company, but not before banking hours on Thursday, the 3rd February 1972 and on Monday, the 7th February, 1972.

EXISTING ACTIVITIES

Golden Tobacco was started as a proprietary concern in Bombay in the year 1930 in the wake of Swadeshi Movement by the late Shri Narsee Monjee. It was converted into a partnership firm in the year 1951 and was incorporated as a Private Limited Company on 28th June 1955. The Company became a Public Company on 15th March 1971.

The Company has a cigarette manufacturing factory at Bombay. It is a composite unit with its own up-to-date workshop, carpentry and printing press. The factory has modern equipment installed for various operations involved in manufacturing cigarettes.

The Company today has its main Tobacco Purchasing Division at Guntur, 4 tobacco redrying plants, 8 grading and stripping depots and a wide network of 32 buying points spread all over Andhra Pradesh. The Company has tobacco buying establishments in Gujarat and Mysore States also.

The Company is already manufacturing and marketing nine different brands and plans are under way to add to the range.

Golden Tobacco exported 40 crore Panama cigarettes to U.S.S.R. in a brief span of 7 months in 1971 and earned foreign exchange to the tune of rupees one crore.

PROPOSED PROJECT AT BARODA

The Government of India has issued to the Company an Industrial Licence No. L./38/3/70-LIND(II) dated 12th February 1970 for a cigarette factory with an annual capacity of 4500 million pieces to be established in the State of Gujarat. This will be the first venture of its kind in the State.

The Company has also been granted import licences worth over Rs. 70 lakhs for import of plant, machinery and equipment from various countries in Europe. Orders have been placed against these licences.

The Company has acquired 50 acres of land and has been assured of adequate supplies of water and power by the State Government. The construction work of factory building is in progress. The plant and machinery are on way for the first phase of the manufacturing programme and the unit is expected to start production by mid-1972. The Company does not have any foreign collaboration—technical, managerial, financial or otherwise—and the proposed project is being executed fully by the Company's own technicians and managerial personnel.

BOARD OF DIRECTORS

Shri Chatrabhuj Narsee Thacker
387, Swami Vivekanand Rd., Vile Parle, Bombay-56
Chairman & Managing Director

Shri Pratap Narsee Thacker
'Runjun', Waterfield Road, Bandra, Bombay-50
Vice-Chairman & Managing Director

Shri Dharamshi Narsee Thacker
'Kalpaj', Vaikunthlal Mehta Marg., Bombay-56
Technical Director

Shri Suresh Kanaiyaram Oza
Plot No. 67, T.P.S.IV, V.P. Road, Santacruz Bombay-54
Commercial Director & Secretary

Shri Jayantilal Chhotalal Shah
Chandan Nivas, Bajaj Road, Vile Parle, Bombay-56.
Sales Director

Shri Sadashiv Ramchandra Shringarpure
Hem Colony, S.V. Road, Vile Parle, Bombay-56
Administrative Director

Shri Bhavyakant Harilal Vahalia
56/57 North South Road No. 1, Juhu Vile Parle Hsg. Scheme, Andheri, Bombay-58
Works Director

Shri Roshan Lal Jaswal
193, Jorbagh, New Delhi-3
Resident Director

Shri Narsee Vissonji Thakkar
Tobacco House, Ring Road, Guntur-2
Resident Director

SHARE CAPITAL

Authorised:		
60 00 000 Equity Shares of Rs. 10 each	Rs. 6 00 00 00	00
1 50 000 Unclassified Shares of Rs. 100 each	1 50 00 00	00
	Rs. 7 50 00 00	00

Issued, Subscribed and fully paid up:
35 00 000 Equity Shares of Rs. 10 each
Rs. 3 50 00 00

PRESENT ISSUE:
15 00 000 Equity Shares of Rs. 10 each for cash at par
Rs. 1 50 00 00

The entire Issue is now offered for Public Subscription for Cash at par.

TERMS OF PAYMENT

On Application Rs. 5.00 per share
On Allotment Rs. 5.00 per share

Application must be for a minimum of 50 Equity Shares or multiples thereof.

AUDITORS:

Jayantilal Thakkar & Co.,
Chartered Accountants,
111-A, Mahatma Gandhi Road, Bombay-1.

SOLICITORS

Bhaishanker Kanga & Girdharilal,
Manekji wadia Building, Bell Lane, Bombay-1.

BANKERS TO THE ISSUE

1. **State Bank of India**
Apollo Street, Bombay-1.
2. **Bank of Baroda**
Apollo Street, Bombay-1.
3. **Bank of India**
70-80 Mahatma Gandhi Road, Bombay-1.
4. **Indian Bank**
Sir P. M. Road, Bombay-1.

Office: TOBACCO HOUSE . VILE PARLE . BOMBAY 56

Issue of Equity Shares

the Company, Bankers to the issue, Issue House, Underwriters, Managing Brokers and Brokers mentioned herein. lose at the close of banking hours on Monday, the 14th February 1972 or earlier at the discretion of Directors on Monday, the 7th February, 1972.

BANKERS OF THE COMPANY

State Bank of India,
Apollo Street, Bombay-1.

MANAGING BROKERS

Champaklal Devidas
Bhupen Chambers, Dalal Street, Bombay-1.

BROKERS

AHMEDABAD
Chimabhai Chimanlal Dalal,
Ratanpole, Maneckchowk, Ahmedabad-1.

BANGALORE

M. Nanjappaiah Jahgirdar,
205, Cavalry Road, Bangalore-42.

BOMBAY

Lewis & Jones,
Bank of Baroda Bldg., Apollo Street, Bombay-1.

Batlivala & Karani,
Union Bank Bldg., Dalal Street, Bombay.

D. S. Purbhoodas & Co.,
Stock Exchange Bldg., Apollo Street, Bombay-1.

Champaklal Devidas,
Bhupen Chambers, Dalal Street, Bombay-1.

Porecha Brothers,
19 Stock Exchange Bldg. Apollo Street, Bombay-1.

Valji Bhimji,
Old Stock Exchange Bldg., Dalal Street, Bombay-1.

Jamnadas Morarjee & Co.,
8-10, Dalal Street, Bombay-1.

Navalchand T. Shah & Co.,
Union Bank Building, Dalal Street, Bombay-1.

Maganlal T. Vora
33, Dalal Street, Bombay 1.

CALCUTTA

Place, Siddons & Gough (Private) Ltd.,
6, Lyons Range, Calcutta-1.

Stewart & Co.,
14, India Exchange Place, Calcutta.

HYDERABAD

P.B. Afzulpurkar
45-195 Sultan Bazar, Hyderabad (A.P.)

MADRAS

Paterson & Co.,
Vanguard House (III Floor), 11 /12 Second Line Beach, Madras-1.

Chitra & Co.,
322/323, Linghi Chetty Street, Madras-1.

NEW DELHI

Harbans Singh Mehta & Co.,
33, Regal Buildings, Parliament Street, New Delhi-1.

H.P. Mehta & Co.,
3rd Floor, Akash Deep, Barakhamba Road, New Delhi-1.

Vinod Kumar & Co.,
A-6, Connaught Place, New Delhi-1.

ISSUE HOUSE

Apollo Securities Private Ltd.,
6, Rampart Row, Bombay-1.

The proposed issue of 15 00 000 Equity Shares has been underwritten as follows:

Names and Addresses of Underwriters

Amount Underwritten Rupees

Life Insurance Corporation of India
'Yogakshema'
Jeevan Bima Marg, Bombay-20. 40 00 000

Unit Trust of India
45, Nariman Road, Bombay-1. 40 00 000

Industrial Credit & Investment Corporation of India Ltd.
163, Backbay Reclamation, Bombay-20. 15 00 000

Champaklal Devidas
Bhupen Chambers
Dalal Street, Fort, Bombay-1. 25 00 000

D.S. Purbhoodas & Co.
Stock Exchange Bldg.
Apollo Street, Fort, Bombay-1. 5 00 000

Lewis & Jones
Bank of Baroda Bldg.
Apollo Street, Fort, Bombay-1. 3 00 000

Batlivala & Karani
Union Bank Bldg.
Dalal Street, Fort, Bombay-1. 3 00 000

Jamnadas Morarjee & Co.
8-10, Dalal Street, Bombay-1. 3 00 000

Valji Bhimji
Old Stock Exchange Bldg.
Dalal Street, Fort, Bombay-1. 2 00 000

Navalchand T. Shah & Co.
4th Floor, Union Bank Bldg.
Dalal Street, Fort, Bombay-1. 3 00 000

Maganlal T. Vora
33, Bhupen Chambers, 1st Floor
Dalal Street, Fort, Bombay-1. 2 00 000

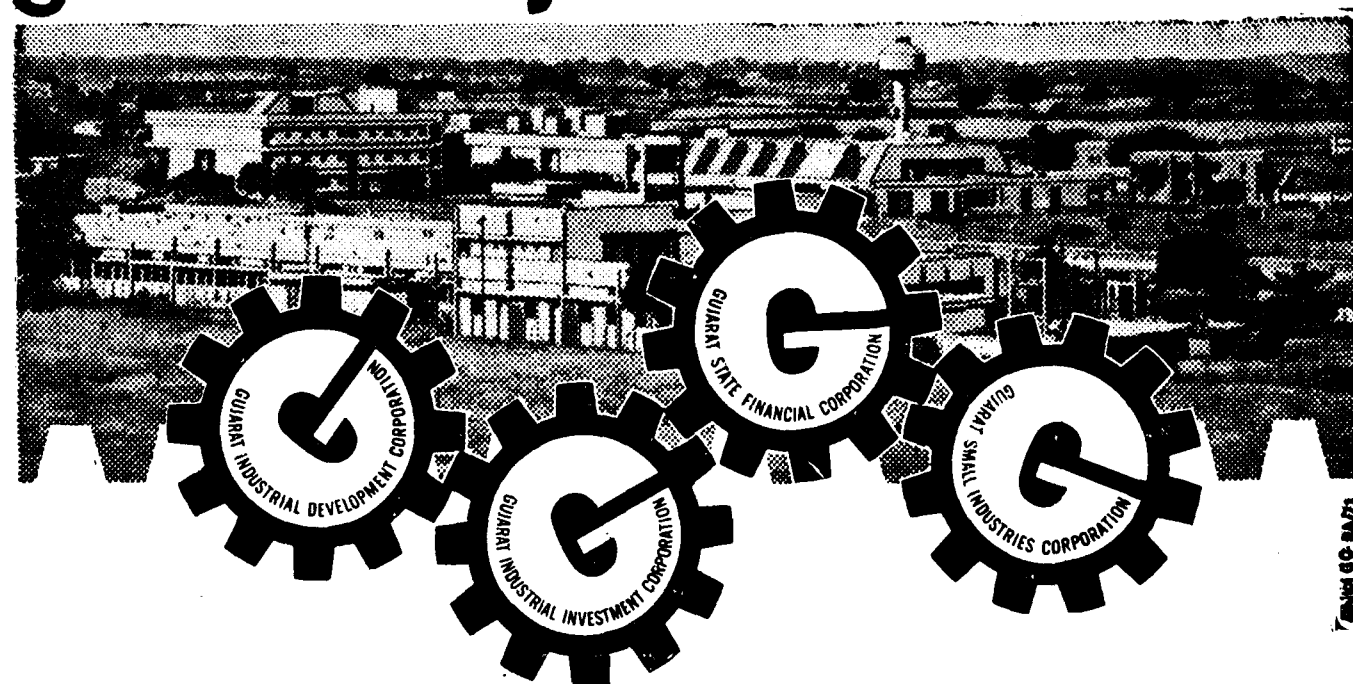
Place, Siddons & Gough Private Ltd.
6, Lyons Range, Calcutta-1. 3 00 000

H.P. Mehta & Co.
3rd Floor, Akash Deep
Barakhamba Road, New Delhi-1. 3 00 000

Harbans Singh Mehta & Co.,
33, Regal Bldg.
Parliament Street, New Delhi-1. 3 00 000

Every applicant should submit only one application for the number of shares required. Multiple applications are liable to be rejected.

The wheels that gear industrial growth in Gujarat



Gujarat today reaps a new "harvest". Industrial wealth. Yes, the land that once burst with the green revolution, now dots its expanse with scores of industrial sheds, sprouting up — everywhere! Fostered by the Government of Gujarat the industrial boom has seen the emergence of as many as 22,000 industrial units in Gujarat.

In fact Gujarat today has such a marvellous industrial climate abounding in ample water, power, responsive labour and developed industrial land that the eagerness of the Government's promotional measures is indeed justified.

To fulfil the promise Gujarat extends to industrial growth, the massive scope for almost every type of industry, the Government has decentralised its promotional efforts in 4 different areas: (1) Land development and infrastructure (2) Joint Investment for large industries (3) Finance for medium and small industries (4) Development of small industries. GIDC, GIIC, GSFC and GSIC. The wheels that gear industrial growth in Gujarat.

GIDC

Gujarat Industrial Development Corporation
Fadia Chambers,
Ashram Road,
Ahmedabad 9
At 50 choice locations throughout Gujarat readymade sheds and plots on deferred payment basis with facilities for water, power, road, drainage and also programmes for post office, telephone, bank, canteen, where necessary and possible housing and effluent disposal schemes.

GIIC

Gujarat Industrial Investment Corporation
Nataraj Chambers,
Ashram Road,
Ahmedabad 9
Long term loans (Rs. 20 lakhs and above) to all industries; underwrites and subscribes to capital issues; guarantees advances and participates with All-India Finance institutions and banks; operates a Technician Scheme (upto Rs. 3 lakhs), Rural Workshop Scheme, Entrepreneurship Development Scheme.

GSFC

Gujarat State Financial Corporation
'Jaldarshan',
Ashram Road,
Ahmedabad 9
Provides loans (upto Rs. 20 lakhs) for fixed assets; soft loans for industries in backward areas; low interest loans for small scale industries; finance for manufacturing or processing industries, cold storages, mining, trucks, industrial estates, hotels; deferred payment guarantee on purchase of machineries in India, underwrites capital issues, subscribes to debentures.

GSIC

Gujarat Small Industries Corporation
Ambica Nivas,
Ashram Road,
Ahmedabad 9
Distributes raw materials to small industries; helps in procuring machinery on hire purchase; provides import assistance through bulk imports; renders marketing assistance; creates opportunities for ancillary industries.

For more information on the 4 Gujarat Corporations, post this coupon to any one of them today!

Please send me a booklet on "The wheels that gear industrial growth in Gujarat"

Name _____

Address _____

Nature of industry, proposed/existing _____

I have seen your advertisement in _____

(Name of publication) _____ Date _____

AN EASTERN ECONOMIST FEATURE

22 YEARS OF REPUBLIC

The Republic of India was 22 years old on January 26, 1972. Commemorating this important day, Eastern Economist publishes this feature, highlighting some of the steps that have been taken during these 22 years to develop a self-reliant economy. Some of the challenges of the future are also dwelt upon in this feature.

Agricultural Needs of Tomorrow

M. S. SWAMINATHAN

Director General, Indian Council of Agricultural Research

IN THE 25th year after independence, self-sufficiency in food production at the current levels of purchasing power and the pattern of food habits has been achieved. It would hence be timely to ask ourselves the question: In what direction should our agriculture move hereafter?

Obviously, with our population expected to exceed 600 millions in a few years, some measure of stability in food production and the building up of a substantial buffer stock are essential for warding off hunger and famine. Once the production potential of our agriculture has been raised, the consequences of weather-induced fluctuations in total production can be faced without undue difficulty through appropriate changes in crop planning. The most important characteristics of the agricultural scene of tomorrow should be stability of production, qualitative adequacy, agrarian prosperity, productive employment, national self-

reliance and above all harmonious co-existence of plants, animals and man in a mutually symbiotic and permanently productive bio-system.

We have to view this vision for tomorrow in the light of the realities of today. First, land is going out of agriculture every day at an alarming rate due to the spread of industry, roads, houses, salinity and alkalinity and various forms of erosion. At the same time, population is growing at nearly 2.5 per cent per year, thereby making imperative the production of more and more food from less and less land. Secondly, the very tools of modernisation of agriculture such as pesticides and fertilizers, when improperly applied, result in adverse effects on the health of man and animals and threaten long-term productivity. Thirdly, developments in industrial design tend towards replacing man with machine, consequently placing the onus of providing employment largely on agriculture. Fourthly,

synthetic substitutes for crops like cotton and jute are being rapidly found and popularised. Both these crops involve labour-intensive management and in addition, cotton is a very important cash crop of the semi-arid areas. This would imply that in crops like cotton we should have a national policy prescribing the relative proportions of natural and synthetic fibres that should be produced and the varietal composition that should be adopted for meeting the needs of each staple length and spinning quality category. Fifthly, the rapid development of agricultural technology in all developing countries necessitates a careful review of trade patterns, market trends and export possibilities. Finally, while the farming technology gets more and more sophisticated, requiring a co-ordinated application of knowledge and physical inputs as well as a co-operative crop management strategy on the part of entire village communities, the existing pattern of education has proved to

be irrelevant, both quantitatively and qualitatively.

I would like to take four problems to illustrate briefly what kinds of developments we can anticipate and initiate.

1. Self-reliance: Recent events have underlined that only an economically self-reliant nation can maintain its political freedom. There are so many avenues for converting wastes into wealth, as illustrated by the following few examples. The shortage of phosphatic fertilizers can be made good by grinding basic slag, a by-product of the steel industry, which is currently wasted, into a fine powder and applying it in acidic soils. The total annual production of basic slag is about 1.2 million tonnes and the phosphorus available from this source is about 54,000 tonnes. In addition basic slag will supply active lime equivalent to about 1.1 million tonnes of calcium carbonate. We have about 6.5 million hectares of strongly acidic soils which can benefit greatly from the application of basic slag. Other important sources of phosphorus are the rock phosphate deposits of Rajasthan and the phosphorus-rich sands of the Laccadives, Minicoy and Arabian Sea islands.

The cost of fertilisers in India is one of the highest in the world, while the

efficiency of its use is one of the lowest. This calls for immediate attention towards better fertiliser management, particularly in rice soils where considerable losses due to leaching occur. Recent research has indicated that the lipid associates of the seeds of neem and karanj, when mixed with fertilisers, can help to slow down the rate of nitrification of ammoniacal fertilizers (by bringing about a sort of family planning among the soil micro-organisms) and thus reduce the losses of nitrogen due to leaching and denitrification. Another benefit arising from the use of the lipid associates of the seeds of neem and karanj is that they help to conserve carbon for the same reason which makes them regulate nitrification, i.e., through a check over the multiplication of soil microflora. Thus, there are many local products which we do not use today but which may become significant in the agriculture of tomorrow.

2. Oilseed production: An important global trend in the use of vegetable oils in human diet is the growing preference for oils like those of safflower and sunflower. Safflower oil contains about 70 per cent linoleic acid which is unsaturated and which helps to reduce the cholesterol content of the blood serum. With about 500,000 hectares under safflower in the country, we have

the world's largest acreage in this line. The annual production, however, is only 80,000 tonnes of seeds, giving an average yield of 1.6 quintals per hectare. There is vast scope for increasing the production of this crop in Maharashtra, Andhra Pradesh, Mysore and Tamil Nadu. Similarly, there is immense scope for introducing sunflower in our crop rotations. Some varieties from Russia, such as Armavirskij 3497 and Peredavik, have done well at many locations under irrigated as well as rainfed conditions. Under rainfed conditions, an average yield of 1413 kgs per hectare was obtained at Digraj in Maharashtra with only 75 mm rainfall.

3. Improving the Structure of Cotton Fibre: In order to face the competition from synthetics, cotton fibre will have to possess a combination of qualities, such as strength, fineness, durability and easy-care properties. Recent studies indicate that the uniformity of structure and hence the mechanical properties can be improved by relatively simple and inexpensive chemical and physical treatments. The degree of response to these improving treatments is influenced by the variety. The cotton we are currently importing from the United States largely falls under the staple length category of $1\frac{1}{8}$ " to $1\frac{3}{8}$ ". The following varieties, if culti-

"A nation's strength ultimately consists in what it can do on its own and not in what it can borrow from others"

—Smt. Indira Gandhi

On this great occasion let these words inspire us to greater industrial progress and advancement.

To us at BHEL-Tiruchi, self-reliance has been a matter of dedicated perseverance. From the very beginning. When we learnt boiler technology anew. And year after year applied our skills and knowledge to develop local sources of raw materials, newer techniques of production and research to break new grounds so that we could match the largest capacities in boilers made anywhere in the world.

Today the country need not import boilers. Thanks to BHEL. BHEL-manufactured boilers will shortly be in successful operation in several parts of the country and outside also. Of a total value of Rs. 230 crores. Saving Rs. 160 crores of foreign exchange for the country. And creating the vital power today for a prosperous tomorrow, in association with our sister units at Hyderabad and Hardwar.

BHEL is also engaged in executing export orders in Malaysia secured against global competition. That is self-reliance in action.

BHEL
creating the power to prosper

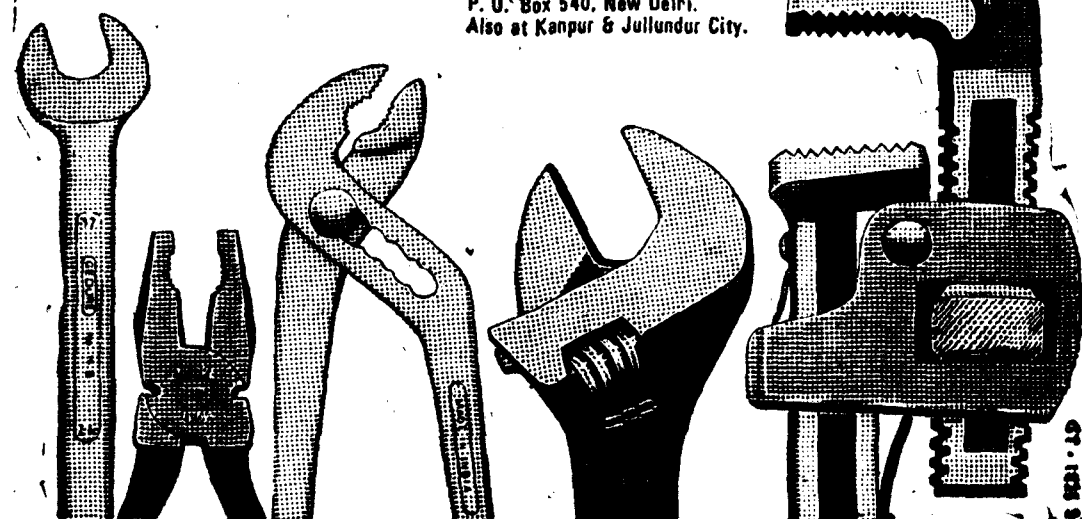
BHARAT HEAVY ELECTRICALS LIMITED
(A Government of India Undertaking)
Unit: High Pressure Boiler Plant
Tiruchirappalli 14
Regd. Office:
5, Parliament Street, New Delhi-1



The Outperformers

GEDORE

**Handtools-
Unmatched in Quality,
Unmatched in Range!**



- Precision engineered ■ Made from high grade steels
- Machined to close tolerances ■ Rigidly checked for quality

GEDORE TOOLS (INDIA) PRIVATE LIMITED
151, Golf Links, New Delhi-3

Selling Agents for Northern India:
JHALANI BROTHERS
P. O. Box 540, New Delhi.
Also at Kanpur & Jullundur City.



New pair takes over the floor

Both broad toed. For more comfort But not too broad. So you can look modern down to your feet without feeling too mod. Also available Envoy Derby 56 and Casual 93.

New Beta Envoy. In two smashing contemporary designs. Envoy 10, a slip-on with front leather strap and permanent buckles. And Envoy 29 laced shoe with punched border on the toe and sides.

Envoy 29 Size 5-10 Rs 36.95

Envoy 10 Size 5-10 Rs 36.95

Bata

vated with the appropriate package of practices, can help to render the import unnecessary.

1" to 1 $\frac{1}{8}$ "

- (a) B-1007 and B-147 in Maharashtra.
- (b) MEU-1 and PRS-72 in Tamil Nadu.
- (c) Krishna in Andhra Pradesh.
- (d) Lower grades of Deviraj in Gujarat and Maharashtra.

1 $\frac{1}{8}$ " to 1 $\frac{3}{8}$ "

- (a) Better grades of Deviraj in Gujarat and Maharashtra.
- (b) Hybrid-4 in Gujarat, Maharashtra, Madhya Pradesh and Mysore.
- (c) MCU-1 and MCU-5 in Tamil Nadu.

Thus, we can look forward to cotton

remaining one of the most valuable crops of our agrarian economy for a long time to come.

4. "Techniracy": With the rapid changes now taking place in agricultural technology, new needs for education among farming communities have arisen. The demand for "techniracy", if I may coin a term based on the idea of technical literacy, is likely to be much stronger and deeper and also more widespread than that for formal literacy or even for functional literacy. Among the approaches to adult education designed to capitalise on the new demand for techniracy, I would like to see the following four introduced quickly:

- (a) **Agricultural Polytechnics:** The need for these was stressed by the Kothari Commission and we should establish one polytechnic at each block headquarters.

- (b) **Short Residential Courses in "Techniracy":** Such courses should be based on real needs which can be determined by quick surveys, based on the most frequent requests received from farmers, such as training in the repair and maintenance of tractors, pumps, sprayers and threshers, sinking tubewells etc.

- (c) **Functional literacy** for rural people based on their occupational interests and needs.

- (d) **Bypassing the literacy problem** through mass communication media, particularly the radio, films and television.

The opportunities for rapid agricultural advance are great. We have also the technical know-how. What is needed is the will to act and to bury the obsolete habits and concepts.

More Exports Key To Self-Reliance

THE RECENT Indo-Pak conflict has once again shown how vital and urgent is the need for securing a rapid increase in our exports. It is absolutely clear today that without a steep and quick increase in exports, the country's dream of self-sustained growth and dispensing with foreign aid cannot become a living reality.

Even otherwise, increased exports can help to sustain a high level of economic activity. A systematic exploitation of export markets can be an important means of attaining the economies of scale which characterise modern industry. At the same time, the growth of labour-intensive export products can make a significant contribution to the mitigation of the unemployment problem facing the country.

Our exports increased by 4.1 per cent in 1969-70, the first year of the fourth five-year Plan. During 1970-71, they went up by 8.3 per cent. As a result of the highly successful export effort in 1970-71, the country's trade deficit declined from Rs 169.5 crores in 1969-70 to Rs 97.6 crores in 1970-71, the lowest level for the past 15 years. During the first seven months of the current financial year our exports totalled Rs 909 crores, as compared to Rs 852 crores in the same period last year, showing a growth rate of 6.7 per cent.

The current year's export picture is a mixed one; it contains some hopeful trends and some which are not hopeful. Among the factors which have affected

adversely our export prospects this year are the country crisis in the advanced countries, protectionist steps adopted by the USA and some other countries in the west and the consequences of the 14-day Indo-Pak war. On the other hand, the introduction of the Generalised System of Preferences by the members of the Common Market and Japan have set in a liberal trend in favour of the exports of the developing countries such as ours.

The Indo-Pak war has caused a setback to our export drive. There have been losses on the export front in the month of December and in the following weeks due to non-shipment of goods, cancellation or postponement of orders, deliveries, etc. In the light of the actual performance in the first seven months of the year and taking into consideration the effects of the Indo-Pak conflict, it is clear that we will have to make a major and renewed effort to achieve the Plan target for exports.

The broad outline of government policies to achieve the objective of rapidly raising exports is outlined in the Export Policy Resolution laid before Parliament in July, 1970. In respect of export-oriented units, applications for industrial licences and other clearances are being accorded the highest priority by the government. An earnest effort is being made on a large scale to develop, to the maximum extent, the export potential in the small and medium sectors.

The public sector agencies have been accorded an important role in the build-

up of the country's export capabilities. Apart from their traditional role in the import trade, the State Trading Corporation and the Minerals and Metals Trading Corporation have been assigned the task of a path-finder and a catalyst in the export trade. Both these organisations, will, in particular, render support to the small exporters by affording them a combined selling strength and a wide range of other assistance.

In recent months, a major effort has been initiated to broadbase the country's export effort which is now confined to a limited number of organised units. The government is keen on assisting all competent units, particularly in the small and medium sectors, to expand and become more efficient in exporting in as short a period as possible. A scheme has been evolved to assist all industrial units desiring to enter the export field and build up their export potential and thus become eligible for the special treatment accorded to the export-oriented units. Such units will be encouraged to put forward phased programmes of exports of their products so as to achieve within a short period a level of exports equal to those of the existing export-oriented units. The phased programmes, when approved by government, will qualify applicants for the various facilities afforded to the export-oriented units.

In order to promote exports of products with growth potential by technically competent and commercially viable units to the developed and de-

veloping countries, a new authority—the Trade Development Authority—has been set up to provide a package of specialised services in the field of export production and marketing. The government has approved a package plan for servicing the requirements of the clientele of the TDA. According to this, simplified procedures have been evolved for processing applications recommended by the TDA for advance licences. The TDA has also been recognised as a sponsoring authority for recommending applications for the import of capital equipment and new toolings in balancing, modernisation, expansion and creation of capacity.

In order to accord greater stability necessary for the growth of exports, a scheme has been introduced for the registration of export contracts involving deliveries over a period of not less than six months. In respect of exports

made in the execution of such registered contracts, the exporters will be eligible for the same levels of support in respect of import replenishment and other benefits under the import policy for registered exporters as were permissible on the date of such contracts with overseas buyers.

The government is pursuing actively a policy of diversification of foreign trade in regard to the destinations of our exports and in respect of the sources for meeting the import requirements. The co-operation which India has received from the centrally planned economies of eastern Europe, in particular from the USSR, has assisted greatly in the realisation of our export objectives. As announced by the Foreign Trade Minister at the last meeting of the Advisory Council on Trade, it is proposed to further expand our trade with the centrally planned economies

of eastern Europe and with the developing countries of Asia, Africa and Latin America and strengthen our trading links with these countries quickly.

Thanks to the greatly diversified industrial structure of the country today, it is now possible to sustain a large-scale export effort in which both traditional and non-traditional items can play an important role. Our managerial and technological skills, including our knowledge of techniques of international marketing, have considerably increased in the last two decades. Institutional arrangements for the promotion of exports have also been greatly strengthened. It is possible now, as never before, to achieve a significant breakthrough in exports, which are so vital for securing expanding levels of income and employment and take the country forward on the path of self-reliance.

Heavy Electricals : A Decade of Progress

O. S. MURTHY

Chairman, Bharat Heavy Electricals Ltd., and Heavy Electricals (India) Ltd.

It is significant that the heavy electrical industry in India has achieved during the past decade a substantial measure of self-reliance in design, technology and manufacture in almost the entire range of equipment and the progress has been noteworthy, considering the number of difficulties that this industry, which is comparatively of recent origin, has had to pass through. The two public sector organisations—the Heavy Electricals (India) Ltd. and the Bharat Heavy Electricals Ltd.—have completed the installation of four large factories, equipped to turn out a wide variety of heavy electrical equipment, covering the entire range required for generation and transmission of power. The facilities provided at these factories enable the design and manufacture of large sizes of hydrosets, turbo-sets and boilers for power stations that India is likely to require in the future. Capacitors, rectifiers, industrial boilers and turbines, compressors used in fertilizer and chemical industries, high pressure valves, the higher range of electric machines and drivers for utilisation are some of the equipment manufactured in addition to the main power generating equipment and these items of equipment enable the full utilisation of all the facilities installed at the factories.

The Bhopal factory of Heavy Electricals had commenced manufacture of large generating sets with orders for 41 hy-

dro-generating sets ranging from 5 MW to 165 MW in size and 12 thermal-generating sets, four of 30 MW and eight of 120 MW with the steam turbines and turbo-generators. Out of these orders, it has already made complete supplies of eight hydro-generating sets and two thermal-generating sets, one of 30 MW and another of 120 MW. The BHEL has so far received orders for nine 60 MW, six 110 MW, and five 200 MW turbo-sets and boilers, out of which supplies have been made of five 60 MW sets, and three 110 MW sets to various thermal power stations in India. Four such sets have been commissioned at three power stations.

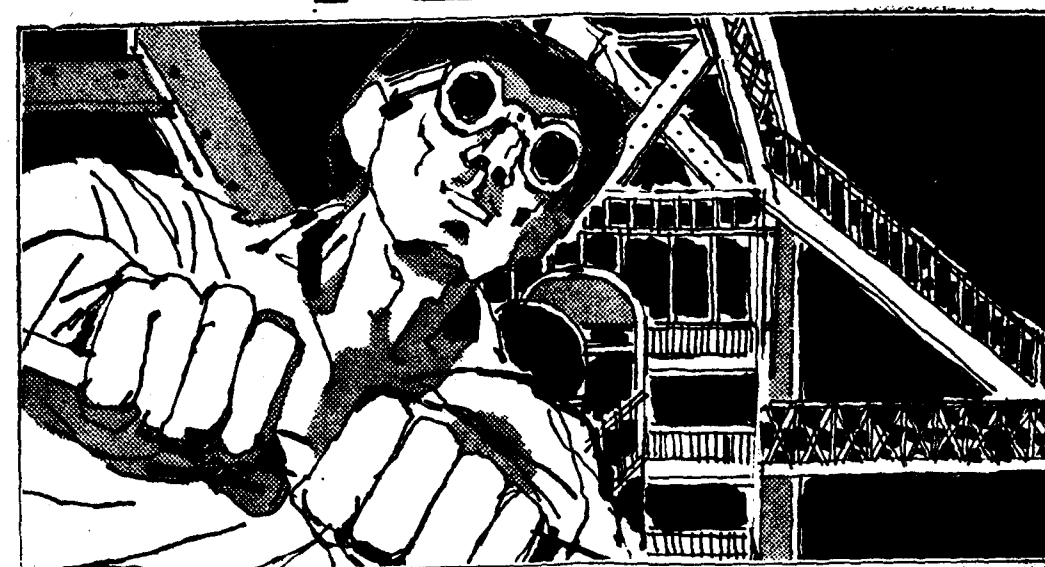
The Heavy Electricals (India) Ltd., has exported heavy duty motors and controlgear, switchgear and capacitors to Egypt, Iraq and Singapore. There are orders on hand for the supply of switchgears and motors to Iraq and Malaysia. The plant has orders on hand for the supply of micanite insulation to form part of commutators for export to the USA, Europe and the west Asia.

Besides the main objective of reducing the drain on foreign exchange resources by manufacturing within the country equipment hitherto imported and thereby providing the necessary infrastructure for economic development, the plants of BHEL and HE (I) have also embarked upon the task of

earning foreign exchange by exporting indigenously manufactured heavy electrical equipment, particularly those products in which a substantial degree of self-reliance has been established and expertise developed. The high pressure boiler plant of BHEL at Tiruchi has already successfully executed orders for the supply of 6,000 and 930 numbers of high pressure valves for Poland and West Germany, respectively. This plant is at present working on an order for 2 x 60 MW boilers for the Tuanku Ja'afar power station in Malaysia. The bulk of the equipment has already been manufactured and erection work is progressing satisfactorily at site. This plant has recently bagged another significant order from Malaysia for 3x120 MW boilers in the face of severe international competition.

In addition to the technical superiority of the Indian equipment, the satisfactory execution of the present contract by the Tiruchirapalli plant in time apparently has weighed with the customer in his choice. These boilers will incorporate the latest techniques in the field of boiler technology. Some of the new features under introduction include welded panel construction of the combustion chamber, automatic oil combustion system and installation of air preheaters of regenerative type. The switchgear plant of BHEL at Hyderabad has exported 66 MW minimum oil circuit breaker to Malawi. These

WE HAVE WON THE
WAR
WE MUST WIN THE
PEACE



"A nation which has its eyes turned inwards, on its own people and its own resources, grows in strength, while continued and undue dependence on help from outside could lead to disastrous results. A new India is marching ahead today, self-reliance is her watchword".

— S. Mohan Kumaramangalam

Steel must lead the march to self-reliance and economic self-sufficiency. If the industry can reach a level of 85% of its capacity, production would rise to 7.6 million tonnes. This would mean a saving of about Rs. 200 crores on imports and Rs. 120 crores of extra revenue for the Nation. This would open the way to the transformation of the entire economic situation of our country.

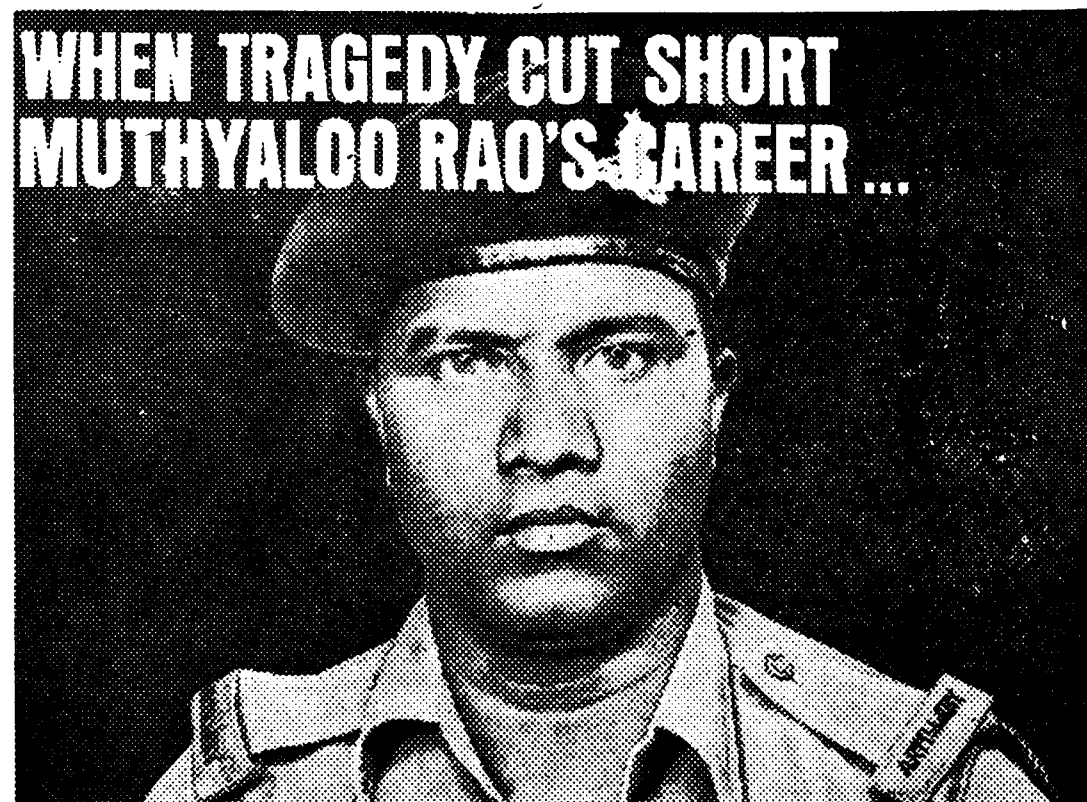
This, therefore, is the challenge that the Nation

poses before us today. A challenge which can only be met with significantly higher productivity at our Steel Plants. A challenge to everyone of our sons and daughters engaged in the various steel plants, every worker, every technician, every manager, every white-collar employee.

And on this, our 22nd Republic Day, we, at Hindustan Steel pledge ourselves, humbly and sincerely, to meet this great task.

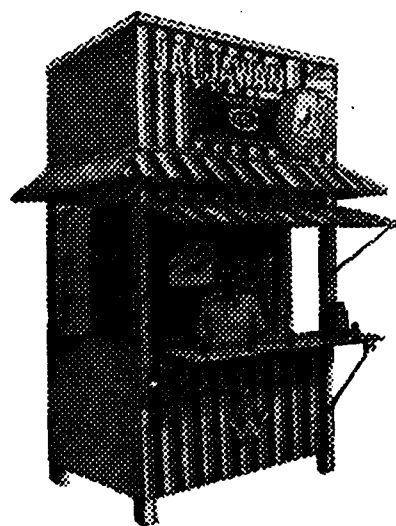
*So much depends
on India's Men of Steel!*

HINDUSTAN STEEL



WHEN TRAGEDY CUT SHORT MUTHYALOO RAO'S CAREER ...

ITC reached out to help him



CH-47

Osmania Medical College, Hyderabad

At 20, Muthyaloo Rao joined the army full of zeal and patriotic fervour. A decade later he lost a leg in a tragic accident. The career he had looked forward to with so much hope, was brought to an end. Then ITC reached out to help. To give Muthyaloo Rao another chance at life, renewed hope for the future.

We gave him a fully equipped Jai Jawan Stall, outside the Osmania Medical College, Hyderabad. Today, with a variety of wares in his stall 'Businessman' Rao faces the future with a confident smile. And everyone who buys from him says his own little "thank you" to the brave man who served his country so well.

It all began over five years ago when our first Jai Jawan Stall was inaugurated in Poona. Since then, more have been set up in various States of the country, and still more are planned. But it's a massive problem to help these many thousands of ex-servicemen and it can only be solved if other organisations join in with similar ventures. To let India's brave warriors know that they are not forgotten once their active service is over.

Lending a helping hand



India Tobacco Company Limited

exports have resulted in a major breakthrough in the export of non-traditional items from the country in so far as such equipment had never been exported from India earlier.

The four factories of HE(I)L and BHEL are well laid out and equipped with the most modern and sophisticated type of machine tools and equipment to manufacture and test all types and sizes of heavy electrical equipment. On completion of manufacture, each equipment is subject to rigid tests in accordance with established standards and quality control has, therefore, been given the right emphasis from the very beginning. Over 1,200 well-qualified engineers and technicians are now actively engaged in various commercial, design and manufacturing functions in specialised fields and more than 15,000 workers and artisans have acquired the skills necessary for ensuring such manufacture to quality standards. Besides, these plants are all backed by extensive laboratories which will form the nucleus for research and development in this field, particularly as these organizations have plans to enter the nuclear generation field also to assist the Atomic Energy Department.

The Atomic Energy Department of the government of India has drawn up a perspective "profile" which envis-

ages the installation of nuclear generating plants of 200/235 MW and 500 MW ratings, in line with the latest techniques established in the advanced countries. There is a possibility of such large steam generators and electrical machines being manufactured in the Tiruchirappalli and Hardwar plants respectively. The Hyderabad plant has, in addition to compressors, to manufacture large pumps suitable for such installations. Proposals are under examination for taking up increased manufacture.

The Ministry of Irrigation and Power has come up with a "Decade Plan" for power development in the country up to 1980-81. It is felt that this perspective power development plan should be translated immediately into definite orders for the manufacture of power equipment covering at least a period of seven to eight years. The HE(I)L and BHEL are taking all the preparatory steps to meet the requirements indicated in the Decade Plan, some of which have already been finalised by the receipt of orders from the concerned state electricity boards and the others are under discussion.

In addition to the growth in the unit size of thermal generation to 200 MW, proposals are now under examination for taking up work on larger

sets of 500 MW rating and also consider the need for equipment to facilitate transmission of power at voltages higher than 220 KV, viz., 400 KV, within the next decade. The industry has, therefore, to keep itself ready for acquiring more sophisticated skills in working out designs, testing, manufacture, erection and commissioning of larger size sets.

It follows that in an industry of this magnitude and nature, research and development is very important as it cannot afford to be left behind in the technological race. For this purpose, the plants have initiated their own independent efforts on research and development and, in addition, they are closely associated with the national laboratories engaged in such work. For example, the required facilities for creep tests are being set up in the National Metallurgical Laboratory, Jamshedpur, mainly for this industry.

The industry is highly capital-intensive and its development demands a sizeable portion of the resources that are available. It is, therefore, important that in this context, the power schemes have to be selected with the utmost care based on overall economic considerations. The heavy electrical industry in India is ready to participate in this entire activity with a sense of dedication and confidence.

Railways' Import Substitution, Export Efforts

WHEN WE attained independence in August, 1947, we were largely dependent on imports for meeting the requirements of manufactured goods. This was especially true of our railways which used to import at that time over 30 per cent of their requirements. Even in 1951-52, the imports on railways' account aggregated to as much as Rs 97 crores. The import content of the railway stores since then, however, has been progressively reduced. This is strikingly borne out by the fact that while the total value of stores purchased by the railways in 1967-68 rose to Rs 324 crores, imports accounted for only 13 per cent. There was further improvement in 1969-70; in this year, the railways purchase stores worth Rs 331.65 crores out of which imports were confined to a bare six per cent.

Development cells have been set up in the Railway Board and all the production units of the railways to exercise a close watch on import proposals. Only those items are allowed to be imported which cannot be manufactured indigenously for one reason or the other. At the same time, the Indian Railways

Equipment Advisory Committee, with regional branches at Bombay, Calcutta, Madras, and Delhi, pursues the indigenous development of imported items. Reviewing committees in the three production units, viz., the Chittaranjan Locomotive Works, the Diesel Locomotive Works and the Integral Coach Factory, hold periodical meetings to ponder over the question of eliminating whatever imports are their at present; import substitution is vigorously pursued.

We are now more or less self-sufficient in the manufacture of locomotives, passenger coaches, freight wagons of all types, train lighting equipment, mechanical signalling, vacuum brake equipment, track materials and other allied items. The railways are also manufacturing diesel and electric locomotives.

At present, the Diesel Locomotive Works, Varanasi, is manufacturing both broad gauge and metre gauge mainline locomotives. It produced 65 broad gauge and 40 metre gauge locomotives in 1971. The target of producing 150 such locomotives per year is expected

to be attained by the end of 1974.

The Chittaranjan Locomotive Works manufactures broad gauge diesel shunting locomotives. Its annual production currently is 42 broad gauge and five narrow gauge diesel shunting locomotives. This works also produced 55 electric locomotives during 1971. The capacity for the manufacture of electric locomotives is expected to be increased to 100 units per annum by the end of the fourth Plan period.

Passenger coaches are being manufactured in the country by the Integral Coach Factory, Perambur, Bharat Earthmovers Ltd. Bangalore, M/s Jessop and Company Works, Calcutta, and other railway Workshops. The Integral Coach Factory is the biggest coach manufacturing unit in the world. Its annual production is about 700 coaches of all types, including electric multiple units and diesel railcars. The factory is not only meeting the requirements of Indian Railways but is also exporting coaches to Taiwan, Burma and other Asian countries.

Only specialised or "hard core" items

continue to be imported. These include large-sized crankshafts, diesel pistons and rings, spherical roller bearings, cardon shafts, traction gears and turbo-superchargers. The manufacture of these items is neither easy nor economical as the techniques involved are of a special nature and the domestic demand is limited. It is mainly because of the latter factor that there is a reluctance on the part of manufactureres to invest money without the assurance of a regular offtake.

A committee set up by the Railway Board has recommended a major concession for indigenous manufacturers. Prospective manufacturers of railway equipment not yet manufactured in the country are now assured that 100 per cent of their output would be bought by the railways in the first year, 80 per cent in the second year and 60 per cent in the third year, the remaining needs in the second and third years being met by open tendering. From the fourth year, there would be open competition.

The import of certain components for the production of which, of course, there is some indigenous capacity, is sometimes allowed. This is particularly the case in respect of wheels and axles and electrical traction equipment. The

indigenous production of the former at Durgapur and of the latter at Bhopal has been much less than the demand because of various bottlenecks.

With a view to promoting the export of rolling stock, a non-office body, called the Rolling Stock Export Association, was set up in February, 1966. Besides wagon-builders, the Integral Coach Factory, the State Trading Corporation and Bharat Earth Movers Ltd., are represented on this association. The Ministries of Railways and Foreign Trade are also closely associated with it. The association has been addressing communications to the heads of the railways in Africa, west Asia and south-east Asia, intimating to them the availability of surplus capacity in India especially for steam loco components, for which the traditional sources in Europe have dried up due to dieselisation and electrification of railways there. Some of the notable items which are already being exported, along with their destinations, are:

- (i) Gonplers, railway accessories, track materials, bolts and nuts, galvanised screw spikes, wooden sleepers and points and crossings to Iran.
- (ii) Railway track materials and

springs to Syria.

- (iii) Axle boxes, couplers and lead acid cells to Egypt.
- (iv) Fish-plates and rail clips to New Zealand.
- (v) Couplers and overhead and underlung wagon sheets to the Sudan.
- (vi) Drawbar hooks, screw couplings, shackle stones, shacklepins, etc., to West Germany.
- (vii) Frog plates, gauge plates, switch plates, permanent way material and rail clips to Zambia.
- (viii) Rails to Argentina.
- ix) Springs to Poland.

Through the agency of their Research, Design and Standards Organisation, Indian Railways have undertaken the provision of consultancy services in various countries, including Iran, Thailand, the Philippines, Iraq, Syria and Jordan.

The Railway Board has sponsored a number of delegations abroad, particularly to countries in Africa, west Asia and south-east Asia, for market survey and export promotion.

The Integral Coach Factory has se-



OUR DUTY TOWARDS THE BRAVE JAWANS AND THEIR FAMILIES...

We have emerged triumphant again! History has been written with tales of courage, valour and team-spirit. But in the process we have had to sacrifice many dear ones. Also, many have been unfortunately disabled. Now it is our duty not to forget them but to help them and their families.

In order to do our bit for this noble cause we have relaxed certain rules for recruitment to our Clerical and Subordinate cadres for dependents (sons, daughters and wives) of those killed or incapacitated in the recent Indo-Pak war.

Eligibility	Our normal requirements	Relaxations
For Clerical cadre like Clerks, Cashiers, Godown-Keepers etc.	Minimum second class Graduate	Graduate of any class
For Sub-ordinate cadres like Peons, Chowkidars etc.	Age limit : 25 years	Age limit : 28 years
	Middle pass	Education upto the 7th standard

Age limit can be further relaxed in deserving cases at the discretion of the Bank.

Eligible persons, if interested, may apply immediately to :

The Staff Controller,
PUNJAB NATIONAL BANK,
Parliament Street, New Delhi-1

THE GUNS ARE SILENT

BUT OUR DUTY HAS NOT ENDED...

**PUNJAB
NATIONAL
BANK**

In the service of the nation since 1895



HYDRABAD PNB 82/71

SITALAKSHMI MILLS LIMITED

MADURAI-6.

INSTALLED CAPACITY

Ring Spindles	: 26,784
Doubling Spindles	: 6,912

Manufacturers of

STAPLE FIBRE YARN
in
20s, 31s, 40s, 2/40s & 2/59s

Chairman : C. S. RAMACHARY.

Managing Director : C. R. RAJENDRAN.

Telegram : "KAMALAM"

Telex No. : 044/272

Telex Code : KAMALAM MA

TELEPHONE :

Office	Mills
8121, 8122	8251
8123 & 8124	

WHATEVER THE EXIGENCIES GRAINMAN MEETS THE CHALLENGE

War, emergency, cyclone, famine, drought, floods—whatever the exigency, Food Corporation of India is ready to meet the challenge.

Besides procuring millions of tonnes of a vast variety of foodgrains, Food Corporation ensures massive movement, distribution and building up of buffer stocks.

Food Corporation not only handles foodgrains, its efforts are also directed towards improving the level of nutrition in the average daily diet.

Through multi-directional activities it strives to ensure a square deal to the farmer and adequate supply of good quality foodgrains to the consumer.

Food Corporation pledges to serve the nation and create confidence on the national food front.



FOOD CORPORATION OF INDIA
— For Public Good —



AMIEG1720

cured two orders for the supply of bogies to Thailand and Taiwan. In addition, Jessop and Co. has executed successfully an order for the supply of 33 coaches to Burma. Bogies fitted to these coaches were supplied by the Integral Coach Factory. Another order from Taiwan covering the supply of 113 coaches, valued at four crores of rupees, has been completed recently.

A number of orders has been secured

by the wagon-building industry from countries like South Korea, Yugoslavia, Hungary, Iran and Taiwan. A breakthrough in this field came when a large wagon order worth Rs 7.6 crores was secured from South Korea for the supply of 1,060 wagons. Recently, a big order from Yugoslavia for the supply of 3,600 wagons, valued at about Rs 37.5 crores, has been secured. Two other substantial orders worth Rs 8.3 crores and Rs 4.2 crores have

been secured from Hungary and Iran.

Indian Railways have, thus, not only achieved near self-sufficiency in the manufacture of rolling stock and equipment for their own use, but they have also stimulated their production by private entrepreneurs. Sizeable exports of railway equipment have been built up in the recent past.

Industrialisation of Arunachal

P. THANKAPPAN NAIR

ONE OF the new states which have been inaugurated on the eve of Republic Day, Arunachal, is bounded by Bhutan in the west, Tibet and the Sinkiang province of China in the north and north-east and Burma in the south-east. With an area of 31,438 square miles, it is a virgin field for economic development. This union territory has not got the necessary infrastructure, but steps have been taken to develop the area by opening up communications, investigation of mineral deposits, generating power and inculcating a spirit of co-operation among its people. Among the natural resources which await immediate exploitation is forest wealth.

A wide range of forests such as tropical evergreen, temperate evergreen, conifer and alpine are found in this erstwhile North-East Frontier Agency. The scope for forest-based industries is unlimited. The draft annual Plan for Arunachal for 1972-73 has provided funds for conducting feasibility studies of a paper mill and a newsprint project.

Forest Area

The area under forests in Arunachal is estimated at 60,000 square kilometres. The area under reserved forests is 4,541.8 sq. kms and the area proposed to be converted into the same category is 6,711.73 sq. kms. The National Council of Applied Economic Research, in its techno-economic survey of the territory, has suggested setting up here of two paper and pulp mills of 100 tonnes per day capacity each, as long fibred conifer timber exists all along the northern borders of Kameng, Subansiri, Siang and Lohit districts. The juxtaposition of conifers, suitable hardwood timbers, soft and white (i.e. acers, alder, poplar, etc.), and 500 square miles of bamboos and grasses in the adjoining Brahmaputra basin, makes Arunachal a unique place for the production of pulp and paper.

Two timber-based small units have already been established in Arunachal.

A saw-cum-plywood mill at Namsai, in Lohit district, consumes about 700,000 cubic feet of timber annually, yielding a revenue of about Rs 12 lakhs. The saw-cum-veneer mill at Deomali, in Tirap district, consumes about 300,000 cubic feet of timber per annum. It has a revenue of Rs 6 lakhs. There are also four small saw mills in Tirap, Lohit and Siang districts.

The scope for plywood industries in Arunachal is great. A large number of tea gardens are located very near the borders of Arunachal. Large quantities of tea-chest battens are required by these gardens for packing tea. A unit for manufacturing tea-chest battens may be set up at Deomali in Tirap district.

Small Scale Units

Similarly, there is good scope for starting small-scale units for manufacturing wooden railway sleepers in the eastern-most districts, i.e., in the district of Tirap and Lohit, which are located near Nahorkatiya railway station. In Lohit district, Sunpura appears to be a suitable location for such a unit. In Tirap district, the proposed unit can be set up at Deomali.

Bhalukpong, in Kameng district, and Bandardewa, in Subansiri district, are suitable places for locating rifle butt half-wroughts manufacturing units. Bhalukpong is also suitable for locating manufacturing units for packing cases as the required timber is available here in abundance. The low prices of these timbers are likely to make the price of the packing cases quite competitive even at the consumption end.

There is good demand for artistically carved wooden articles among the sophisticated sections of the public. The products of tribal craftsmen easily make their way to the city markets. There appears some scope for at least one unit at Bomdila to take up the organised manufacture of these articles. There are certain places in Arunachal like Bomdila, Ziro, Pasighat, Along,

Basar and Miao where there is considerable concentration of semi-urban population and army camps at nearby places. These places may be suitable for locating semi-mechanised wooden furniture units.

Electrical Fittings

With the extension of electricity to more and more areas in the country the demand for wooden electrical fittings and accessories is also growing. Since a good number of projects are being taken up by the Arunachal administration for the generation of electricity and more and more areas are being electrified, this industry may get a market for a portion of its products within the union territory. It can also cater for demand from the contiguous areas of Assam, Nagaland, Manipur and Tripura. Immediate scope for two units, one at Bomdila and another at Along, exists.

The prospects for setting up saw mills and wood workshops are bright. A mechanised wood workshop combined with a saw mill is coming up shortly at Kimin in the foothills of the Subansiri district. This first mechanised industry in Subansiri is the result of Apa Tani-entrepreneurs whose skill in indigenous irrigation has baffled the specialists. The Arunachal administration has offered material assistance and technical guidance to the people in this regard. A mechanised rice milling unit is also coming up at Ziro. The necessary licence of starting the rice mill has already been issued. A local enterprising Apa Tani, Mr Dusu Dole, who is starting the mill, is being given an industrial loan of Rs 20,000 by the administration for this purpose.

Since the supply position of electric power is not encouraging in Arunachal at present, there is scope for diesel engine operated saw mills. To start with, three units may be located at Domara and Sejusa, in Kameng district, and at Namsang, in Tirap district. Electric power is available at certain places. I

view of this, there is scope for one or two small size saw-mills at present. These can be located at Ziro, Daporiji or Bomdila.

An automobile workshop, the first of its kind in the private sector in Arunachal, is coming up. This is in Siang district. Mr Tamar Basar of Along, who has been given the licence to set up the workshop with servicing facilities for vehicles, is another entrepreneur from the tribal community of Adis. The administration has sanctioned a loan of Rs 20,000 to Mr Basar for this workshop-cum-servicing station. The project is expected to provide employ-

ment to about 35 mechanics all of whom will be trained in automobile repairing and servicing.

Banking is one of the prerequisites for establishing industries in any area. Arunachal was without banking facilities till recently. The opening of the first branch of the State Bank of India at Pasighat on December 21, 1970, marked a new era in the economic life of the people of Arunachal. The authorities of the State Bank have decided to establish a number of branches of the bank in different parts of Arunachal. These branches are being opened at the district headquarters and subdivisional

headquarters. The branches at Ziro and Bomdila, opened in 1971, are rendering effective service to the people.

A spirit of co-operation is inherent among the tribal people of Arunachal. The Adivasis have held together the fabric of their social and cultural life by co-operation alone. Take the case of their *Midi-Padam Cooperative Gari Koret*—the transport co-operative society of Roing. The society was formed on May 22, 1960, with as many as 124 local people as members. Its share capital was Rs 9,380. The objective was to help solve the transport problem faced by the people while going to Sadiya from

Roing and vice versa. A bus was purchased with a loan of Rs 17,000 granted by the administration. The society's profit has risen from Rs 10,873.78 in 1963-64 to Rs 30,018.80 in 1970-71. The depreciated value of the movable and immovable assets of the society now stands at Rs 1,48,712. All the office-bearers of this co-operative are tribal people. This augurs well for any co-operative enterprise in Arunachal.

Electricity holds the key to industrialisation. Rightly therefore, the Arunachal administration since its inception in 1954 gave top priority for the generation of electricity with the help of diesel sets. These efforts were followed up by investigation and commissioning of hydro-electric projects. The first hydro-electric station in the territory has been inaugurated at Kalaktang recently, an interior circle headquarters of Kameng district.

The advent of electricity in Arunachal took place in the second Plan period. Six generating sets producing 250 kws of power were installed at different places. This was supplemented by 220 Kws of additional power by installing more diesel sets later. So far 28 district and subdivisional headquarters and administrative centres have been electrified with the help of diesel sets. Bomdila, Hapoli, Along, Khonsa, Margherita, Roing, Tezu and Pasighat are electrified. The difficulty in transporting diesel oil and virtual suspension of air-dropping operations during the monsoon months have turned the attention of administration to the investigation of the electric power potential of Arunachal. The territory has got 40 per cent of the hydro-electric power potential of entire India. Micro-hydel stations are being established at Anini (100 Kw), Basar (60 Kw), Dirang (100

Kw), Pasighat (200 Kw), and Rahang (450 Kw).

A pilot hydro-electric scheme was launched in the Dirang village in 1957 in Kameng Frontier District for producing a small amount of power by making an improvised pelton wheel, the type villagers use for their grinding mills. The shovels used in excavating the earth came rather handy and were fixed round a wooden drum which when rotated under the pressure of a jet of water, ran the generator through a system of pulleys and belts to yield power. The local villagers collected nearly 200 wooden poles for transmission lines on self-help basis. Thus, with the co-operation of the people, the village was electrified at as low a cost as Rs 5,000. The Gumpa was the first place to be thus electrified. This demonstration unit is generating four Kws of power and a small sawing machine is being run, besides lighting the streets.

The first hydro-electric project at Kalaktang has gone into production. It produces 20 Kws of electricity which helps the village and the surrounding areas in street lighting and running small machineries. When all the hydro-electric projects are completed and start supplying power to the maximum capacity, the receipts will be quite handsome. The hydro-electric potential of the Brahmaputra and its major tributaries flowing through Arunachal has been estimated at 8,175,000 Kws at 60 per cent load factor.

Arunachal offers excellent natural possibilities for the establishment of energy-intensive industries such as heavy water and nitrogenous fertilisers through electrolysis for which electricity and water are the only raw materials required. The desideratum is more and

more power generation. The demand for heavy water is likely to go up to 200 tonnes with the commissioning of the Kalpakkam and Rana Pratap sagar nuclear power stations.

The scope for mineral-based industries in Arunachal is yet to be ascertained. A number of minerals are said to exist in the territory, but no systematic exploration has been undertaken. Coal is reported to be there in all the districts of Arunachal. Lignite, peat, limestone, iron ore, copper and nickel formations, have been reported from some of the districts. The workability of these deposits is under examination. An 'Operation Hard-rock' may prove to be fruitful in Arunachal. As Dighboi is the oldest centre of oil drilling, we cannot rule out the possibility of finding oil in the adjoining Arunachal. An intensive search for metals and minerals is called for.

The local tribal people are yet to learn modern technical skills. Only one Adivasi has qualified himself so far as an engineer. There will be no difficulty in recruiting the necessary personnel from other parts of India as the industries proposed to be established in the territory are of a rudimentary character. To supplement the manpower requirements, the government of India has sanctioned a scheme for the resettlement of the agrarian community of ex-servicemen in Arunachal. The first settlement has already started functioning since March, 1969, at Seijosa, in Kameng district, where 133 families from Punjab, Uttar Pradesh and Haryana have been settled. The second site has been selected in the Namdepha-Nahadihing area of Tirap district in the extreme eastern part where ex-servicemen from Maharashtra, Bihar and Andhra Pradesh will be settled. They will be inducted soon.



TICKETLESS ???

and you are caught !
How embarrassing !
You end up by paying
far more and may even
land up in jail.

IF YOU HAVE ONE...



You are happy
and carefree
during the journey
and save financial loss
to the Nation.



Northern Railway

Fifty years of Delhi Industry

TEJ B. KUMAR

WHEN Delhi should have celebrated its industry's silver jubilee in 1947, this 575 sq. mile territory could lay claim to only 200 industrial units. Even these 200 units would not have been established had there been no World War II. The pre-independence Delhi has no lively story to tell about its development and growth—may it be industrial or otherwise.

The capital of India saw its first industrial unit come up as late as 1922—exactly 150 years after the famous Industrial Revolution in England. The pioneering unit was a factory meant for the manufacture of lametta. This

was followed by the establishment of the first metal factory in 1931. Thereafter, came up a modern textile mill in 1932 and an acid factory in 1934. Several small industries manufacturing chalk, crayons colours, pencils, paints, varnishes, glasswares, fruit juices, silk and woollen piecegoods also forged their way ahead side by side. This was all what Delhi could boast of prior to the World War II in terms of industry.

But during and after World War II the industrial growth of Delhi received a spurt as there was a great need for the manufacture of consumer goods and defence stores. By 1939, the

number of industrial units in Delhi had swelled to 111. By 1947, their number had nearly doubled. While talking of the number of industrial workers those days, the estimate is that in 1939 they were about 17,000. This number approximately doubled by 1947.

The independence of the country in 1947 was the harbinger of industrial growth for Delhi. The heavy influx of displaced persons from West Pakistan, as a sequel to the partition of the country, gave a silent yet effective start to the so-called industrial revolution in Delhi. A large number of small factories emerged in every nook and corner of the city,

in lanes and bylanes, in residential houses and on road berms without caring for any planning norms.

Today Delhi has over 25,000 industrial units with near about 200,000 workmen. It would be hard to believe that these small units are engaged in the manufacture of an amazingly vast variety of goods, ranging from radio transistors and other electronic items to lathe machines and grinders and from sanitary goods to handloom products and handicrafts. The electronics industry in Delhi has emerged as the very backbone of the region. It is estimated that foreign exchange to the tune of Rs 12 crores a year must be the present export target of Delhi industries having ample potential for sending their goods abroad. Such industries could be classified as handloom fabrics, handicrafts, cycle parts, machine tools, sanitary items, electronics and sewing machines.

With about 25,000 industrial units, Delhi at present has five factories in its every sq. mile.

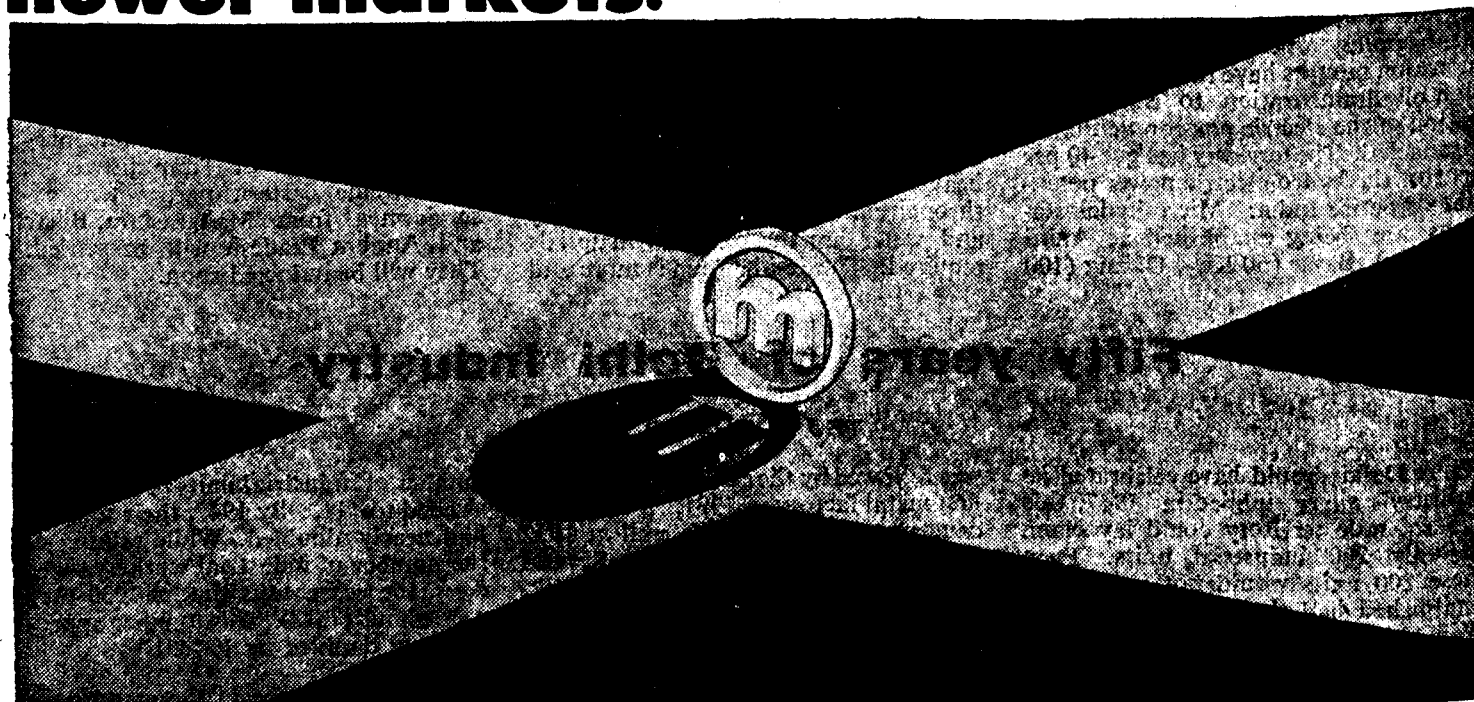
The industries in Delhi are going to complete this year 50 years of their survival and development. During this period, they have seen slow and fast growth coupled with certain crises which at times have turned out to be blessings in disguise.

The industrial growth of Delhi after 1947 has really been remarkable. The setting up of industrial estates like the one at Okhla, about five miles south of India Gate, is by far one of the greatest achievements and experiences of the union territory. The Okhla estate is an industrial enclave humming with activity. The workshops of all industries have been provided with modern equipment and machinery. Products from press buttons to machine tools and radio transistors to TV sets are being manufactured in this complex. The other industrial areas in Delhi which have emerged in the wake of the influx of people from outside to Delhi include Najafgarh Road and Shahdara. Apart from these areas, industrial units have forced their way into the congested residential areas,

especially after the partition as the refugees had no other alternatives but to set up small industries in their houses. This has posed no small problems.

The 20-year period starting from September, 1962, and ending in 1981 is devoted to a planned development of the Union Territory of Delhi. There is a gigantic Master Plan to look after the planned needs of Delhi in terms of residential accommodation, and setting up of industries and commercial centres. These needs are based on the local, zonal and overall population requirements. The Plan aims at taking out such hazardous industries as may be harmful to public health and well-being from the residential areas to new planned industrial colonies on the outskirts, of the metropolis. Nearly 18 new industrial areas have been developed by the Delhi Development Authority and hazardous industries are being asked to shift to these areas. Emphasis is also being placed on the expansion of industrial units.

we are at the crossroads- to bigger things and newer markets.



Mysore Sales International Limited, a young and dynamic organisation, has successfully made its presence felt in the diverse and difficult task of marketing.

Our organisation is equipped to face any challenge in the field of marketing, any product, consumer or industrial, any entrepreneur, in the public or private sector.

We have the resources and the manpower to make a dynamic success of your selling enterprise.

We can help you explore new marketing vistas for your product in any part of India and even develop overseas markets, giving that added dimension to your turnover which only exports could bring.

M MYSORE SALES INTERNATIONAL LTD.

'Hari Nivas', 36, Cunningham Rd., Bangalore-18, Phone: 28175-6, Grams: 'EXIMSALES'.

Branches:
Arun Chambers, Tardeo Rd., Bombay-34,
10-A Gobind Mansions, 'H' Block,
Connaught Circus, New Delhi-1,
36/37, Thambu Chetty St., Madras-1.

mysore sales international ltd. - fills the marketing gap in a growing economy

The Shape...

...of things to come. Traditionally, mango leaves on a 'KALASH'. Today's omen for the good festive days: Century's range of smart seductive prints. Delectable to wear. Just right to make a cherished presentation. Choose from the newest: Anuradha, Vinodini, Two x Two Monica, Lakes Beauty. Also from Century, a full range of Cotcell-O and Cosy-Cot Shirts, Paramsukh Dhotis, Cambrics, Poplins, Voiles, Dorias, Bleached Long Cloth and fabrics for all the family.



**THE CENTURY
SPG. & MFG. CO. LTD.,
WOLLI, BOMBAY-25 DD.**

**CENTURY
SAREES**

Century - For 100% cotton textiles



The battle is on...

Ever since the achievement of freedom on the 15th August 1947, we have been waging a war on poverty, ignorance, disease and social inequalities. Through unity, perseverance and hard work, we endeavoured to surmount natural and national calamities and we are marching ahead towards the realisation of our cherished goal, and in the process in Maharashtra:

- Food production potential has gone up to 81 lakh tonnes
- 3,78,000 hectares of land have been distributed to the landless.
- Irrigation potential has increased to 17,27,000 hectares.
- Number of factories has gone up to 31,400
- Number of villages electrified has gone up to 13,100
- Number of educational institutions has gone up to 60,363.
- Length of roads has increased up to 64,212 Kilometres.
- Number of hospitals and dispensaries has gone up to 1,395.
- Rs. 20 crores have been spent on relief measures and legal loans to meet the scarcity conditions in about 23,000 villages in affected 21 districts from April 70 to July 71. About 11 lakh workers are provided employment daily on scarcity works.

But the war has not ended as yet. We have to continue the struggle with greater vigour until the basic necessities of life such as food, clothing, shelter, education and health of the weakest in the society are met and prosperity based on equality is established.

Let us resolve, on this auspicious occasion, 15th August to rededicate ourselves to the task of accomplishing our objectives.

THE DIRECTOR OF PUBLICITY, GOVERNMENT OF MAHARASHTRA, BOMBAY

KORES
(INDIA) LIMITED

Stencils - Carbon Papers - Typewriter Ribbons - Duplicating Inks - Teleprinter Rolls

FOR OFFICE ACCESSORIES



Kores (India) Limited, Post Bag No. 6338, Plot No. 18, Off Malabar Road, Worli, Bombay 18, W.B.

RECORDS AND STATISTICS

Indo-German Collaboration

THE INDIAN economic delegation, which visited West Germany in October last, observes in its report submitted to the government of India on January 15, 1972, that there are good prospects for the promotion of Indo-German trade and collaboration in the industrial field. Headed by the President of the Federation of Indian Chambers of Commerce and Industry, Mr S. S. Kanoria, the delegation made this visit to West Germany to continue the dialogue initiated here between the two countries two years ago by the delegation of German industrialists and bankers which was led by the Chairman of the Deutsche Bank, Dr Hermann J. Abs. Reproduced below are excerpts from the Kanoria delegation's report.

Meagre Trade

German private investment in Indian industries is not even one per cent of its overseas investment. In fact, in the last two or three years the figure has dropped sharply from the average of about Rs 15 crores per year between 1965 and 1968. Out of the total 371 existing collaboration agreements, 114 were financial and technical, and the remaining 257 were purely technical. The share of Germany in the long-term foreign business investment in India was only 6.5 per cent while the UK accounted for 40.5 per cent and the USA for 27.4 per cent. It is worth noting, however, that the decline in foreign capital investment in India is not confined to Germany alone. Although up-to-date figures are not available, it is clear that there has been a general decline in the inflow of foreign private investment in India in the last three or four years. It is not necessary to go into the reasons as to why this is so. Some of these could be found in the report of the Abs Mission.

The discussions the delegation had with German businessmen indicate that there is greater interest in India now than in the recent past. The political stability, the green revolution and the strides that the Indian industries have made have rekindled this interest. By and large, Indo-German ventures have proved successful and have given the German partners satisfaction and confidence in the ability of their Indian counterparts. The profitability of these joint ventures has been good. India has developed a competent managerial class, technologists and technical personnel. It has an abundant labour force and an unlimited market. The dele-

gation, therefore, believes that despite the existence of some features in the Indian situation the general picture that emerges is quite conducive to mutual co-operation and collaboration. In this connection the delegation would like to make the following suggestions to our businessmen who seek collaboration:

1. The schemes they select for collaboration should be well chosen.
2. The schemes should be packed by proper market surveys.
3. These should fit in the priorities and broad framework of India's developmental requirements.
4. The Indian party should have sound business and management capability as also knowledge of various rules and regulations operating in this country.

The delegation has reasons to believe that while the larger industrial groups in the Federal Republic of Germany continue to be interested in India, quite a number of industrialists in the middle ranges are also willing to invest and collaborate. In fact, it would appear that the latter group now shows greater promise.

Some suggestions that the delegation would like to offer in this connection have been given in the paras (at the end) entitled "Summing Up". As to the items which offer scope for technical and/or financial collaboration the following paragraphs dealing with "Indo-German Trade" and "Collaboration in Third Countries" give some idea.

Adverse Balance

India has a chronic adverse balance of trade with the Federal Republic of Germany. The net German aid to India is also falling off rapidly. The only way the mutual trade can be brought into somewhat of a balance is by increasing India's exports to West Germany. Common ground on which this could be made possible was, therefore, explored. India has a large labour force. It has an adequate number of engineers and skilled workers. Their productivity in relation to wages is good. The findings of the Mitsubishi Mission which visited India earlier this year confirm this. On the other hand, Germany has been importing 2 to 2.2 million workers from various neighbouring countries such as Yugoslavia, Italy, Spain, etc.

This imported labour force creates its own problems—problems of social tension, pressure on available amenities of life, flow of funds, etc. Both the German government and industry are aware of these problems and would not be averse to the idea which would lead to gradual elimination of more labour-intensive processes in their industrial production and establish tie-up arrangements with countries where on account of plentiful labour supply, these items could be produced both for domestic consumption and for feeding export markets. India with its large base of industrialisation, is ideally placed to meet those requirements of the German industry. Moreover, when Indian government provides special incentives to industries which are predominantly export oriented.

The experiment initiated under the Indo-German Engineering Export Promotion Project is worth noting. This project was initiated as a pilot project and has been in the field for the last four years. It has achieved partial success.

Good Scope

The delegation believes that the following items, which were covered by the scheme offer good scope for exports to Germany:

1. Machine tools.
2. Precision tools.
3. Jigs, moulds, tooling and dies—designing and production.
4. Bicycles and components thereof.
5. Automotive components.
6. Electronic components.

Most of the above items require a comparatively larger input of labour and, therefore, are well suited for the tie-up arrangements referred to above. In India the production of most of these items is well developed—and in many cases with German collaboration. The products of these industries are of proven standards and quality and have been readily accepted by the Indian automotive and other industries. The delegation believes that there is a good scope for developing export markets for these components and ancillary products in the German and even in third country markets.

The demand for these products can arise from two sources—

1. To meet the replacement demand, and
2. To supply the requirements of manufacturers themselves.

The delegation believes that even the replacement market offers very wide scope. Taking the case of Germany

alone, it is turning out about four million vehicles per year. The replacement demand for components and parts for these vehicles can be well imagined. It is perhaps less difficult to cater to this demand than to the demand which may be developed by making tie-up arrangements with the manufacturers of original equipment. In the latter case there are problems of regular and large-scale production and of timely deliveries to computerised manufacturing lines. It is not as if these difficulties cannot be overcome but they will certainly require a much greater organisational effort than perhaps will be involved in catering to the replacement market requirements. However, in both cases salesmanship of the highest order is called for. In fact, the salesmen will have to work from within Germany, set up their sales organisations or agency arrangements and even provide warehousing facility from where supplies could be effected readily.

Important Area of Profit

Another important area which could bring good value and profits are jigs, tools and fixtures which are highly labour intensive. Tool making machinery is available, but still there is a lot of hand work, designing and engineering work involved. India has abundant skills available for designing, developing and making moulds, dies, jigs and fixtures which would fetch very attractive value in Germany.

Practically every large industry in Germany has its training schools. The local machines are expensive investment for the training of apprentices. Indian machine tools, well finished but not very expensive and produced by less known machine manufacturers in the medium and small-scale sector could be supplied for such purposes.

Germany is an affluent and sophisticated society. Indian fabrics and Indian designs have been mostly catering to Boutique lines and fashions which generally are short lived and inexpensive. Ready-made garment market for gents suits, trouser, shirts, jeans etc., is a multi-million market. India should be able to cater to this market.

There is a good deal of indirect export of tea and coffee which is blended and packed in smaller packs in London and then exported to Germany. The delegation recommends that the Tea Board and Coffee Board should set up their own organisations in Germany to blend and pack tea and coffee by joining hands with known importers of tea and coffee in Hamburg.

India also offers good scope for the

establishment of industries mainly on its sea board, especially to meet the demands of export market. These industries are essentially those which may have a comparatively larger import component and may require equally large labour input. For the establishment of such industries, the government of India should offer free trade zone facilities at convenient points on our extensive coast-line.

Some suggestions that the delegation would like to make to enlarge Indian exports to West Germany are:

1. Continuous market research and aggressive salesmanship.
2. Assurance of timely deliveries, strictly according to standards and specifications. This is perhaps the most important factor on which, inspite of favourable experience in recent years, the German importers, particularly manufacturer-importers, will still need to be convinced.
3. As most of the items mentioned above will require raw materials which may have to be imported for quite some time to come, government should ensure that these would be made available to Indian industries at international prices.
4. Indian exporters and/or manufacturer-exporters should develop warehousing facilities in West Germany.
5. They should also be enabled to establish agency arrangements on prevailing commercial terms.

The aspect of aggressive salesmanship cannot be over-emphasised. It is necessary, therefore, that visits of businessmen to explore markets to set up agency arrangements, warehousing facility, etc., and to settle claims in cases of disputes should be encouraged rather than subjected to meticulous and avoidable scrutiny.

Collaboration in Third Countries

The same considerations as outlined above apply to the idea that was mooted repeatedly for working out partnership arrangements for setting up industries and for supply of infrastructural materials to third countries. The Germans could see the point made by the Indian delegation that with the technical and managerial skill that had been developed in India, it should be possible for Indian industries to supply matching equipment of a complementary nature to third countries such as in contracting

arrangements either for the setting up of hydro-electric works, communication systems and other industries. It was realised that with the services of Indian engineers and draughtsmen, backed with suitable equipment which could be fabricated in India at lower cost, there were considerable possibilities. To begin with, this could be done in collaboration with such firms in India which had some experience of setting up joint ventures in third countries and had already supplied equipment on a large scale. It was stated that India had nearly 100 collaboration arrangements in foreign countries, 28 of which were already in operation and were doing quite well. The Projects and Equipment Corporation of India, which has been set up as a subsidiary to the State Trading Corporation of India, is also suited to handle such projects.

To Mutual Advantage

It was suggested by the Indian delegation that it would be to our mutual advantage if Germany and India could work together in undertaking complete projects in developing countries—India supplying labour-intensive equipment and trained personnel. India would be a natural partner in such ventures as it has both the capacity and the manpower to supplement what Germany needs to make its bids more competitive. Under this arrangement, Germany could supply the technical know-how and the more sophisticated equipment and the Indian partner could be entrusted with the simpler and more labour-intensive items. Germany has already helped us in putting up several plants in India where part of the equipment has been indigenously manufactured. A large number of Indian skilled workers and engineers have been trained in German factories and they are fully acquainted with German specifications and methods of work. It should be possible for the German industrialists to make use of them in undertaking turn-key jobs in third countries. Examples of areas in which such collaboration could be fruitful are—

1. Chemical plants.
2. Refineries.
3. Sugar, cement and paper plants.
4. Textile machinery and plants.
5. Steel and metallurgical plants.
6. Power projects.
7. Transport and communication systems, and
8. Process plants and equipment in general.

Each case will have to be examined on its own merits to see in what manner collaboration between the two countries could be made most effective. This list is only suggestive and surely

several other projects can be included when the matter is examined in greater detail.

With regard to the question of financing of such projects, it was indicated that if credit facilities are required, Indian financing institutions could perhaps provide funds for the portion of the equipment which was to be supplied from India, provided the project was sound and normal guarantees were

available. The German share of the project will have to be financed by that country on terms similar to those offered by India.

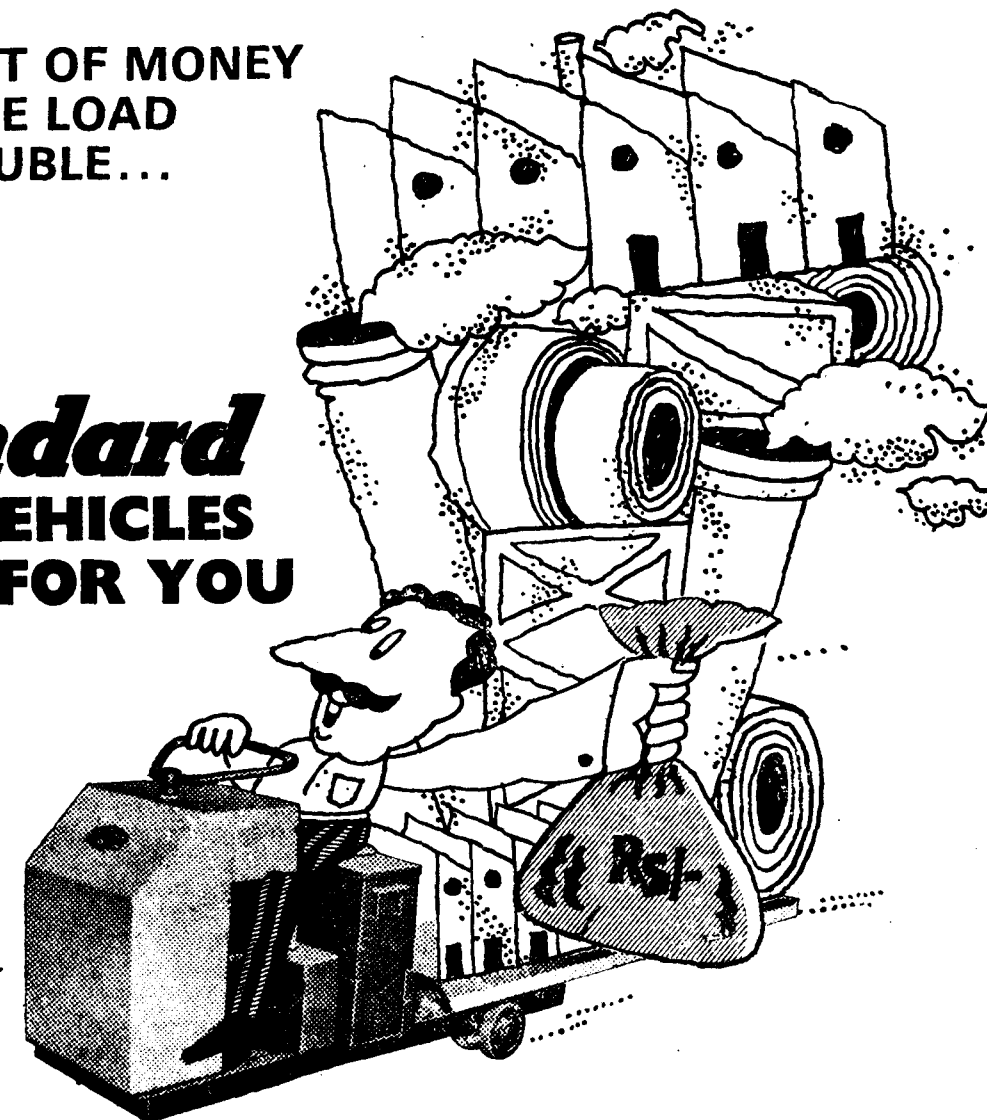
This proposal was received with considerable interest by the German Chambers of Commerce and by some of the leading industrialists. It was suggested to them that on the Indian side the Projects and Equipment Corporation could act as the focal point for

bringing together suitable Indian parties for different types of projects and if a similar organisation could be nominated in Germany for locating German entrepreneurs who would be interested in collaborating with India, it would be possible to work out details of specific projects which could be handled together in third countries. Such preparatory work would help in reducing the time required for submitting quotations for projects required in third countries.

SAVE A LOT OF MONEY
AND A WHOLE LOAD
OF TROUBLE...

GET *Standard*
ELECTRIC VEHICLES
WORKING FOR YOU

Now available on
D.G.S. & D. Rate Contract—
'Standard' electric truck.



Why put up with the noise, the fumes, and all the nagging maintenance worries of petrol or diesel powered vehicles when you could be using STANDARD ELECTRIC VEHICLES?

Electric vehicles cost only 1/3 as much to run as other powered vehicles. They don't make a noise, fume or vibrate; their solid and simple design makes for easy maintenance and unrestricted manoeuvrability; and this means they last longer—you can reckon on 50% longer life expectancy.

And if your vehicle is in Bombay, you get a BONUS advantage with STANDARD—we'll service

your vehicles free for one year. But wherever you live, our factory trained and experienced personnel will service your vehicles and batteries at the same time, to save you the bother of two separate operations. So wake up from the vehicle nightmare with STANDARD's range of electric vehicles. They are made to cater for any load up to 3 tons and there is a whole range of trucks and tractors to choose from.

For further technical and engineering information, write to: The Commercial Manager, The Standard Batteries Limited, Vakola, Santa Cruz, Bombay 55 AS.

The German Chambers of Commerce and Industry agreed to locate such parties and suggested that the services of agencies like the German Consulate and the German Trade Information Services would also be available for this purpose.

Joint Committees

The need to improve the existing arrangements to intensify the co-operation between trade and industry of the two countries had been recognised even at the time of the visit of Abs Mission to India. This matter was again discussed by the delegation. It was decided that two committees for the promotion of Indo-German Industrial and Commercial Co-operation should be established—one in Germany under the auspices of the Federation of German Industries and the other in India under the auspices of the Federation of Indian Chambers of Commerce and Industry. The objectives of these committees would be—

- to strengthen further and multiply contacts between Indian and German business communities,
- to exchange information in both directions,
- to study specific problems of interest to both sides, and
- to provide points of contacts between the two countries and their respective governments.

These committees would hold joint meetings from time to time as necessary. The permanent link between the two committees would be provided by the secretariats of the BDI and the FICCI. The two sides agreed, as a starting point, to deal with the following subjects:

- Co-operation in third countries,
- partnership in labour-intensive industries,
- intensifying direct trade between the two countries.

Summing Up

Summing up its recommendations for fostering Indo-West German economic co-operation, the delegation says:

The agricultural breakthrough in India, its vast market potential and

political stability have rekindled interest among German businessmen and industrialists in India's economic development.

Strides that India has made in the industrial field, particularly in sophisticated engineering and chemical lines, are impressive and India is no longer regarded as a producer and supplier to traditional goods only.

German private investment abroad averages between Rs 5,000 (DM 2439.8) and Rs 6,000 (DM 2928) million per annum, of which India receives barely one per cent. There is no reason why more cannot be attracted to India. The delegation feels that given sound schemes backed by experienced parties German firms would invest and collaborate.

There are many areas in which the German and Indian industries could complement each other, both in their own respective markets and in third countries.

In some lines, production facilities could be better established in India to cater for the requirements of German industries, replacement needs of their consumer durables and for feeding similar markets in third countries.

Subcontracting

There is scope for participating in project development and sub-contracting by India in other developing countries. German industrialists are willing to collaborate in this field.

Within the broad framework of government of India's policy in regard to foreign capital and technical know-how, there is scope and need for a more positive approach, greater flexibility and for giving the foreign investor a feeling that he is welcome in India.

Delays in the clearance of proposals involving foreign collaboration need be reduced to the minimum. Some procedure should be devised whereby various issues involved are considered and disposed of, as far as possible, simultaneously rather than in stages.

It will help to clarify that dilution of foreign capital is applicable generally to historical cases only.

The obligations with regard to compulsory exports should be applied with a certain degree of flexibility in view of the practical difficulties in several cases.

As foreign technical collaboration is

now permitted only in highly sophisticated industries the limit with regard to initial approval for five years only may be relaxed in suitable cases on merits.

Government should take a more liberal attitude in regard to permitting foreign senior managerial and technical personnel in limited numbers to be stationed in India wherever the foreign investor wishes to have men of their trust and confidence.

For speedier disposal of joint venture proposals in their countries and for sub-contracting government should set up an appropriate machinery to take an overall and co-ordinated view and to expedite various clearances. As there is great scope for the same, promotional efforts should be made to achieve positive results.

Speedier Disposal

Towards developing predominantly export-oriented manufacturing facilities to cater to the requirements of industries and for replacement demand in Germany and third countries for German mother equipment, more free trade zones should be established on Indian sea board.

A policy decision should also be taken to make available to such industries, which are not in the free trade zones, raw materials at international prices.

Businessmen should be encouraged to explore markets and undertake aggressive sales promotion. Foreign exchange should be allowed liberally:

- for visits abroad;
- to set up agency arrangements, and
- to set up warehousing facilities.

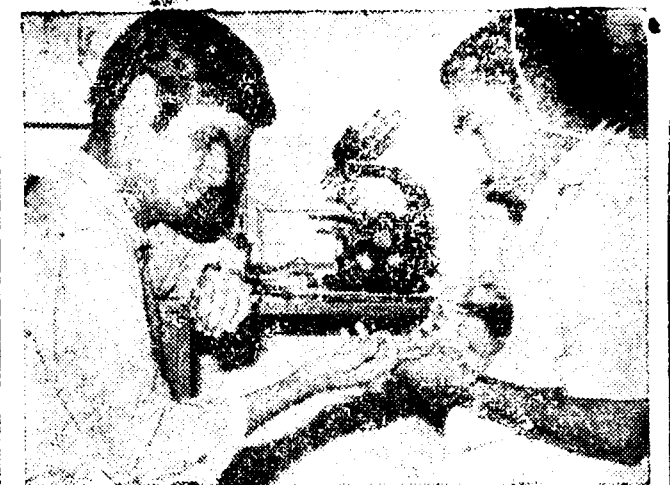
Exclusive exhibition of Indian products should be organised in some important centres in West Germany and the industrial image of India projected more actively.

Delays in the remittance of dividends to foreign partners should be avoided.

The double taxation agreement between the Federal Republic of Germany and India should be re-negotiated to enable German investors to get the benefit of various reliefs and concessions available to industries in India.

Gopal works for Century Rayon 8 hours a day

Century Rayon looks after Gopal the other 16 hours



Gopal is one among 7000 workers at Century Rayon. He works an 8-hour shift. When he's off duty, Century Rayon strives to keep him off the everyday worries.

Like lunch-break, for example. He doesn't have to worry if his food has not arrived from home. He gets his at the subsidised canteen. A wholesome meal at a fraction of its cost.

After work hours, Gopal returns home—a subsidised house in the Century Rayon Colony, to have his family under a roof. The next-to-factory colony also saves him the bother of transportation.

Medical help is within a 'calling' distance. Leisure finds Gopal & his family playing indoor or outdoor games. Or, watching a movie with the family, once a week. Courtesy: his welfare club. So the next day, Gopal returns to work a happy man.

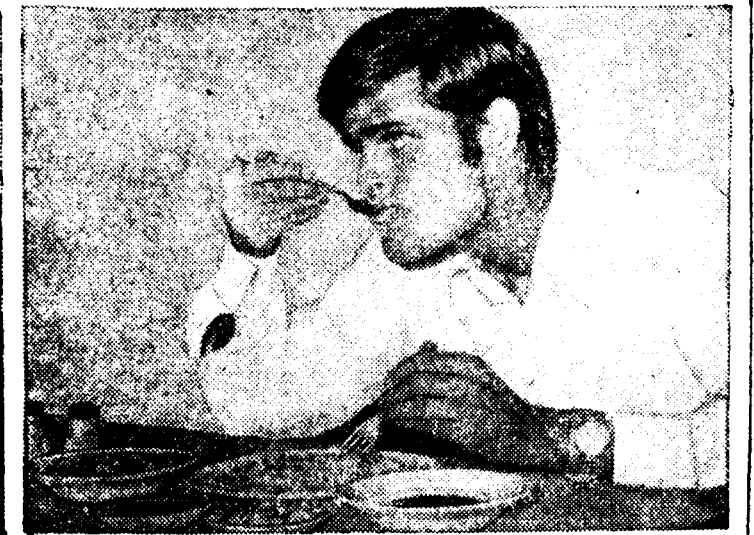
It takes a lot more to keep Gopal and his 6999 colleagues happy. During the 16 hours they aren't working.

Belief of Century:
a happy worker is a happy company.



Century Rayon

Industry House, 159, Churchgate Reclamation, Bombay-20.





meet the
go-go
executive

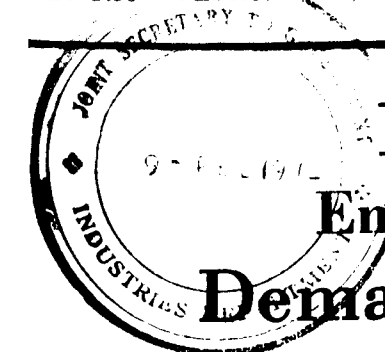
He is the man of the town on a spending spree...
He manufactures a wide range of high quality Nylon
Fabrics. He is confident his profits will rise higher and
higher each year.
He is able to afford every luxury...
He earns more and likes to spend more.
Money is coming his way so often that he can buy
many more things.
All this prosperity because he uses finest Nylon yarn
manufactured at Modipon.

modipon
MAKES BETTER NYLON YARN

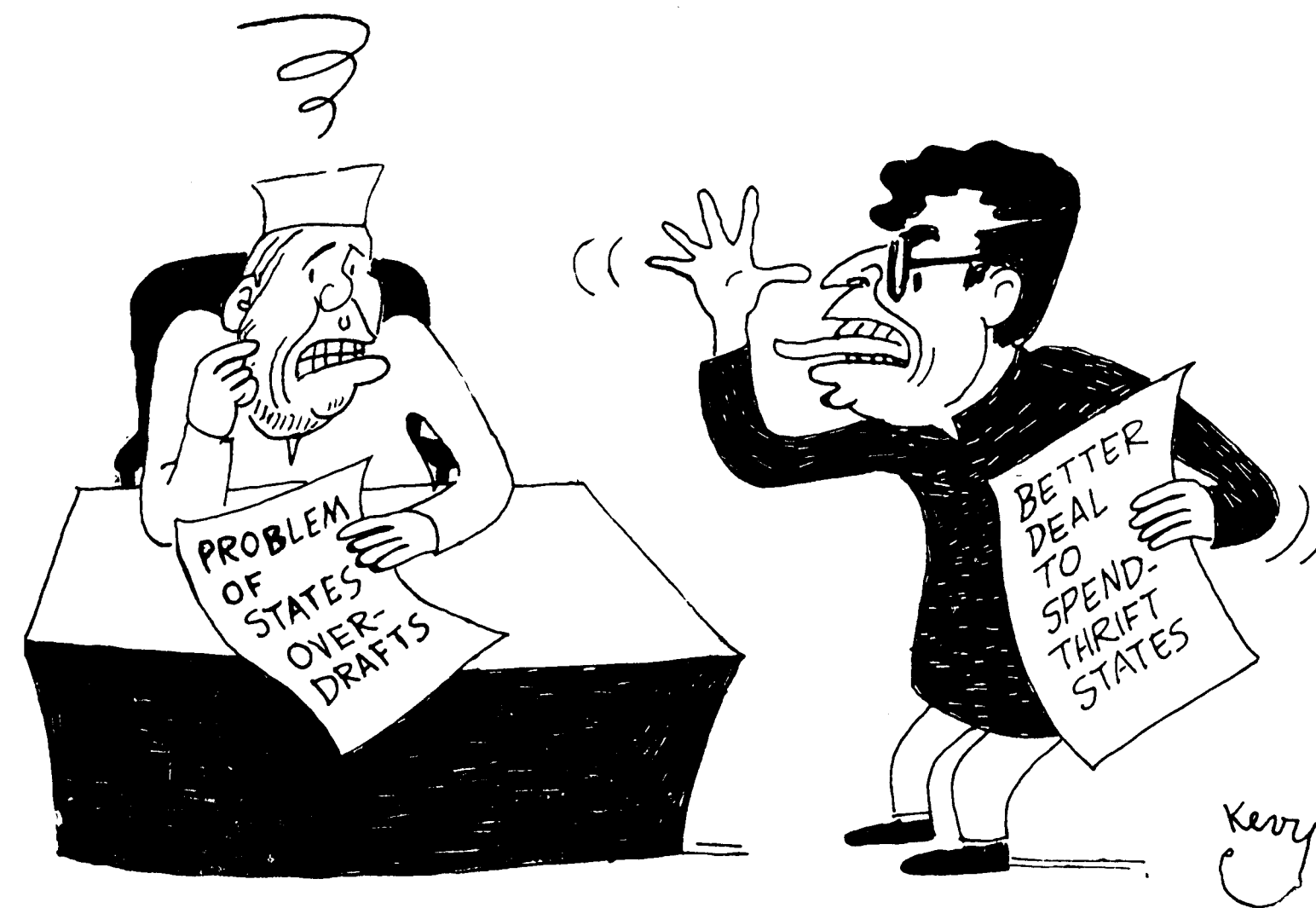
MTS/ADS

EASTERN 5 ECONOMIST

EES 1.50 FEBRUARY 4, 1972 VOL. 58



Double Talk on Aid
Encouraging Foreign Investments
Demand for Chemical Fertilizers
Tour of the USSR



Kerry

Planning for Pandemonium

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

**manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood**

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

FEBRUARY 4, 1972

Double Talk on Aid	177
Encouraging Foreign Investments	178
Towards More Production	179
Demand for Chemical Fertilizers —I.J. Singh and D. Ramakrishnaiah	183
Nobel Laureates of Economic Science —Dr V.T. Naidu	187
WINDOW ON THE WORLD	189
Tour of the USSR, Czechoslovakia and Portugal.	
Australia: Riding High.	
TRADE WINDS	194
Awards for Exports; Republic Day Awards; Release of Wheat; Annual Plans; Trade with Bhutan; Indo- Mauritius Ties; Synthetic Detergents; Olefins Project; World Bank President; Bhilai Expansion; FICCI and Self- Reliance; Export of Mica; Car Prices.	
COMPANY AFFAIRS	197
Ashok Leyland; Keshaw Vanaspati; Haryana Steel; Tata Chemicals; India Tobacco; Unit Prices; Licences and Letters of Intent.	
BOOKS BRIEFLY	201
Unemployment Problem in Asia; Books Received.	
COMPANY MEETINGS	207
Sudarsan Trading Co. Ltd. Ashok Leyland Ltd.	
RECORDS AND STATISTICS	212
Economy's Uneven Performance in 1970-71.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

DOUBLE TALK ON AID

SOME TIME ago the Minister for Planning was reported in the press to the effect that, even if the US government were to offer to resume economic aid to this country, the government of India might well choose not to have anything to do with it. This report has not been contradicted so far either officially or otherwise. Therefore we presume that Mr C. Subramaniam is planning to act in terms of a mandate which he might have received from the voters of Krishnagiri to reject American development assistance on the least provocation.

Whether the Planning Minister was anticipating a government decision or was being simply a little more enthusiastic about national self-reliance than some other eminent persons, politicians or others in our country, is a question which is somewhat less important than the known fact that persons in authority, from the Prime Minister downwards, have lately been busy casting doubts on the value of development assistance as such. In the circumstances it is rather amusing to find that so much of the Indian tax-payer's time was spent by the government of India on discussions with the President of the World Bank when he was lately in New Delhi. Besides the Secretary for Economic Affairs in the Finance Ministry, the Minister for Planning and even the Prime Minister had long talks with Mr McNamara.

It is reasonable to assume that these talks were not devoted to educating the visitor on the harm that foreign economic aid has done to our development processes. It will also be safe to believe that Mrs Gandhi and Mr C. Subramaniam did not use their time with the President of the World Bank to persuade the latter to disband the Aid India Consortium. As a matter of fact, published accounts of these talks go to show that the government of India continues to expect the World Bank to go on performing its well-known task of supplementing the resources of external finance of developing countries. Mr McNamara, himself, speaking to newsmen in the capital, indicated that he was confident of World Bank assistance to India being both wanted as well as available in the future as in the past.

In these circumstances there is clearly a great deal of double talk if not double think in New Delhi about foreign development assistance. We had made it clear in recent issues of *Eastern Economist* that we would welcome an increase in the importance of the role of development aid through international agencies or of foreign private capital *vis-a-vis* bilateral inter-governmental aid agreements. From this point of view the attention given to Mr McNamara in New Delhi was wholly satisfying, although it was not clear whether the government of India is yet mature enough to adopt a realistic policy about promoting foreign capital. But what we cannot appreciate was the emotionalism of the attitude of the Prime Minister or lesser men in government towards foreign development assistance even as the entire government establishment was getting ready to pay court to the President of the World Bank. It is to be hoped that the Prime Minister or her advisers are not labouring under the illusion that the World Bank or its affiliates could find resources for financing development except with the goodwill and indeed active co-operation and participation of the governments of its more affluent member-countries. The capacity, for instance, of the International Development Association, an affiliate of the World Bank, to render 'soft' loans to developing countries depends very considerably on the willingness of the US government to commit aid dollars to this institution. It is therefore high time that the Prime Minister and the Planning Minister had realised the injury that they are doing to the government's credibility by declaiming against foreign aid with more rhetoric than reason or sincerity.

Encouraging Foreign Investments

PERIODICAL DIALOGUES with prospective foreign investors in this country and our trading partners abroad are a useful practice, provided concerted follow-up action is taken to tackle the problems thrown up in these dialogues. An economic delegation from here, headed by the President of the Federation of Indian Chambers of Commerce and Industry, Mr S.S. Kanoria, had such a dialogue with the West German trade and industry interests in October last, when it paid a visit to that country in return for the one undertaken in January 1970, to this country by a high-powered mission of West German industrialists and bankers under the leadership of Dr Hermann J. Abs, Chairman of the Deutsche Bank. If the report of the Kanoria delegation, which was submitted to the union government in mid-January, is any indication, either action on our part for allaying the misgivings expressed in the Abs Mission's report concerning foreign investments has been too halting or due publicity has not been given to the remedial steps that we have taken since the visit of the Abs Mission to remove the irritants to foreign investors. Otherwise there was hardly any need for the Kanoria delegation to take so much pains to explain our government's economic policies and the rationale behind them.

The major irritants to the prospective West German investors, according to the Kanoria delegation's report are: (i) the union government's policy towards larger industrial houses and foreign enterprises; (ii) the vexatious and expensive delays in the issue of industrial licences; (iii) the general policy of allowing to foreign investors only minority participation in the equity capital of the ventures set up with their collaboration; (iv) the insistence on the dilution of foreign interest in equity when expansion of a foreign-assisted undertaking is considered; (v) the shortening of the period for royalty payment to five years; (vi) the right given to the financial institutions to convert a part of their loans to an industrial enterprise into equity if the financial institutions desire to do so within a stipulated period of time; (vii) the occasional difficulties which the foreign investors experience in the remittance of profits and capital; and (viii) the restrictions on the employment of foreign managerial personnel in joint ventures.

Although explanations offered by the Kanoria delegation in respect of the ra-

tionale behind our government's policy regarding all these points of dissatisfaction for the foreign investors are generally quite convincing, only time will show whether they carried conviction with the prospective West German investors here. It, however, needs to be stressed that irritations mostly arise in the actual implementation of the policy rather than from the policy statement itself.

For example, one can appreciate the government's desire that the larger industrial houses and foreign investors should interest themselves primarily in the industries which are highly capital-intensive or which belong to the core sector. But one fails to understand why the clearance of the proposals of the above two categories of investors for setting up industrial units in the highly capital-intensive and the core industries sectors should be inordinately delayed. Similarly, every industrial unit, once licensed, should have an opportunity to expand to the optimum size so that its cost of production can be brought down to the minimum. To deny reasonable expansion to an enterprise on considerations other than economic is hardly conducive to enthusing investors. Such irritants to foreign investors, surely, have to be obviated.

Some of the misgivings of the West German investors, however, are not very tenable. These include: (i) participation in joint ventures generally on minority basis; (ii) the dilution of foreign interest in the equity of a joint venture at the time of allowing it large expansion; (iii) the shortening of the period of royalty payment; (iv) the occasional difficulties in the remittance of profits and capital; and (v) restrictions on the employment of managerial personnel in joint ventures.

These restrictions and difficulties are not peculiar to our country. It ought to be appreciated by foreign investors that every developing country has to take cognizance of its socio-political conditions in framing economic policy. The right to become more and more self-reliant and to provide increasing opportunities for employment to its nationals cannot also be denied to any nation. What the foreign investors should be concerned with is the safety of their investments and that these investments yield a reasonable return. Once these two requirements are met, they need not worry much about the

policy restrictions which may have to be there because of socio-political considerations.

So far as the remittance of profits and capital are concerned, this country's record has been quite wholesome. Occasional difficulties might have arisen due to certain unavoidable reasons. Such reasons ought to be appreciated in their true perspective. The vast market that this country offers is a legitimate reason for the shortening of the period of royalty payments, apart from the fact that the scale of production has expanded so vastly in the past two decades that the norms of royalty payment which prevailed in the days gone by are no longer relevant. Some consideration in this regard may be asked for when a new process or invention is expected to become obsolete quickly or when the scale of production in the initial years has to be such that makes the recoupment of the expenses on the research and development effort in a short period an impossible task.

The government of India's policy in these respects, it may be stressed, is not too inflexible. For instance, majority participation in the equity of joint ventures is allowed to foreign investors if a particular case warrants this. Similarly, foreign managerial personnel are not completely barred from employment in joint ventures in the initial stages. The right granted to financial institutions to convert their loans into equity has also been diluted to some extent by the rules framed for the purpose. Loans are compulsorily convertible into equity if they exceed Rs 50 lakhs. Between Rs 25 lakhs and Rs 50 lakhs, the conversion is optional. Loans below Rs 25 lakhs are not convertible into equity. Further, only 20 per cent of the loans are to be converted into equity and that too within a specified time. If the financial institutions are asked to underwrite capital issues, the unsold shares would automatically devolve on them if they are not picked up by the general public. What the foreign investors need to safeguard themselves against is that after the conversion of loans into equity, the nominees of the financial institutions on the boards of the assisted companies should not meddle with their day-to-day functioning.

Some credit must be given to the government for cutting down procedural delays as well as for clearly identifying the areas in which foreign collaborations are desired. If the foreign investors sympathetically view the union government's policies and the socio-economic conditions against which they are framed, several of their

misgivings would be automatically resolved. There is, of course, need for renegotiating the agreement on the avoidance of double taxation between West Germany and our country. Unlike similar agreements with some other countries, this agreement does not provide for passing on the benefit of tax spared by one country to the taxpayer of the other country by way of incentives, by deeming the tax spared as the tax paid by the taxpayer. The result is that if the tax incentives offered by India reduce the incidence of tax of a West German investor below the tax level in West Germany, the West German investor does not benefit by the concession.

The scope for foreign investments in our country is appreciable even though the areas in which they are allowed are limited; we have yet to develop many sophisticated lines of manufacture. Further, as the Kanoria delegation has pointed out, there are several lines production facilities in which can be estab-

lished here by foreign entrepreneurs for feeding their home markets as well as for catering for the requirements of third countries. This is because the labour costs are mounting day by day in the developed countries. The scope for the advanced countries importing components from here even otherwise is good.

It is heartening to note that there is a greater appreciation on the part of West German industrialists of these possibilities than on the part of manufacturers in some other advanced countries. With a view to encouraging such ventures, the Kanoria delegation's suggestions of developing free trade zones on our sea-board for housing such export-oriented ventures deserves sympathetic consideration. Its recommendation that raw materials for predominantly export industries which are not located in the free trade zones should be made available at international prices also calls for a similar treatment.

Towards More Production

WITH THE government's anxiety to eliminate the weaknesses of the agricultural economy and the compulsion to boost industrial production by making the best use of the existing facilities in the public and private sectors, in order to reduce dependence on aid, the Planning Commission has been latterly formulating crash programmes for increasing the output of raw cotton and oilseeds. The deficiencies in these two cash crops alone is accounting for an expenditure of over Rs 200 crores annually on imports either in the form of commercial purchases or under the PL 480 Agreement. There is confidence that the yield of raw cotton can be raised to over 70 lakh bales in a season, after the signs of a breakthrough in 1971-72, while in the main growing areas in Gujarat, Andhra Pradesh and Tamil Nadu, the cultivation of oilseeds is to be intensified. If these efforts prove successful, the base of the agricultural economy would have been considerably strengthened.

What is more important in the present context, however, is the institution of arrangements which will be helpful to the industrial units in the private sector to give of their best. There can be no doubt that the established units will be able to step up their output substantially with easier availability of raw materials and components, the introduction of multiple shift working and the installation of balancing equipment. Strategic expansion schemes will also have to be executed expeditiously

wherever it is found that fresh capital expenditure will be highly remunerative and there could also be a big increase in production within a short period.

The task force to be appointed by the Planning Commission should go into the ethics and feasibility of new schemes of even the bigger houses with an open mind and give clearances speedily. If simultaneously new entrepreneurs too were encouraged the industrial base could be considerably broadened. It is important to bear in mind that the so-called monopolistic position occupied by some industrial units in certain directions will disappear over a period as there is vast scope for further development and in the next decade the rate of progress under favourable conditions will far exceed earlier calculations and past performances.

The balanced development of the industrial economy can, however, come about only if the public sector undertakings are enabled to function more efficiently and the huge investment of over Rs 5000 crores is made really worthwhile. The government would appear to be really worried about the poor performance of Hindustan Steel, Heavy Engineering Corporation, Heavy Electricals, Bharat Heavy Electricals and Indian Pharmaceuticals. The fertilisers units also are functioning inefficiently while there has been bad planning in regard to the pattern

of production of machine tools.

In order to achieve immediate results it has been proposed that there should be an increase in the output of steel of the three units of HSL by 9.5 lakh tonnes of ingots, with Bhilai contributing additionally 2.5 lakh tonnes, Rourkela four lakh tonnes and Durgapur three lakh tonnes. Even so, the rated capacity would not have been utilised to the extent of more than 80 per cent. It is also proposed that the fertiliser units too should make better use of their facilities as the average utilisation is now less than 50 per cent. There will also have to be a streamlining of the working of the heavy electrical units with greater concentration on the fabrication of fewer items of heavy equipment having greater value rather than on a number of items which will result in duplication of effort between the public and private sector units and wasteful employment of costly facilities.

The desired results cannot however be achieved by mere emphasis on maximising production with the existing set-up as there will have to be a better understanding of labour problems, greater attention to the repair and maintenance of existing plant and machinery and the toning up of technical and administrative supervision. There is clearly need for greater autonomy for the giant units particularly for taking important decisions, while there will also have to be a restructuring or regrouping of the different units in order to enable more effective supervision and help constructive and remunerative work.

The proposal to form holding companies with numerous subsidiaries and appoint a panel of experts to examine the functioning of giant undertakings should be a move in the right direction. The idea of forming holding companies to bring about separate functioning of different units through subsidiaries and co-ordinating their activities financially and administratively through an apex unit is not exactly novel. It has been legitimately complained that the Heavy Electrical unit of Bhopal, the Heavy Engineering Corporation's unit at Ranchi and the three major steel plants of Hindustan Steel, besides the alloy steel units, the fertiliser plant, and iron ore and coal mines are too unwieldy for boards of directors or teams of general managers to supervise their affairs efficiently. The move to desegregate the different units by forming subsidiaries, in the first instance, for the units of Hindustan Steel is to be welcomed. The intention would seem to be to make the existing corpus of Hindustan Steel as the

holding company and form subsidiaries of the three steel plants and other allied units.

Though the accounts of Hindustan Steel are presented in a manner, which provide an idea of the functioning of different units, the consolidated balance sheet creates a confusing effect and the impression that could be gained by a study of individual balance sheets in profit and loss accounts is not available. The opportunity for maintaining separate accounts and affording reasonable autonomy for the working of the different units should therefore be advantageous for achieving the desired objectives. There is no reason why the public sector steel plants cannot acquit themselves creditably when they have modern equipment at their disposal and no constraint on financial resources.

The formation of different subsidiaries of HSL may not present serious problems as the accounts are even now being sectionally maintained, and all that is required is the publication of different balance sheets under different constitutions. The holding company however will be a colossus as it would appear to be the intention to form subsidiaries of the Bokaro Plant and three units in the southern region besides their allied organisations.

It is also proposed that the investments of the statutory financing corporations in equity shares of the two steel units in the private sector should be taken over by the holding company though it is not known how these holdings which account for 38 per cent in Tata Iron and Steel Company Ltd, and 52 per cent in Indian Iron and Steel Co. Ltd will be transferred from the present owners, to the holding company as the amount involved will be easily Rs 60 crores. This sum will however be insignificant compared to the aggregate investments as between the three units of HSL and the Bokaro Project up to its first stage of expansion will have an aggregate outlay of over Rs 2500 crores. As the three new steel plants also will require an investment of at least 1000 crores the holding company's aggregate assets will easily be Rs 3600 crores if not more.

This investment will be fully worthwhile only if besides depreciation charges there are pre-taxation profits of at least Rs 400 crores. There will of course be a long period of gestation for the Bokaro Project, while the three new steel units may not take concrete shape until 1978. It may take

another two or three years to get over teething troubles so that for all the steel units to be on a profit earning basis, considerable time will have to elapse. The initial investment of Rs 1250 crores in the existing steel, fertiliser and other units and much more in terms of current costs, should however be made to yield satisfactory results. If there is adequate generation of internal resources, the expansion schemes can be easily financed apart from providing some assistance for entirely new projects elsewhere.

The success of the experiment with the formation of a holding company for HSL therefore depends on how the different units are allowed to function efficiently and autonomously and that the accent is on maximising production and productivity. As there is also scope for achieving similar or even more spectacular successes with the formation of holding companies for fertiliser, heavy electrical and machine tool units, the whole question must be carefully examined with a view to formulating appropriate procedures and policies. If need be, a panel of experts drawn from the public and private sectors should be formed to supervise conti-

nuously the operations of public sector undertakings. The heavy losses suffered for an unduly long period should not be allowed to continue as there will be need for ample financial resources in the form of surpluses of public sector undertakings for implementing new schemes in the coming years.

In the present context, the value of additional production out of intensive use of existing capacity has greater significance as there can be a corresponding displacement of imports or at least a prevention of an increase in imports. There can easily be an increase in the value of extra output of steel and fertilisers alone to the extent of Rs 200 crores in a year. This would mean that with an elimination of the deficits in raw cotton and oilseeds and a larger output of steel and fertilisers alone, there can be a saving of Rs 400 crores annually through the avoidance of imports having a corresponding value. While the efforts needed for boosting production of cash crops will be more strenuous, it will be much easier to improve the productivity of the steel and fertiliser units if only a pragmatic approach is adopted to outstanding issues.

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to :

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

FROM TOY BALLOONS TO MANSFIELD TYRES: THE LESSONS OF 25 YEARS



"Happy workers make stronger tyres"

Machines make good tyres. But it takes contented workers to turn out masterpieces. That's our labour policy at MRF. Twenty-five silver years, in which we've grown from making toy balloons to Mansfield tyres, have been their achievement too. Now we're reaching towards a golden future, where the sky's the limit.



MADRAS RUBBER FACTORY LIMITED

(in collaboration with Mansfield Tire & Rubber Company, U.S.A.)

175/17 Kuna Salai, Madras 2, India.

LINTAS-MSF, 56-148

NOW a 60-second contest for industrialists:



Given below are 10 of the problems industrialists often face, and the solutions to these are available from SICOM. Indicate the correct letters of alphabet of the SICOM solution against a particular problem. Remember, you've just 60 seconds.

Problems

- 1 You have the resources and you want to know what projects are profitable in Maharashtra.
- 2 You want a feasibility study made on your project and are willing to pay only 25% of the cost.
- 3 You need evaluation of an alternative site for your project.

- 4 You want to start a small or medium-scale industry and you need 75% capital assistance.
- 5 You know what industry to start but you don't know where in Maharashtra.
- 6 You want share capital participation and under-writing support.
- 7 You want short-term, medium-term or long-term loans on easy conditions.

- 8 You want to locate suppliers of raw materials.
- 9 You need interest-free loans (from the sales tax you pay) to set up another project.
- 10 You need expeditious clearances for various basic industrial needs like water, land, power, telephone, etc.

Solutions

- (a) SICOM's Project Investigation Service.
- (b) SICOM's Capital Participation Scheme.
- (c) SICOM's Plant Location Service.
- (d) SICOM's Industrial Services Division.
- (e) Government of Maharashtra's Package Scheme of Incentives. (SICOM administered).
- (f) SICOM's flexible schemes for financial assistance.

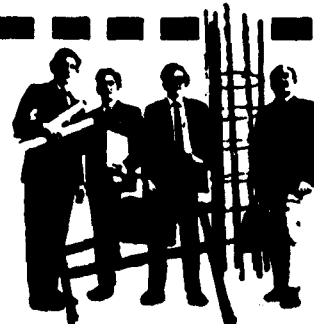
For correct solution to any or all of these problems write to the Senior Development Officer.

SICOM - the moving force for developing industries



THE STATE INDUSTRIAL AND INVESTMENT CORPORATION OF MAHARASHTRA LIMITED

Nirmal, 1st Floor, Nariman Point, Bombay-1.
Tel: 238216. Telex: 011-3066.



**SICOM people
work hard
with expertise
and guts.
Like you.**

Demand for Chemical Fertilizers

I. J. SINGH AND D. RAMAKRISHNAIAH

THE INCREASING area under short duration high-yielding crop varieties, irrigation and multiple cropping in recent years, has stepped up demand for chemical fertilizers in the country. The government has made concerted efforts to meet this demand by increasing fertilizer production during different Plan periods. The basic premise underlying such efforts has been to produce as much fertilizers as the country could possibly produce, augment it with imports and then allot fertilizer to each state on the basis of area under different crops. Since the fertilizer allotment to the states by the central government is often less than the demand, optimum crop yields are not achieved.¹ If the country is to achieve self-sufficiency in food-grains production in the shortest possible time adequate provision must be made for inputs such as seed, fertilizer and irrigation. Assuming that the high yielding crop varieties would be grown on irrigated land, it is chemical fertilizers which become a vital input in attaining self-sufficiency in food-grains production.

Subject of Research

Estimation of the demand for various kinds of chemical fertilizers in India has been a subject of interest to planners as well as to research workers. In 1955, Parikh² attempted to estimate the demand for nitrogenous fertilizers in India by taking total irrigated area, deflated fertilizer price and time as independent variables. In 1967, Dahiya³ made an effort to predict fertilizer consumption in India. This study estimated aggregate fertilizer demand for the country, but state-wise demand functions were not estimated. In view of the rapidly changing farm technology and the attempt to achieve self-sufficiency in foodgrain production, estimation of the current and future demand for chemical fertilizers is necessary. Such estimates may be useful to both public and private sectors dealing with fertilizer production and distribution.

The projected demand for various types of fertilizers for future periods may help in determining the size and location of plants, equipment and raw materials needed, and the location and logistics of wholesale and retail distribution. Such macro-studies

may be useful for making certain policy decisions by the government. Demand estimates should be useful to government planners in determining and implementing policies relating to the allocation of foreign exchange, for the licensing of new plants, for the location and financing of public sector plants, and for determining import requirements of both materials and plant equipment.

Objectives: In view of the above problematic situation, this study attempts to achieve the following objectives:

- (1) To estimate the state-wise demand functions for chemical fertilizers, viz. N, P, and K in India, and measure the quantitative significance of the factors affecting fertilizer consumption, and
- (2) To make all-India N, P and K demand projections from 1968-69 to 1980-81, and to compare them with previous estimates, with a view to finding the statistical reliability of the estimated demand functions in the present investigation.

Data and Methodology: The data collected for the demand estimation of fertilizers for each state, and the country as a whole, includes consumption of fertilizers, market prices of fertilizers, gross irrigated area, and gross agricultural income at current prices, during 1952-53 to 1968-69. As no relevant data was available regarding agricultural income by states directly, the annual yields of almost all crops for which fertilizers are used⁴ (excluding plantations), and the average farm harvest prices of these crops were collected. The annual yield of each crop was then multiplied by the corresponding farm harvest prices to get the gross income from that particular crop. Gross agricultural income at the current prices was obtained by summing the gross incomes from all the crops considered in the study. Data regarding fertilizer consumption was calculated in terms of nutrients. Fertilizer prices were also computed in rupees per tonne of nutrient. The data concerning gross irrigated area was collected directly from various official sources.

The model selected for the fertilizer demand estimation was of Cobb-Doug-

las type, since both the dependent and independent variables included in the model showed increasing trend over years. The following form of the model was used:

$$Y = a \frac{b_1}{x_1} \frac{b_2}{x_2} \frac{b_3}{x_3} \frac{b_4}{x_4}$$

Where,

Y = Consumption of fertilizer in tonnes of nutrient.

x_1 = Prices of fertilizer nutrient per tonne in rupees.

x_2 = Gross irrigated area in thousand hectares.

x_3 = Gross agricultural income in crores of rupees,

and

x_4 = Time variable, indicating technological change.

The values of a, b_1 , b_2 , b_3 , and b_4 coefficients were estimated by the method of least squares. Demand functions for nitrogenous and phosphatic fertilizers were estimated for each state separately, and also for all-India. However, in case of potassic fertilizers, due to non-availability of the relevant data, demand functions were fitted for four regions⁵ viz. north, south, east and west, and also for all-India.

The fertilizer projections at all India level were made by substituting the values of fertilizer price, gross irrigated area, gross agricultural income and time variable, corresponding to the year of projection, in the estimated demand function. For example, to project the all-India demand for N, P, and K fertilizers, gross irrigated area and net national product in the agricultural sector as reported in the fourth five-year Plan for the years 1970-71, 1973-74 and 1980-81 were taken. However, the N, P, and K prices as in the year 1968-69 were used to estimate the future fertilizer demand in India.

Empirical Results

Nitrogenous Demand Functions: In the estimated demand functions for nitrogenous fertilizers (Table I), the nitrogen price showed a significant effect on nitrogen use only in the states of Andhra Pradesh, Assam, Maharashtra, Rajasthan, Uttar Pradesh and Delhi. At all-India level, though the price coefficient was consistent with economic theory, it was not significant at the accepted probability level.

The coefficient for irrigated area was significant only in the states of Gujarat, Mysore, Uttar Pradesh and Delhi. This coefficient had a value as high as 8.6818 at all-India level, and was significant at 1% probability level. This means that a one per cent increase

in gross irrigated area is expected to increase nitrogen consumption by about 8.7 per cent in the country as a whole.

In the states of Andhra Pradesh, Jammu & Kashmir, Kerala, Maharashtra, Mysore, Orissa, Rajasthan, Tamil Nadu, West Bengal and Himachal Pradesh, the income elasticity of demand for nitrogenous fertilizers was statistically significant. This shows that increase in agricultural income would raise the consumption of nitrogen in these states. However, the value of this coefficient at the all-India level showed that the agricultural income had no significant effect on the demand for nitrogenous fertilizers.

Significant Influence

Time, indicating a change in the technology had shown significant influence on nitrogen use in almost all the states excluding Andhra Pradesh, Assam, Orissa, Punjab and Tamil Nadu. For the country as a whole the elasticity of demand with respect to time was insignificant. The values of R^2 indicate the percentage of variation in the demand functions due to the fertilizer prices, gross irrigated area, farm incomes and technology.

Phosphatic Demand Functions: The estimated demand functions for phosphatic fertilizers (Table II) showed that the price elasticity of demand was significant only in the states of Andhra Pradesh, Gujarat, Kerala, Jammu and Kashmir, Maharashtra, Rajasthan, West Bengal, and Himachal Pradesh. For other states, as well as for the whole country, price elasticity was insignificant.

However, the elasticity coefficients attached to irrigated area show that the irrigated area has perhaps a greater influence on demand for phosphatic fertilizers than the prices of these fertilizers. For example, the elasticity coefficient for irrigated area at the all-India level was 11.3639. The statistical significance of this coefficient shows that, one per cent change in gross irrigated area in the country is expected to change the demand for phosphatic fertilizers by about 11.4 per cent. The elasticity coefficient for the gross irrigated area was also statistically significant in the states of Gujarat, Jammu & Kashmir, Kerala, Mysore, Orissa and Uttar Pradesh.

Similar to the demand functions for the nitrogenous fertilizers, the income elasticities of demand for the phosphatic demand functions were also statistically insignificant at all-India level and in most of the states, except

for Assam, Kerala, Maharashtra, Rajasthan and West Bengal.

However, the elasticity coefficients associated with time variable were significant at the accepted probability levels, at the all-India level and for all the states except for Andhra Pradesh, Punjab, Rajasthan, Tamil Nadu and West Bengal.

The elasticity coefficients for different variables affecting phosphatic demand show that at the all-India level, as well as in majority of the states, irrigated area and technology in terms of high yielding crop seeds and the agronomy of crop production, have significantly affected consumption of these fertilizers. The prices of these fertilizers and the farm incomes have had insignificant effect on the demand for phosphatic fertilizers during 1952-53 to 1968-69.

Potassic Demand Functions: Table III shows potassic fertilizer demand functions for regions and for the whole country. The price elasticities of demand for potassic fertilizers were insignificant for the country and for all the regions, with the exception of the eastern region. The co-efficients associated with gross irrigated area were statistically significant only in northern and eastern zones. For the southern and western regions, the elasticity coefficients for irrigated area were insignificant. For the country as a whole this coefficient had a negative value of -1.3569, rather insignificant. Except for the western region the income elasticity of demand for potassic fertilizers was significant—in northern, southern and eastern regions and at all-India level. The elasticity coefficients attached to time variable were statistically significant at the all-India level and for the northern and southern regions. The effect of technology on the demand functions for potassic fertilizers was insignificant in the eastern and western regions of the country.

Future Projections

Future demand projections for all the three fertilizers are shown in Table IV. Since the future estimates of the irrigated area and agricultural incomes were not available for each state, future projections were made only at the national level.

To judge the statistical reliability of the fertilizer projections in this study a comparison was made with the estimates of the Ministry of Food and Agriculture, the fourth five-year Plan's targets and with the projections made by Parikh⁶ and Dahiya.⁷

Table IV reveals that the estimates

of the present study for 1968-69 are almost equal to the targets for nitrogenous and phosphatic fertilizers fixed in the fourth five-year Plan. The projections for 1970-71 in the present study were 2.9 million tonnes of nitrogenous and 1.2 million tonnes of phosphatic fertilizer. These estimates are slightly higher than the estimates of the Ministry of Food and Agriculture for nitrogenous and phosphatic fertilizers, and lower than the Ministry's estimates for potassic fertilizers. For 1970-71, the projections made by Dahiya for nitrogenous and phosphatic fertilizers are lower; and by Parikh for nitrogenous fertilizers are higher than the estimates for these fertilizers made in the present study as well as by the Ministry.

Demand Estimate

For 1973-74, the demand estimates of the present study were 3 639 million tonnes of nitrogen and 1.498 million tonnes of phosphorus. For the same year the estimates of the Ministry of Food and Agriculture were 3.7 million tonnes of nitrogen, and 1.8 million tonnes of phosphorus; and the fourth Plan targets for nitrogenous and phosphatic fertilizers are 3.2 and 1.4 million tonnes respectively. But the demand estimates of the present study for potash vary widely with other estimates. Since these fertilizers are mainly imported, the prices taken for these fertilizers in addition to the differences in the methods of estimation, and variables included in the model may be reasons for differences in the future estimates for these fertilizers.

Summing Up: The empirical findings in the present study reveal that in the states of Andhra Pradesh and Rajasthan increased nitrogen consumption may be expected in future with decrease in the prices of nitrogenous fertilizers. But due to the positive price elasticity of demand for nitrogenous fertilizers for Assam, Maharashtra, Uttar Pradesh and Delhi, consumption of these fertilizers is expected to increase in spite of increase in the prices of nitrogenous fertilizers. Due to significant effect of irrigated area on nitrogen consumption in Gujarat, Mysore, Uttar Pradesh and Delhi, demand for nitrogenous fertilizers is expected to increase in the coming years. Increasing farm incomes in Andhra Pradesh, Jammu & Kashmir, Kerala, Maharashtra, Mysore, Orissa, Rajasthan, Tamil Nadu, West Bengal and Himachal Pradesh would increase the future consumption of nitrogenous fertilizers in these states. Improved farm technology in almost all the states is expected to increase the

TABLE I
DEMAND FUNCTIONS FOR NITROGENOUS FERTILIZERS

State	Log a	Nitrogen price (b ₁)	Coefficient of						Coefficient of determina- tion (R ²)
			Gross irrigated area (b ₂)		Gross agricultural income (b ₃)		Time (b ₄)		
Andhra Pradesh	3.3715	—2.2112* (1.0136)	1.0526 (1.9554)	1.7951** (0.4631)	—0.0631 (0.4638)	0.8875			
Assam	—25.4312	3.5589† (2.1739)	6.0047 (6.2100)	0.1754 (0.5893)	—0.2531 (0.4761)	0.4285			
Bihar	—2.0487	1.1447 (1.6967)	0.2532 (2.1967)	0.4349 (0.3598)	0.5999‡ (0.2985)	0.8269			
Gujarat	—5.0991	0.8847 (1.4572)	2.1524** (0.7048)	0.3058 (0.5218)	0.8945* (0.3672)	0.9614			
Jammu & Kashmir	—0.6286	1.6250 (2.1693)	—1.8113 (2.8886)	0.7717† (0.5466)	1.7089** (0.2667)	0.9564			
Kerala	1.5813	0.6311 (1.2015)	—0.4742 (0.8160)	0.3275† (0.2273)	0.9496** (0.2338)	0.9064			
Mahdya Pradesh	—1.2225	0.6279 (1.4416)	0.5608 (1.1902)	0.4355 (0.4915)	0.3722‡ (0.2201)	0.7421			
Maharashtra	1.7680	1.4600 (0.9263)	—1.4242 (1.0638)	0.6679* (0.2328)	0.7223** (0.1106)	0.9422			
Mysore	—2.2954	0.3545† (0.7285)	0.8044‡ (0.3960)	1.0754** (0.2774)	0.4227 (0.1749)	0.9450			
Orissa	0.9838	0.2618 (1.6933)	0.1444 (0.7019)	0.5325† (0.3352)	0.2113 (0.3931)	0.6909			
Punjab	—5.5079	—1.2498 (1.8090)	2.9263 (2.2899)	1.2415 (0.9563)	0.1699 (0.3417)	0.8839			
Rajasthan	6.5556	—2.5750† (1.7423)	—0.1763 (2.1119)	2.2616** (0.6579)	0.6475† (0.3943)	0.9314			
Tamil Nadu	8.2828	0.0645 (0.9236)	—2.0852 (1.7577)	1.1314* (0.5140)	0.5350 (0.4383)	0.8536			
Uttar Pradesh	—13.4246	2.1857* (0.9159)	2.8429* (1.3089)	—0.0629 (0.3408)	0.4837** (0.1280)	0.9445			
West Bengal	—3.2688	0.4205 (0.9774)	1.1150 (1.7207)	0.8617* (0.3268)	0.3111† (0.1856)	0.9064			
Delhi	—9.6160	2.4601† (1.4436)	2.3279* (0.7784)	0.2035 (0.1928)	0.4715* (0.1928)	0.9070			
Himachal Pradesh	6.9393	—2.1438 (1.1614)	—0.3878 (0.8888)	1.2773* (0.4249)	1.6442** (0.2766)	0.9422			
All-India	—32.8303	—0.0306 (0.2293)	8.6818** (0.2506)	—0.0821 (0.0548)	—0.0106 (0.0302)	0.9898			

(Figures in parentheses indicate standard errors associated with the coefficients) **Significant at 1% probability level. *Significant at 5% probability level. †Significant at 10% probability level. ‡Significant at 20% probability level.

TABLE II
DEMAND FUNCTIONS FOR PHOSPHATIC FERTILIZERS

State	Log a	Coefficient of							Coefficient of determination (R ²)
		Phosphatic fertilizer price (b ₁)	Gross irrigated area (b ₂)	Gross agricultural income (b ₃)	Time (b ₄)				
Andhra Pradesh	13.3069	—1.7253* (0.7036)	—1.8416 (2.0783)	0.8400 (0.6459)	0.4881 (0.6643)			0.8862	
Assam	—3.3991	—0.8451 (1.7174)	1.2773 (7.0963)	2.0517 [†] (1.0719)	1.0300 [†] (0.5081)			0.8939	
Bihar	2.5636	0.6828 (0.9020)	—0.2473 (2.3820)	—0.7013 (0.3957)	1.3751** (0.2162)			0.8630	
Gujarat	2.3465	—1.0847 [†] (0.7140)	1.0626 [†] (0.7314)	—0.2842 (0.5862)	2.4482** (0.2893)			0.9843	
Jammu & Kashmir	—7.3110	7.4297** (1.6225)	—6.5699 [†] (4.2070)	—0.0661 (0.9476)	1.9220* (0.6570)			0.8487	
Kerala	12.2481	—2.4442** (0.7929)	—1.7280 [†] (0.8043)	1.2621** (0.3189)	0.8653* (0.3749)			0.9606	
Madhya Pradesh	—7.5619	0.5233 (1.1298)	2.6587 (2.3622)	—0.0587 (0.6959)	1.4747* (0.4977)			0.8750	
Maharashtra	6.4102	—1.1342 [†] (0.5710)	—0.6578 (1.0282)	0.9074* (0.4065)	0.7133* (0.1886)			0.9328	
Mysore	0.3325	—0.7389 (0.6854)	1.1280* (0.5142)	0.7160 (0.5567)	0.5625 [†] (0.2910)			0.9740	
Orissa	—1.8667	—1.0319 (0.9247)	2.1444 [†] (1.2964)	—0.0749 (0.4577)	1.3924* (0.4813)			0.8874	
Punjab	—6.6089	0.4020 (1.0649)	1.0730 (2.5887)	1.7169 (1.2928)	1.1664 (0.5523)			0.7456	
Rajasthan	4.0194	—5.5461** (1.7578)	2.5343 (5.1144)	3.7774* (1.4197)	—1.1488 (1.1619)			0.7641	
Tamil Nadu	2.2893	—0.5149 (0.8183)	0.1871 (1.2434)	0.9259 (0.9573)	0.1219 (0.7527)			0.8741	
Uttar Pradesh	—21.1297	—1.4211 (1.3330)	7.9798* (3.5903)	—0.6290 (0.7227)	0.7854 [†] (0.4679)			0.8770	
West Bengal	—1.4875	—0.9528 [†] (0.6595)	1.5807 (2.3056)	1.2042* (0.5535)	0.0479 (0.2199)			0.8759	
Delhi	—2.8428	1.7372 (1.4294)	—1.6997 (1.4572)	0.0713 (0.4523)	1.4969** (0.3735)			0.7907	
Himachal Pradesh	—8.2734	4.0581 [†] (2.6623)	—1.8147 (1.3839)	—0.4097 (1.4137)	2.1069* (0.882)			0.8651	
All-India	—44.3479	0.1490 (0.2247)	11.3639** (0.4630)	—0.5905 (0.5010)	0.2706** (0.0557)			0.9810	

(Figures in parentheses indicate standard errors associated with the coefficients.) **Significant at 1% probability level. *Significant at 5% probability level. †Significant at 10% probability level. ‡Significant at 20% probability level.

future demand for nitrogenous fertilizers.

The demand for phosphatic fertilizers is expected to increase in future with a decrease in the price of these fertilizers in Andhra Pradesh, Gujarat, Kerala, Maharashtra, Rajasthan and West Bengal. But in Jammu and Kashmir, and Himachal Pradesh, phosphatic fertilizer consumption is expected to increase even with an increase in the price level due to positive price elasticity of demand. This shows the speculative nature of fertilizer use by the farmer. With increase in area under irrigation in the states of Gujarat,

Mysore, Orissa, and Uttar Pradesh, the demand for phosphatic fertilizers is expected to increase in future. Similarly, increasing farm incomes in Assam, Kerala, Maharashtra, Rajasthan, and West Bengal are expected to increase the demand for phosphatic fertilizers in the coming years. Likewise, adoption of improved crop technology in Assam, Bihar, Gujarat, Jammu and Kashmir, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Uttar Pradesh, Delhi and Himachal Pradesh would increase demand for phosphatic fertilizers in these states.

In case of potassic fertilizers, the

consumption is expected to step up with increases in irrigated area, and farm income in northern region. But in southern region, agricultural income and farm technology are expected to increase the demand for potash. Reduction in the prices of potassic fertilizer and increase in the farm incomes are expected to raise the future demand for potassic fertilizers in the eastern region.

For the country as a whole, the demand for nitrogenous fertilizers is expected to grow with the increase in area under irrigation. Increase in gross irrigated area and improvements in the crop technology are expected to

TABLE III

DEMAND FUNCTIONS FOR POTASSIC FERTILIZERS

Region	Log a	Coefficient of				Coefficient of determination (R _a)
		Potassic fertilizer price (b ₁)	Gross irrigated area (b ₂)	Gross agricultural income (b ₃)	Time (b ₄)	
Northern	-69.7602	-0.6866 (1.6124)	15.1632* (5.4277)	3.9319** (0.9775)	-1.1103* (0.4768)	0.9893
Southern	15.8500	-0.1258 (0.7971)	-4.0222 (3.1855)	1.3699* (0.5775)	0.6021‡ (0.2888)	0.9575
Eastern	64.3772	-7.5962‡ (4.1653)	-16.1915‡ (11.0786)	6.7353* (2.9157)	-0.2116 (1.0059)	0.6964
Western	-6.3394	0.1956 (1.8737)	1.3992 (4.8386)	1.3113 (1.0810)	0.8144 (0.8825)	0.9288
All-India	3.7129	0.4183 (7084)	-1.3589 (1.4400)	1.4528** (0.3140)	0.6095** (0.1729)	0.9815

(Figures in parentheses indicate standard errors associated with the coefficients).

**Significant at 1% probability level. *Significant at 5% probability level. ‡Significant at 10% probability level.

‡Significant at 20% probability level.

TABLE IV

COMPARISON OF THE ALL-INDIA ESTIMATES FOR CHEMICAL FERTILIZERS

('000 tonnes of Nutrient)

Year	Present estimates			Estimates of Ministry of Food & Agri.			Targets of Fourth Five Year Plan			Dahiya's estimates			Parikh's estimates (N only)
	N	P ₂ O ₅	K ₂ O	N	P ₂ O ₅	K ₂ O	N	P ₂ O ₅	K ₂ O	N	P ₂ O ₅	K ₂ O	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1968-69	1208	378	206	—	—	—	1210	380	170	—	—	—	—
1970-71	2902	1232	199	2400	1000	700	—	—	—	1357	720	206	3135
1973-74	3639	1498	339	3700	1800	1100	3200	1400	900	—	—	—	—
1980-81	112000	118600	450	—	—	—	—	—	—	—	—	—	—

Source: Col. 5, 6 and 7: Fertilizer Statistics—Fertilizer Association of India, New Delhi 1968-69, P. 185.
Col. 8, 9 and 10: Fourth Five Year Plan 1969-74, Planning Commission, Govt. of India, P. 185.
Col. 11, 12, 13: Dahiya, R.C. (1967). "Prediction of Fertilizer Consumption in India"—*Indian Journal of Agri. Economics*, Vol. 22, No. 1, P. 108.
Col. 14: Parikh, Ashok K. (1965) "Demand for Nitrogenous Fertilizers—An Economic Study". *Indian Journal of Agri. Economics*, Vol. 20, P. 16.

step up the future consumption of phosphatic fertilizers in the country. However, future growth in the demand for potassic fertilizers is expected with the increase in farm incomes and developments in crop technology.

By the end of the fourth five-year Plan (1973-74), the total demand for the nitrogenous, phosphatic and potassic fertilizers in the country is estimated to be 3,639, 1,498 and 0.339 million tonnes respectively. Considering the differences in the methodology for estimating the demand for chemical fertilizers, the estimates in the present study are by and large in conformity with the estimates made by the Ministry of Food and Agriculture and the Planning Commission. By 1980-81, the demand for nitrogenous, phosphatic and potassic fertilizers in India is expected to be 112, 118.6 and 0.45 million tonnes respectively.

References:

1. I. J. Singh and K. C. Sharma "All-India Co-ordinate Fertilizer Experiments

- on Wheat" *Economic and Political Weekly*, (June 21, 1969)
2. Ashok K. Parikh, "Demand for Nitrogenous Fertilizers—An Economic Study"—*Indian Journal of Agricultural Economics*, (Vol. 20, 1965).
3. R. C. Dahiya, "Prediction of Fertilizer Consumption in India" *Indian Journal of Agricultural Economics*, (Vol. 22, 1967).
4. The crops included in the study are: Paddy, Jowar, Bajra, Maize, Ragi, Wheat, Barley, Gram, Sugarcane, Groundnut, Mustard, Sesamum, Linseed, Castor seed, Cotton, Jute and Tobacco.
5. The States included in the four regions are:—
North: Punjab, Rajasthan, Uttar Pradesh, Jammu & Kashmir, Delhi and Himachal Pradesh.
South: Andhra Pradesh, Kerala, Tamil Nadu and Mysore.
East: Assam, Bihar, Orissa and West Bengal.
West: Gujarat, Maharashtra and Madhya Pradesh.
6. Ashok K. Parekh "Demand for Nitrogenous Fertilizers—An Economic Study", op. cit.
7. Dahiya, R. C. "Prediction of Fertilizer Consumption in India" I bid.

Nobel Laureates of Economic Science

DR. V. T. NAIDU

THE INCREASING importance of economic science in recent years and the vital role played by economists in the policy formulation of developmental plans in several countries lends credence to the statement of Keynes that "the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else....". In recognition of the significance of economic science to the modern world, an Economics Nobel Prize was established in 1969 by the Central Bank of Sweden to commemorate its 300th anniversary and since then the Swedish Academy of Sciences has been awarding every year a Nobel Prize in Economics to distinguished scholars in the profession. The 1969 Nobel Prize in Economics was jointly awarded to Professors Ragnar Frisch and Jan Tinbergen; in 1970 it was awarded to Prof. Paul A. Samuelson and this year Prof. Simon Kuznets received the much coveted prize.

The four Nobel Laureates in Economics are eminent professors and distinguished scholars. Their contributions are many and significant. Methodologically, their contributions may be classified as belonging to the three broad approaches to the study of economic phenomena—the deductive approach, the empirical approach and the econometric app-

roach. In the deductive approach, the theories or laws of economics are deduced by rules of logic (and of Mathematics) from assumptions or postulates which are approximative generalisations of empirical observation. The hypotheses or laws of economics are designed to abstract essential features of complex reality. The empirical approach to the study of economics consists in the systematic collection of information about actual phenomena and the construction of empirical correlates to theoretical concepts. This activity results in a body of observational knowledge against which theories may be checked, parameters may be estimated and new hypotheses formulated.

A third approach consists in devising suitable methods which will permit the theories and observations to be related, statements to be made as to the extent to which observations support a belief in the theories and the estimation of the strength of the influence of one variable on another. This is known as Econometrics, and it makes systematic use of Mathematical Statistics in drawing inferences about actual economic behaviour. All the three methodological approaches are equally important and are complements to one another. Professors Ragnar Frisch and Tinbergen are pioneers in the field of Econometrics. Prof. Samuelson is well known for formulating or refor-

mulating many economic theorems with great analytical rigour. Prof. Simon Kuznets is famous for his comprehensive and penetrating empirical analysis of economic problems, especially problems of growth of nations.

Let's now examine the contributions of each one of them in some detail.

Ragnar Frisch: He originated the word 'Econometrics'. Its generally accepted meaning, a science devoted to the advancement of Economic Theory in Relation to Statistics and Mathematics, has been eloquently elucidated as implying "the interaction of theory and measurement-theory guiding the attempts at measurement and measurement in turn profoundly modifying theory forcing it into forms which it would never have taken had it not been for the exacting requirements imposed by the quantitative method". For the progress of Econometrics, Frisch laboured devotedly as one of the founders of the Econometric Society and to which his own scientific efforts have been directed with eminent success. His work in all its phases exemplifies the interplay of economic theory, empirical analysis and statistical method which peculiarly characterises Econometrics. His important works include 'New Methods of Measuring Marginal Utility', 'Statistical Confluence Analysis by means of complete Regression Systems', and 'Statics and Dynamics in Economic Theory'. In addition he has published about 270 papers and memoranda on various aspects of quantitative economics.

Dr J. Tinbergen: Tinbergen, the Dutch economist, contributed a good deal to the coalescence of the deductive and statistical aspects of economics. He was one of the first who (at the request of the League of Nations) drew up a large-scale 'model' of a national economy and verified this quantitatively against reality in his monumental work, 'Statistical Testing of Business Cycle Theories'. Later on he co-authored a book on *Dynamics of Business Cycles*. In recent years Tinbergen's work has centred on Development Planning and Macro Economic Model Construction. Some of his recent publications on these topics are 'Economic Policy, Principles and Design', and 'The Design of Development'.

Paul A. Samuelson: The award of 1970 Nobel Prize in Economic Science to Prof. Samuelson of MIT is a fitting tribute to a great economic theoretician. His academic achievements have been many and varied. His doctoral dissertation on 'Foundations of Economic Analysis', when published in 1947 when he was barely thirty-two impressed the economics profession by its formal ri-

gour and range of techniques. In 1949 the first edition of his world famous text book *Economics, An Introductory Analysis* was published; the eighth edition of the book has been released recently. In popularity this book can vie with any classic texts on Economics, like Marshall's 'Principles' and J.S. Mill's 'Principles'. His stress on dynamic process analysis in economic theory is a significant landmark in the advancement of economic science. He is well known for formulating the Theory of Revealed Preference, for introducing the concepts of 'Surrogate Production Functions' and the 'Factor Price Frontier', and for exploring the possibilities of multiplier acceleration interaction in international trade. In *Welfare Economics* Samuelson is known for the notion of 'Utility Possibility Frontier' and for the application of Paretian Welfare analysis to gain from trade; with Abraham Bergson he has helped to develop the concept of 'Social Welfare Function'. On growth theory, he along with Selow worked out the properties of the Von Neumann-type Equiproportionately Expanding Economy and the famous 'turnpike theorem' in normative growth theory is the result of their collaborative work. Thanks to the efforts of his student Joseph Stiglitz, Samuelson's contributions are now available in a

mammoth two volume edition titled "Collected Scientific Papers of Paul Anthony Samuelson".

Simon Kuznets: The Nobel Prize in Economics has been awarded this year to Prof. Simon Kuznets of Harvard University. The citation on Kuznets appears to have referred to his "empirical interpretation of economic growth which opened the way to a new understanding of economic and social structure and the process of development". He pioneered much of the basic framework of national income accounting and his works on this topic, 'National Income and its Composition 1919-1938', and the 'Shares of Upper Income Groups in Income Analysis', are highly useful not only for policy making but also for theoretical formulation. In more recent years he turned his attention to the quantitative aspects of the Economic Growth of Nations. He has been collecting and analysing data regarding the economic growth of several nations, with a view to demonstrating how economic growth occurs in the real world, and what factors in what combinations produce the particular adaptations of the economic systems in various countries to the potentials of economic growth. Though he is a profound thinker in development econo-

mics he has always avoided the over-weaning theoretical models which aim to show, by a simple combination of a few key variables, how economic growth is possible. To use his terminology Kuznets is an 'empirically minded theorist' and not a 'policy theorist'. His strength has always been in insisting on collecting economic data which others may use to submit hypothesis to test. It is in providing the statistical framework and the data backbone for theoretical formulation that Kuznets contribution has been greatest. His important works on Growth Economics include, 'Economic Change' (1953), 'Post War Economic Growth', 'Economic Growth and Structure', and 'Modern Economic Growth-Rate Structure and Spread'.

The Swedish Academy of Sciences has done well in selecting for the award of the Nobel Prize pioneers and distinguished scholars in the three broad categories of Economic Science: Theoretical Economics, Empirical Economics and Econometrics. This should dispel all controversy regarding the pre-eminence of one branch or other. The future of economic science lies in the realisation of the need for a co-ordinated and co-operative approach among all schools of economic thinking.

WINDOW ON THE WORLD

Tour of the USSR, Czechoslovakia and Portugal

JOSSLEYN HENNESSY

LONDON.

I

THE U.S.S.R.

FOLLOWING the achievement of 1971's targets—industrial production in the first nine months rose by 8 per cent, slightly higher than the planned rate and the 1971 grain harvest reached 180 million tons, lower than 1970's record but still considerably above average — national income in 1972 is expected to rise by 6 per cent.

The perennial conflict between the claims of the military, industrial and consumer sectors of the economy resulted in a long delay in the publication of directives for the current programme, which was eventually produced in draft in February, 1971. The plan has now been approved both by the Supreme Soviet (the legislative assembly) and by the Politburo, but there has been substantial opposition and it has been emphasised that the fulfilment of targets must depend on the absence of major international tension which would necessitate diversion of resources from the consumer sector; this year as last, no increase is planned for expenditure on defence while the output of consumer goods is to expand by 7.1 per cent compared with 7.4 per cent in 1971.

By the end of the 1971-75 programme it is hoped to raise national output to over £450,000 million (about the present US GNP figure), mainly by increasing labour productivity. Output of heavy industry is to be increased by 40-45 per cent with production of steel reaching 150 million tons and that of oil 500 million tons; the electricity, chemical, engineering, instrument-making and computer sectors are to expand by two-thirds while output from light industry should rise by 44-48 per cent.

In contrast with the policy of the past few years, which allowed market criteria to play a greater part in the direction of the economy and gave a greater degree of freedom to individual industries, the Communist Party of the Soviet Union has recently reasserted control at all levels and industry is being reconstructed into centrally managed units. Nevertheless, the gradual re-

duction in the state's share in investment (from 61 per cent to 47 per cent last year) is to continue, and industry will be expected to accumulate a greater proportion of funds or to seek bank credits to finance capital expenditure.

According to a recent report from David Bonavia, Moscow correspondent of the (London) Times, "The standard of living continues to rise slowly. Fiat cars, made at a huge new plant on the Volga, have become common sights on the streets, at least in the big cities. More self-service stores are opening. But the supply of nearly all kinds of consumer goods is still characterised by periodic or chronic shortages, poor quality and high prices".

Retail Trade

Retail trade under the 1966-70 programme rose almost 50 per cent, a faster rate than planned and considerably in excess of the increase in average wages. There are, nevertheless, strong inflationary pressures arising from continuing shortages in the supply of consumer goods. In addition, savings are estimated to amount to over 50,000 million roubles even though interest rates are purely nominal. Under the current programme, production of consumer goods is planned to rise by 50 per cent to meet an increase in real income per capita of 30 per cent. Particular emphasis is being placed on raising the output of cars from around 300,000 in 1970 to at least 1,200,000 a year by 1975; one estimate placed the number of cars in the Soviet Union at four million in 1970 a figure which it is hoped to raise to 10 million by 1975 and 17 million by 1980.

Trade is to expand by a third. In contrast with the recent trend, the greater part of this increase will be allocated to the other Comecon countries. However, western technology and equipment will be required if Russia is to fulfil industrial and mining targets and Soviet leaders have recently undertaken an unprecedented series of visits to western countries including Canada, Denmark and France. Trade with France in particular has expanded rapidly in recent years. Renault, for example, is the major supplier and contractor involved in Russia's proposed

£830 million plant to be constructed on the Kama River for the production of 150,000 lorries a year — while an important 10 year co-operative contract covering a wide range of industries was signed between the two countries in October. In addition, Japan has now overtaken the United Kingdom to become the Soviet Union's most important non-communist trading partner, and annual transactions between the two countries are likely to rise to at least £450 million a year by 1975 compared with a current figure of some £330 million.

USSR: TOTAL TRADE

(in \$ million)

	Exports	Imports	Balance
1968	10,634	9,410	+1,224
1969	11,654	10,326	+1,328
1970	12,800	11,739	+1,061

There is also the possibility of expanding US-Soviet trade, which at present amounts to a meagre £80 million a year. Although a protracted delay over the granting of US export licences in 1971 led to the cancellation of an arrangement with an American firm to supply engineering equipment for the Kama River project, export licences to the value of £180 million have been approved and others are under consideration. Considerable opportunities are also likely to arise for technical co-operation between the two countries, and the USSR is seeking American capital investment in the mining and processing industries; in addition, an agreement has recently been reached for the sale of over £40 million worth of US grain to the Soviet Union. Canadian wheat valued at nearly £100 million is also to be bought in order to make good shortages resulting from exceptionally poor crops harvested in 1970 by many of Russia's Comecon partners.

Relations with UK

Immediate transactions between the USSR and Britain may be affected by the recent expulsion from the United Kingdom of over a hundred Soviet officials and the subsequent Russian retaliation, and Britain's growing trade deficit with the USSR has been causing concern; the USSR authorities are particularly influenced by prices, and say that British goods are steadily becoming less competitive (although in fact, comparative international statistics do not support this). Moreover, the United Kingdom's hitherto dominant position in the Russian market for computers is likely to be challenged by growing Japanese success in this field

KORES

(INDIA) LIMITED

Stencils - Carbon Papers - Typewriter Ribbons - Duplicating Inks - Teleprinter Rolls



FOR OFFICE ACCESSORIES

Kores (India) Limited, Post Box No. 6338, Plot No. 18, Off Holmes Road, Worli, Bombay (S. W. S.)

and also by a recent £500,000 order to IBM. Nevertheless, several important agreements were signed with British computer companies in 1971, while there is also considerable scope for the export of plant for the motor and chemical industries, for the sale of mining equipment, textiles and footwear and the possibility of co-operation in plans for containers to be used in trans-Siberian haulage.

The principal UK exports to the USSR are machinery and textiles, both of which declined in 1970 and showed a further fall in the first ten months of 1971. The main Russian exports to the UK — non-metallic mineral manufactures — rose in 1970 by £40 million to £105 million.

Import requirements are approved by the planning authorities. Commercial transactions with western countries are conducted through foreign trade organisations to which the necessary foreign exchange is made available. There are no difficulties with payments for exports to the USSR provided the terms of contracts are strictly observed.

II

CZECHOSLOVAKIA

Czechoslovakia's annual expansion has fallen behind the rates recorded for the majority of its Comecon partners in recent years—to a large extent because of inadequate or misdirected investment and a basic structural imbalance in the economy. In addition, the problems arising from the advent of a more liberal regime at the beginning of 1968 and the subsequent re-imposition of strictly orthodox policies a few months later are still affecting development; the industrial sector suffers from shortages of fuel and raw materials and there are still either shortfalls or stockpiles of unsaleable goods in a number of sectors.

Nevertheless, 1971 saw a considerable improvement. Industrial output rose by 8 per cent in the first six months with particularly marked increases in the mining and processing industries, chemicals, glass and porcelain. In the consumer sector, greater availability of supplies has been backed by price reductions of up to 16 per cent on some domestic electrical goods and between 10 and 30 per cent on synthetic textiles.

Preliminary estimates allow for growth in national income of 28 per cent by the end of 1975, a figure slightly higher than the target set for the 1966-70 pro-

gramme. At least nine-tenths of this expansion is planned to come from increased labour productivity, not an easily attainable target, because there is an acute shortage of labour despite the prevalence of unemployment. Moreover, the population has been declining for several years; there are no further reserves of manpower entering industry from the agricultural sector, and there is a tremendous turnover of labour.

The direction of economic policy for the next five years has been a source of considerable dispute and the new programme was drafted several times before the degree of importance to be attached to providing for consumer demand could be agreed.

Important Role

In the event, growth will still be mainly in capital goods, because planning to a large extent is dictated by the role allotted to Czechoslovakia by the USSR through Comecon in the development of east Europe as a whole.

Trade with the Comecon countries is expected to expand by 45 per cent over the next five years, a target which will be impossible without a continuing expansion of heavy engineering and which will entail the establishment of several new projects. Three bilateral agreements were reached with the USSR early in 1971 covering integration between the two countries in the engineering, chemical and electro-technical branches of industry. In addition, further two nuclear power stations are to be started in co-operation with the Soviet Union (two stations already completed will become operative towards the end of the 1970s). Other major undertakings include the completion of two hydro-electric plants which have been under construction since as far back as the mid-1960s; the establishment of thermal power stations in North Bohemia; a basic reconstruction that has been found necessary in the transport system, and continuing participation in the building of the £ 570 million 700-mile pipeline to carry natural gas from the Soviet Union to Italy, Austria and West Germany. Outlays on this project alone may well equal 30 per cent of total funds invested annually. It is also hoped that there will be a 60 per cent increase in output in the chemical industry, with priority to oil refining and petrochemicals.

One important consequence of such massive investment is the reversal of moves initiated two years ago to divide Bohemia and Slovakia into partially autonomous republics. This devolution

of responsibility ran parallel with the new economic policies, which gave priority to expanding the consumer goods industries and to remedying the very serious neglect of housing and services, but, with the return to a concentration on large capital projects, the federal government has now assumed control of economic planning throughout the whole country.

Consumer Sector

The riots which occurred in Poland in December, 1970, and the subsequent switch (with Russian approval) in Polish planning were influential in deciding the Czechoslovakian authorities' policy towards the consumer sector. They are now seeking to convince the people that some move is being made to deal with Czechoslovakia's social problems. Accordingly, a 1971-75 target of half a million new homes has been set, backed by increases of nearly 50 per cent in the output of building materials.

CZECHOSLOVAKIA: TOTAL TRADE

(in \$ million)

	Ex-ports	Im-ports	Ba-lance
1968	3,156	3,115	+41
1969	3,319	3,216	+103
1970	3,958	3,695	+263

The number of cars is also to be increased by a half million to 1,500,000 by 1975, partly through increased domestic manufacture and partly through rising imports from the USSR; at present on the controlled market the price of a new car is the equivalent to 2½ years' average earnings with a waiting period of two to three years for delivery.

By 1975, trade with the Comecon countries is expected to have increased to 73 per cent of total transactions, compared with just over 68 per cent in 1970. Imports from the west are expected to expand over 6 per cent per annum over the 1971-75 programme.

Czechoslovakia's exports to the United Kingdom consist mainly of non-electrical machinery (£3 million in 1970), timber (£2.9 million), iron and steel, textile yarns and fabrics and such items as furniture, footwear and sugar. Capital equipment accounts for most British sales to Czechoslovakia and there is special scope for expanding exports of labour-saving machinery and computers. Czechoslovakia is anxious

to promote industrial co-operation between Czechoslovakian and British firms, particularly for the assembly of machine tools, steel rolling mills and chemical plant. Unlike France and Italy, however, the United Kingdom has no special government-to-government arrangement covering such agreements, and transactions are at present confined to the sale of patents and licences.

Economic Outlook

The reinstatement of central controls and a return to quantitative planning must bring economic development increasingly into line with that of the Soviet Union. With the reassertion of counter-revolutionary control over the past three years, the man in the street seeks to avoid as far as possible any political and economic involvement, which may, attract the attention of the authorities to him.

Import requirements must be approved by the planning authorities. Commercial transactions with western countries are conducted through government foreign trade organisations to which the necessary foreign exchange is made available. There are no difficulties with payments for exports to Czechoslovakia, provided the terms of contracts are strictly observed.

III

PORTUGAL

The government's recent shift of emphasis from its traditional financial orthodoxy to a more expansionist attitude is stimulating the economy. The high rate of economic growth achieved in 1970 continued into 1971 and the implications for the balance of payments have been accepted as an inevitable corollary. A shortage of labour, caused both by the demands of the armed forces and the extent of emigration, is, however, causing concern and is one of the factors behind a high rate of inflation.

The government's programme for 1971 has included several measures to foster greater economic growth. A proposal was submitted to Parliament in March, 1971, recommending the abolition, in most cases, of government control over industrial initiative in the establishment of plant; a fund has been established to finance industrial development and company profits tax was reduced at the end of 1970. The reduction in the company profits tax, coupled with a more liberal credit

policy, has led to an increase in private investment in some sectors. Gross National Product probably grew in 1971 at a rate not far behind the 6½ per cent, in real terms, achieved in 1971. The value of sales abroad in the first eight months of 1971 was over 15 per cent higher than in the equivalent period of 1970, this compares with an 11 per cent increase during 1970 as a whole.

Pressures on domestic prices have been considerable; in addition to the economic stimulus, the shortage of labour, the inflow of receipts from tourism and of funds remitted by emigrant Portuguese together with military expenditure, which accounts for 44 per cent of the government's budget, have all added to inflation. Consumer prices were rising at an annual rate of 15 per cent during the first half of 1971, compared with 5 per cent during 1970. Wages have risen sharply, especially in rural areas, but there is little sign of any concomitant rise in productivity.

Labour Shortage

One of the principal causes of inflation has been the labour shortage, for which there are two main reasons. First, there has been a considerable outflow of labour from Portugal for some years; the size of the flow is difficult to ascertain because most of it is illegal, but it is estimated that 170,000 a year leave the country, of whom only 70,000 are legal emigrants. That part of the outflow which represents those settling in the overseas provinces is encouraged by the government to leave metropolitan Portugal, and the place of these emigrants is to some extent filled by labour attracted to Europe from the Cape Verde Islands. That Portugal, alone among the countries of western Europe, experienced a fall in population, amounting to about two per cent, during the last decade, suggests the seriousness of the problem. The second source of strain is the need to provide, out of a work force of less than 3,520,000, 150,000 men from metropolitan Portugal for the security forces in the African provinces.

The performance of agriculture remains disappointing. Portugal has the lowest crop yields in southern Europe, and the increase in productivity has barely kept pace with the decline in the agricultural labour force. Farming output fell by 3 per cent in 1969 and rose by only just over ½ per cent during 1970. In many cases improvement in productivity is hampered by the extremely small size of holdings, which makes mechanisation difficult.

The clothing industry, by contrast,

has been relatively successfully developed. Production is currently increasing at a rate of about 20 per cent annually, and exports, now worth around £18 million a year, are showing a similar rate of increase. The United Kingdom is the biggest export market for the Portuguese clothing industry, which has benefited from supply difficulties in Northern Ireland.

The tourist industry is enjoying unprecedented success. Despite official caution, directed at ensuring that the market is not harmed by mass-tourism projects of the type encouraged in Spain, receipts from overseas visitors were up by 46 per cent during the first half of 1971. There is much activity in the Algarve region where it is planned to increase the number of beds available by 20 per cent for 1972. Another area where expansion is planned is the Costa do Sol, west of Lisbon.

PORTUGAL: TOTAL TRADE

(In million of Escudos)

	Ex-ports	Im-ports	Ba-lance
1969	24,526	37,626	-12,736
1970	27,191	44,725	-17,534
1970 (Jan.-Aug.)	15,079	25,289	-10,210
1971 (Jan.-Aug.)	17,341	27,292	-9,951

Some heavy industry is also growing fast. Plans exist to increase Portugal's oil refining capacity from 4,000,000 tons to 15,000,000 tons a year by 1976. The steel industry is to have its capacity increased to 850,000 tons of steel and a million tons of hot-rolled strip by 1974. The cement industry is increasing its capacity by 1,300,000 tons and the shipbuilding industry is also developing and expanding its yards.

Overseas Affairs

A major problem at the moment is the relationship between metropolitan Portugal and its overseas provinces. In July, 1971, the National Assembly approved a major constitutional reform, providing, for the first time, a substantial measure of autonomy for these provinces in administrative and financial matters. Defence and foreign relations are, however, to continue to be controlled by Lisbon. The government has made some efforts to improve Portugal's diplomatic relations with the rest of the world; a major achievement in 1971 was the

forging of closer links with Brazil. The outcome of this was seen in September when a pact, establishing mutual citizenship rights, was signed with Brazil. Although there are limitations on nationals of the partner countries reaching high offices of state in the other country, the agreement is otherwise extensive in coverage and is meant to encourage mutual political and commercial co-operation. Some improvement in relations with the United Kingdom was reflected in a visit by the UK Foreign Secretary in June, 1971.

Despite the substantial increase in exports during the first two-thirds of 1971, the traditional reliance on three groups of goods continues: textiles, food and beverage products, and wood and cork articles still make up more than half of total exports. Over a fifth of these exports went to the British market while a further 15 per cent went to the rest of the EFTA countries. The withdrawal of the US surcharge will be welcomed by Portugal because over 11 per cent of all exports go to the United States.

Portugal's balance of payments benefits considerably from the receipts from tourism and from expatriate Portuguese who remit funds home. Expatriates supplied the bulk of an inflow of private transfers amounting to some 14,300 million Escudos in 1970, while in the first six months of 1971 receipts from tourism brought in about 3,700 million Escudos. Portugal's foreign exchange reserves amounted to \$1,748 million at the end of October last, an increase of \$290 million compared to twelve months earlier.

Economic Prospects

The prospects for the economy are largely favourable. The more dynamic approach of the government can be expected to gather momentum provided too many problems do not arise as a result. There is already pressure to apply rigid controls to reduce the rate of inflation. The balance of payments may move into deficit to finance imports necessary for economic expansion, but the level of the reserves, which currently cover Portugal's entire import bill for about a year, should allow a flexible economic policy. Expansion of the economy should provide new opportunities for foreign exporters — Indian exporters please note!

All imports, except those of less than 2,500 Escudos in value, have to be registered in advance. Most imports from the United Kingdom are liberalised. Motor vehicles and some foodstuffs are the only goods for which licences are issued on a quota basis. The granting

of a licence guarantees the necessary foreign exchange. There are no difficulties with payments for exports to Portugal.

Source and acknowledgements: The foregoing summarises exclusive reports

kindly sent me by Barclay's Bank (45 Lombard St., London E.C. 3), but the Bank is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

Australia: Riding High

REX SCAMBARY

THE AUSTRALIAN economy in recent years has demonstrated a strong and rising rate of growth. Expectations for the future are high. Reasons for confidence include the country's widening manufacturing base and the discovery of new mineral deposits that continue to enlarge Australia's industrial horizons.

The past year has been one of mixed fortunes. Particularly, the year has been noted for mounting pressure on prices and for continuing marketing problems for some of Australia's major rural commodities, notably wool.

During the year the government took further steps to counter strong cost and price inflationary trends. The consumer price index increased by 6.5 per cent in the year to the September quarter, compared with an average of 3.2 per cent in the five years 1965 to 1969.

Stable Prices

Although other industrial countries have had even more serious inflationary problems the experience is a marked change for Australia, a country that in the past decade has managed to combine growth and the full utilisation of resources with reasonably stable prices.

The government's deflationary measures, combined with the effects of international currency uncertainty, restrained some sections of business activity and the value of Australian shares.

Australia traditionally has been a large producer of farm products that range from cane sugar and pineapples in the tropical north to foodgrains and dairy produce in the more temperate south. The rural industries have been noted for their efficiency and low labour content and for the high percentage of output that is exported.

The gross value of Australia's rural production in the past 20 years has more than doubled, although the size of the rural work-force has fallen by 11 per cent, reflecting the effects of mechanisation, the use of fertilisers and scientific farm management. The growth of manufacturing and mining

have given Australia a much more diverse export trade but farm products still account for about 50 per cent of export earnings.

Unfavourable world marketing conditions, depressed prices and the effects of trade barriers, combined with rising farm costs in Australia, have created serious problems for several of Australia's main rural commodities. British entry into the European Economic Community will also adversely affect the future of some Australian foodstuffs that depend substantially on the British market.

Farm Industries

A number of farm industries have had to make readjustments, including curbs on production. The federal and state governments have been devoting large sums to rural assistance and reconstruction schemes, such as measures to amalgamate marginal farms into more viable units and help for the rehabilitation and training of farmers forced to leave the land.

Wool traditionally has been the mainstay of the rural economy. Australia is the world's largest wool producer and provides more than half the wool sold on the international market. A prolonged slump in wool prices is a subject of national concern and further changes in the marketing and production of wool are under study. Proceeds from wool exports in the last financial year were the lowest in more than 20 years, a result both of poor prices and a decline in overseas purchases.

The non-farm sector of the Australian economy has grown in recent years at the brisk pace of about six per cent at constant prices. Manufacturing, particularly, has been distinguished by a rising level of employment and by increased productivity.

The value of the contribution of secondary industry to gross national product is now more than five times its value in the late 1940s and its share of national production has increased to 37 per cent. The range of manufactures has widened and includes synthetic fibres, advanced electronic and communications equipment, petrochemi-

cals and guided missiles. Important industries involving a high degree of technology have been introduced into Australia by overseas companies, but the bulk of investment in Australian manufacturing is of domestic origin.

Manufactures today earn about 18 per cent of Australia's export income, compared with about four per cent 20 years ago. New industries also have stimulated the growth of the larger cities. The Australian population is now among the most highly urbanised in the world.

Australia is the driest continent and only 13 per cent of the total land area receives more than 30 inches of rain annually. Vast areas of the interior are desert or semi-arid rangelands. The paucity of water remains the main limitation on national growth, particularly of agriculture.

In much the same way, a deficiency of some of the more important industrial minerals was until quite recent years considered a prime restraint on the country's industrial progress. The situation has changed dramatically with the discovery of large new deposits of iron ore, bauxite, base metals and other minerals.

Self-Sufficiency in Minerals

The full development of recent discoveries should make Australia self-sufficient in all but a small number of minerals. By the end of the decade Australia's mineral exports are likely to exceed \$A3000 million a year.

The long search for oil in Australia was rewarded relatively recently with the discovery of major offshore deposits of both oil and gas in Bass Strait, not far from Melbourne. At the end of 1971, thanks mainly to Bass Strait, Australia was producing 70 per cent of its refinery needs of crude oil.

This measure of self-sufficiency will not be maintained without further large discoveries. The tempo of oil search has slackened, although there have been a number of valuable natural-gas finds. By the end of 1972 all but a few of Australia's larger cities will be using natural gas, a fuel new to Australia.

During 1971 significant offshore gas

discoveries were made on the North West Shelf, a vast offshore platform that stretches for 1000 miles along the barren coast of northern Western Australia. The deposits could compare with those of the North Sea and offer a potential source of liquid petroleum gas supplies for Japan and North America.

In spite of the hopeful long-term outlook for Australian minerals, the past year has seen a slack market for mining stocks but a recovery in the United States economy is expected to lead the way to firmer metal prices and to improved earnings for Australian mining companies.

Vanished Glamour

Early in 1971 much of the glamour associated with a minerals boom in the previous year vanished with the failure of one of Australia's fastest growing mining investment companies, an event that since has contributed to intensive public discussion about the operations of the Australian share market.

Australian development has been helped by a high level of domestic savings and by the proportion of output devoted to investment. Annual gross fixed investment averages about one-quarter of gross national product.

About 90 per cent of investment funds come from domestic sources, but capital from abroad plays an important role, particularly in growth areas of manufacturing and in large-scale mining ventures where Australian risk capital is not always easy to mobilise.

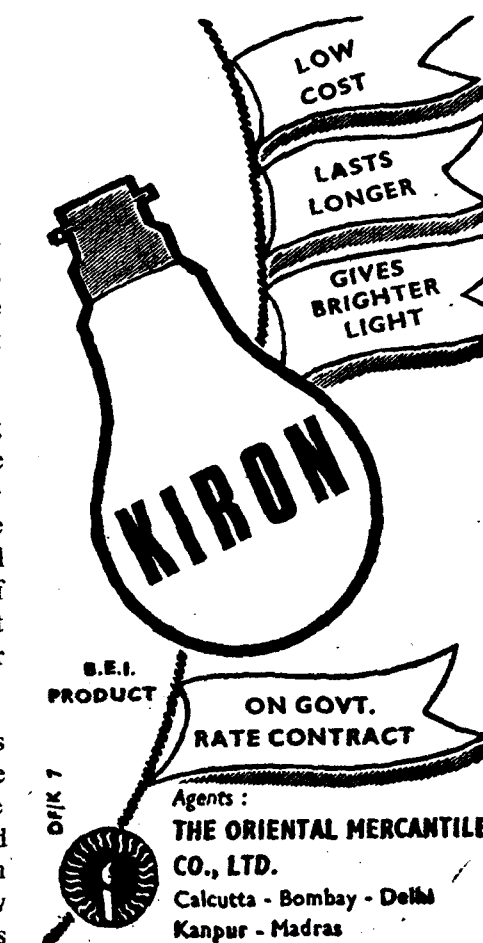
The inflow has coincided with strong growth in Australian exports, despite the fluctuating performance of some farm products. The Australian balance of payments showed an overall surplus in the September quarter of SA 259 million compared with a deficit of \$A70 million in the September quarter of the previous year.

The signs are that Australian exports will continue to grow strongly in the future. Australia has widened the direction of its international trade and there has been a considerable growth in trade with Asian countries, which now take about 40 per cent of Australia's

exports compared with 15 per cent two decades ago. Japan today is Australia's largest single customer.

Australia has become increasingly involved in the economic progress of the developing countries of Asia and the Pacific and this year has budgeted to spend more than \$A 172 million on external aid, mostly in these regions. Much of this will be applied to assist the Australian-administered territory of Papua New Guinea in its progress towards independence.

The Australian Treasurer, Mr B.M. Snedden, mentioned in his budget speech that in 1970 Australia for the first time had exceeded the internationally accepted one per cent target for the total flow of financial resources, both official and private, to developing countries. There was a probability that the target would again be achieved in the 1971-72 financial year. The figure includes both development assistance and private capital investment.



Trade Winds

AWARDS FOR EXPORTS

THE UNION government has announced the grant of awards and certificates of merit by way of public recognition of outstanding performance in the field of exports. The first set of awards and certificates of merit were given away in 1969 in recognition of achievements during the period October 1966 to March 1968. Selections for the second set of awards and certificates of merit have been made in respect of performance during the period April 1968 to March 1969. The selection committee was presided over by Mr M. C. Chagla, MP, the other non-official members of the selection committee being the presidents of the Federation of Indian Export Organisations, the Federation of Indian Chambers of Commerce and Industry, and the Associated Chambers of Commerce and Industry.

The nine winners of awards for outstanding export performance are : (1) M/s The Bombay Dyeing and Manufacturing Co. Ltd, Bombay. (2) M/s The All India Handloom Fabrics Marketing Co-operative Society Ltd, Madras. (3) M/s Hindustan Steel Ltd, Ranchi. (4) M/s T.I. Cycles of India, Madras. (5) M/s Hindustan Aluminium Corporation Ltd, Calcutta. (6) M/s Bor Industries Pvt. Ltd, Bombay. (7) M/s Mahendra Brothers, Bombay. (8) The Engineering Export Promotion Council, Calcutta. (9) M/s Tata Exports Ltd, Bombay.

Twenty-eight winners of certificates of merit are : (1) M/s P. Mittal Lal & Sons, Madras. (2) M/s Pierce Leslie India Ltd, Calicut (Kerala). (3) M/s Angelo Brothers Ltd, Calcutta. (4) M/s Oceanic Products Exporting Co., Quilon. (5) M/s C.M. Rajgarhia, P.O. Girdih, Bihar. (6) M/s Keshavlal Talakchand (Pvt) Ltd, Bombay. (7) M/s Banaras Art House (Pvt.) Ltd, New Delhi. (8) M/s Chemicals and Fibres of India Ltd, Bombay. (9) M/s Hind Hosiery Mills, Ludhiana. (10) M/s Mahindra and Mahindra Ltd, Calcutta. (11) M/s R.S. Iron Industries Pvt. Ltd, Calcutta. (12) M/s The Indian Tube Company Ltd, Calcutta. (13) M/s Gedore Tools (India) Private Ltd, New Delhi. (14) M/s Chemco Supply Corporation, Bombay. (15) M/s Madras Rubber Factory Ltd, Madras. (16) M/s Balkrishna Pen Private Ltd, Bombay. (17) M/s Montex Corporation, Bombay. (18) M/s India Linoleums Ltd, Cal-

cutta. (19) M/s India Cements Ltd, Madras. (20) M/s R. Y. Durlabhji, Jaipur. (21) M/s Simac Group (India) Pvt Ltd, Gandhidham, Kutch. (22) M/s Indian Telephone Industries Ltd, Bangalore. (23) M/s Cadbury-Fry (India) Pvt Ltd, Bombay. (24) The Plastics and Linoleums Export Promotion Council, Bombay. (25) M/s Hero Cycle Industries, Ludhiana. (26) M/s Metro Exporters (Pvt) Ltd, Bombay. (27) M/s Swastik Rubber Product Ltd, Poona. (28) M/s Dunlop Rubber India Ltd, Calcutta.

REPUBLIC DAY AWARDS

The union Minister for Industrial Development, Mr Moinul Haque Choudhury, recently announced Republic Day awards for meritorious inventions and pioneering effort at import substitution on behalf of the Inventions Promotion Board and Board on Awards for Import Substitution. The names of award winners and their inventions are as under:

For Inventions

Dr C. R. Marathe—Mirror Screen Arrangement; Mr Josef Nejedly—bullet proof GRP helmet protective light weight MK-I for Indian Armed Forces; Mr H. R. Longani and T. L. Chadda—automatic gas burner; Santokh Singh Khatra—a foot operated pump capable of being operated by the weight; Mr U. S. Patil—pencil making from jawar stalk; M/s Chandra Mohan, G. S. Rihal & R. S. Devgun—improvements in or relating to tractors for working agricultural implements; M/s S. K. Bhattacharya, S. C. Basu & A. K. Bandyopadhyay—all aluminium condenser; Dr Y. Nayudamma and M/s D. Mukherjee and K. T. Sarkar—process on the manufacture of synthetic tanning agent for white tanning; Dr H.V.K. Udupa & Mr K. C. Narasimha—preparation of lead dioxide electrodes for electrolysis; Dr A. Singh, Mr V. Chandra & Dr L. D. Kapoor—new apparatus for attar and perfumed water; M/s B.K. Choudhuri, A. C. Dutta & N. T. Parmeswaran, photosensitive synthetic resin lacquer; M/s P. S. Venkatachalam—J. K. Khanna, Y. Nayudamma, R. B. Gupta & Mrs Rama Khanna—development of a new type of leather known as "Bandhani Leathers"; M/s B. A. Sheno, R. Subramanian & S. Chakrapani—Solder and Flux for Joining

Aluminium Cables; Mr Ajoy Kumar Ghosh—Ellipse Tracer; Mr Ravindra Nath Seth—semi-automatic anchoring & locking device for containers used in rail or road vehicles; Mr Jagdeva Prasad Gupta—A table fan comprising the all round moving mechanism; Dr Manirathna Anandakrishnan & Mr Punyabrata Basak—radial permeability apparatus; Dr S. K. Barat and Mr Mahendra Kumar—A process for utilization of indigenous mammalian intestines from slaughter houses for the manufacture of absorbable surgical catgut/suture/ligature plain and chromic or the like; Dr Sisir Kumar Barat—dyeing of wool, hair and other keratinous fibres into a fast non-bleeding jet black shade; Shri Jitendra Pal Gupta—Three Phase Sequence Indicator (Linear Type) and Multi-Tester; Mr Nand Lal Gupta—"Chunic"; Mr V. M. Kolokar—Star Finder; Mr R.G. Bag—Triple Acting Rotary Pump; Dr O. S. Bindra, Dr Harcharan Singh, Mr Gurcharan Singh Mavi & Mr Amar Singh Udean—PAU Grain Treating Machine; Mr Prasanna Kumar Laxmikant Chakraborty—Portable Gas Discharge Tube Illumination for Signalling; Prof Pritpal Singh Grewal & Mr Karnail Singh Grewal—A non erroneous apparatus for experimental verification of a natural law namely "To every action there is an equal and opposite reaction"; Mr Om Prakash Batra—Children's Calculator; Dr. B. Sanyal & Mr T. K. Grover, G. C. Gupta & Miss Suchitra Sen Gupta—Pressure Drying unit of textile—dye plant and similar equipments operating under high pressure and temperature; M/s S. K. Roy & A. N. Chatterjee—An alkaline stripping solution for nickel plated coatings on steel by immersion method; Mr Amrit Bhargava—Compressed Air and Filtering Unit for Electroplating Plant; Mr U. C. Ambedkar—Display Apparatus as an audio-visual aid in teaching of type-writing; Mr N. K. Basu—Economy in the Production of hard Chromium plating work; Mr B. B. Pal—radial steam distribution multipoint peripheral feed floating calandria high speed vacuum pan; Mr S. Basu—A process for the recovery of soda chemical from the spent liquor;

For Import Substitution

M/s Continental Device India Ltd—Mr A. A. Patankar, Mr T. V. Srinivasan and B. A. Singh, Mr Surinder Singh, Mr V. Anant Narayanan, Mr R. Sawhney, Mr K. S. Nagbhusan—thermo-compression ultrafine wire border with Micromanipulator; high stability precision, three zone, twin furnace stack; ultrasonic power supply & timer; dual range stored charge fine wire welder; sequential component

Automatic tester. Mr. Josef Nejedly, —composite bullet proof GRP helmet protective light weight MK-I for Indian Armed Forces; M/s Ranjit Das Gupta, Mysore—Somasekhara Rao Jayasimha, Krishnappa, Sitarama Rao, Rangaiyegna Narayan, Kapinipathi Nagaraj and Avyodhani Krishnan—field telephone for army's use; Shri Vijay Vishnu Damle and Shri Ramachandra Raghunath Divekar—G. M. counter; M/s Rohas Industries Ltd—vulcanised fibre products; M/s Ishwar Industries Ltd—high alumina cement trade name "Cement Fondu"; M/s Cellulose Products of India—Sodium alginate; M/s Dadiala Engineering Works—paper bag making machine; Mr S. V. Lathia; —mercury cells used in caustic soda plants; M/s J. C. Malhotra, N. S. Gill, M. L. Agarwal, B. M. Gupta and Ram Prakash—belt crete for placing concrete generally and especially on spillways at Beas Dam; M/s KLB Electronics—microwave components; Mr Rajarethinam Sankaran—automatic soot blower control culicle; Mr M. N. Sukhatme—pigments for fibreglass reinforced plastics; Mr Sibdas Misra—magnetic crack detector; Dr B. Venkataramani and Mr C. D. Pande—urethane foam production; Mr S. K. Jain—lustre in different colours; Mr R. P. Mehrotra and Mr Gonsi Sethia Ballamutiah—F.I.A. grade silica gel; Mr D. L. Mukherjee—hydraulically operated PITTL internal grinding machine; M/s Delta India—solid state flow net Plotter; Mr R. N. Nanda—Electronic educational kit; Dr Vishwa Nath Bindal, Mr Raj Kumar Nayar, Mr Rakesh Kumar—ultrasonic interferometer; Mr S. Bhaskaran—high temperature extensometer; Mr Panditrao Bajji Kulkarni—brinell hardness testing machine power operated; M/s Kerala Gears—(1) Centrifuge and scoop, (2) Horizontal Reinforcement Machine; Mr Y. K. Sharma—medium paper filter for seed testing.

RELEASE OF WHEAT

Food Corporation of India (FCI) recently launched a drive in Narela to curb prices of wheat by releasing large stocks in the regulated market. Mr Iqbal Singh, Chairman FCI, has stated that the Corporation would take immediate steps to bring down the prices of wheat sold in the fair price shops to Rs 82 a quintal. The FCI would organise one hundred "sale centres" in all the regulated markets of Punjab, Haryana, Uttar Pradesh and Delhi to sustain the curb in prices for the benefit of consumers. Such sale centres were being organised for the first time in the country. The Chairman of FCI hoped that the drive launched by FCI would further bring down wheat prices within a week. With the rabi

arrivals becoming lean, prices of wheat had shown a tendency to rise.

ANNUAL PLANS

Madhya Pradesh: An outlay of the order of Rs 109 crores has been approved for the Madhya Pradesh annual Plan 1972-73. Central assistance for the annual Plan will be Rs 49.78 crores. This was agreed to at a meeting held recently between the Minister of Planning and Deputy Chairman, Planning Commission and the Chief Minister of Madhya Pradesh. The expenditure during 1970-71 came to Rs 72.34 crores and the anticipated expenditure in 1971-72 is Rs 102.83 crores. Sectoral distribution of the outlay approved for Madhya Pradesh's annual Plan 1972-73 is as follows (Rs in lakhs): Agricultural programmes 2241.06; Community Development, Co-operation and Panchayats 593.00; Irrigation and Power 4234.00; Industry and Mining 392; Transport and Communications 837; Social Services 2381; and Miscellaneous 2222.

Haryana: An outlay of Rs 82 crores has been fixed for the annual Plan 1972-73 of Haryana. Central assistance will be of the order of Rs 14.91 crores. This was agreed to at a meeting held here recently between Mr C. Subramaniam, Minister of Planning and Deputy Chairman, Planning Commission and Mr Bansi Lal, Chief Minister of Haryana. The distribution of Rs 79.37 crores among the various heads of development of the state's 1972-73 annual Plan is as follows (Rs in lakhs): Agricultural Programmes 1064; Community Development, Co-operation and Panchayats 396; Irrigation and Power 3758; Industry and Mining 177; Transport and Communications 1256; Social Services 1260 and Miscellaneous 26. The distribution of Rs 2.63 crores will be worked out later in consultation with the state officials.

TRADE WITH BHUTAN

India and Bhutan signed recently an agreement to regulate trade and commerce between the two countries. The agreement which provides for co-operation in the fields of commerce and industry, further strengthens the close ties between the two countries.

INDO-MAURITIUS TIES

Talks on economic co-operation between India and Mauritius were held recently. The Indian delegation was led by Mr Moinul Haque Choudhury, union Minister for Industrial Development, while the visiting delegation from Mauritius was led by the Minister for Economic Planning and Development,

Mr K. Jagat Singh. At the conclusion of the talks, it was agreed that the highest priority would be given to the construction of the Mahatma Gandhi Institute for which Indian assistance would be Rs 44 lakhs, principally for engineering consultancy and architectural supervision and the supply of Indian equipment and construction materials for the building of this Institute and for equipping its library and cultural centre. The feasibility of extending Indian assistance by way of grant to cover four other important schemes has been indicated. These are the setting up of an industrial estate, the establishment of an industrial technical training institute, consultancy services for the Western Coastal Irrigation Project and the extension of electric power supply. The total Indian assistance considered for all these projects would be about Rs 1 crore by way of grant and over Rs 3 crores by way of loan. India also agreed to examine the possibility of supplying from its local manufacturing range, the equipment and materials required for the most ambitious Mauritius programme "Travail Por Tous" or "Work For All".

SYNTHETIC DETERGENTS

Production of synthetic detergents as an alternate washing material to soap, which is dependent upon local oils and fats as well as imported tallow, is being encouraged. At present synthetic detergents are being marketed mostly in the spray dried form. However, in order to reach the consumers who are accustomed to washing with laundry-bars/cakes, the product is also being marketed in the cake form by some of the manufacturers. The government has recently approved a few more schemes and a few more are likely to be approved in the near future for production of synthetic detergents. This will necessitate the setting up of capacity for the fabrication of complete plants as well as individual equipment required for production of synthetic detergents in the country. The government proposes to encourage the creation of capacity for the manufacture of such complete plants and equipment

Indo-Spanish joint venture to promote Indian exports to Spain (incl. Andorra, Canary Islands) of specialised electrical/electronic products on sole agency basis. Good references provided and good prospects assured.

Write : **INDEX S. A. (Ltd.)**, (Manager: S.G. Pendse), 2, Cristo Rey Road, Sardanyola, Barcelona.

required for production of synthetic detergents in marketable form and would also consider the request for foreign collaboration. Proposals have been accordingly invited from prospective entrepreneurs for Industrial Act Licence/Registration for establishing capacity for its manufacture of plants for production of synthetic detergents.

OLEFINS PROJECT

The Prime Minister laid on January 29, 1972, the foundation stone of the Olefins Project of the Gujarat Petrochemicals Complex, at Baroda, marking the beginning of the third and final phase of this complex of petrochemical plants in the state. The Gujarat Olefins Project, popularly known as the Naphtha Cracker Project will comprise naphtha cracker plant (ethylene plant) butadiene extraction unit, pyrolysis gasoline hydrogenation unit, and benzene extraction unit, involving a total investment of Rs 31.9 crores with a foreign exchange component of Rs 8.44 crores.

The products of this complex will substitute scarce conventional materials like iron and steel, lead, zinc, tin and cane, some of which are being imported. Current imports of industrial fibres, such as cotton and wool will also be reduced.

The first phase of the Gujarat complex commenced in 1968 with the commercial production of benzene in the Udex Plant of the Gujarat Refinery.

The second phase was marked by the implementation of the Aromatics Project of the Indian Petrochemicals Corporation. The project, which was inaugurated in January 1970, is nearing completion and will be commissioned during this year, producing 24,000 tonnes of DMT, 21,000 tonnes of orthoxylene and 2,500 tonnes of mixed xylenes.

The xylenes produced in the Aromatics Project will provide raw materials for manufacture of polyester staple fibres and filament yarn, phthalic anhydride, pesticides, drugs, pharmaceuticals and other important chemicals.

WORLD BANK PRESIDENT

Mr Robert McNamara, President of the World Bank visited this country of a few days ago. He met the Prime Minister, the Finance Minister, the Planning Minister and some of the officials in New Delhi. In his conversation with the Planning Minister he laid emphasis on schemes having a bearing on social justice, including those which would benefit small farmers. The President of the Federation of Indian Chambers of Commerce and

Industry is reported to have suggested to Mr Robert McNamara Bank assistance by way of a line of credit for imports going into export items, particularly capital goods and machinery.

BHILAI EXPANSION

Mr Shah Nawaz Khan, Minister of State for Steel and Mines, commissioned at Bhilai on January 25, 1972 the seventh coke oven battery of the Bhilai steel plant. This marks the completion of sixth blast furnace complex undertaken to expand the capacity of the plant to four million tonnes steel ingots from the present 2.5 million tonnes. Built at a cost of Rs 8.50 crores the coke oven battery will yield 458,680 tonnes of coke annually. Comprising of 65 ovens, it is one of the most complicated structures of the complex. Its construction involved 14,617 tonnes of refractory materials. The mechanical erection of the battery started in June 1971 after completion of refractory work and was completed in a record time of four months against a normal period of seven to eight months taken in earlier batteries. The battery was put on temporary heating on November 14 and permanent heating on January 11, 1972.

P.I.C.C.I AND SELF-RELIANCE

Mr S.S. Kanoria, President of FICCI, has circulated a tentative programme of annual session of the Federation which would be finalised at the next meeting of its standing advisory committee. 'Towards greater self-reliance' has been selected as the general theme of the three-day session. Mr Kanoria has hoped that members and other representatives of various organisations would be able to contribute constructively to the discussions so that the business community is able to evolve its own guidelines for self-reliance in the overall socio-economic context. He has addressed the letter to the presidents of chambers of commerce and other members stating that the two major imperatives in the context of self-reliance are fuller

utilisation of existing capacity and creation of new capacity. The government, he adds, has taken some welcome steps for better utilisation of capacity in 54 industries. It is equally important, he points out, that the base of industries for which new capacity is vital should be strengthened. A large number of applications for licences are already before the government for clearance, which reveals keenness on the part of businessmen to play their part in economic development. The time gap between investment decisions and the implementation of projects should be reduced to the minimum. Mr Kanoria states that considerable attention should be paid to the resources position. Already, deficit financing is said to have been far larger than contemplated for the fourth Plan. Mr Kanoria suggests the enforcement of financial discipline, particularly on state governments who indulge in overdrafts.

EXPORT OF MICA

IT HAS BEEN decided to canalise the export of mica with effect from January 24, 1972, through the Minerals & Metals Trading Corporation of India. Export instructions have accordingly been issued by the Chief Controller of Imports and Exports to all the port authorities concerned with the execution of the export of this commodity. For the time being, manufactured and fabricated mica (including die cut condenser films, spacers, bridges, washers, etc.) as also micanite, reconstituted mica, mica powder and mica paper have been left out of the scope of canalisation.

CAR PRICES

The union government has decided to fix the prices at which the following motor cars shall be bought and sold.

The prices given below are ex-factory prices inclusive of dealer's commission and do not include excise duties, central sales tax and local taxes, if any, and transportation charges.

Name of Manufacturer	Description of Motor Car	Price
1. M/s Hindustan Motors Limited, Uttarpara, District Hooghly (West Bengal)	Ambassador	Rs 16,946
2. M/s Premier Automobile Limited, Construction House, Ballard Estate, Bombay	Fiat '1100-D'	Rs 15,946
3. M/s Standard Motor Products of India Limited, 29, Mount Road, Madras	Standard Herald	Rs 16,539

Company Affairs

ASHOK LEYLAND

MR A. RAMASWAMI Mudaliar, Chairman, Ashok Leyland Ltd, told the shareholders that increased cost of materials and working expenses were not covered by increases in the prices of the products of the company. Addressing the annual general meeting of the company held recently, he added that sales during the year ended September 30, 1971 increased to Rs 36.83 crores as against Rs 33.30 crores last year. Sales for the year under review amounted to 5,030 Comets, 226 heavy goods and passenger chassis and 318 industrial engines. Output of Comets was 10 per cent below the target. Mr Mudaliar stated that the company had embarked upon a cost reduction programme aimed at further improving the efficiency and eliminating any wasteful expenditure. The chairman revealed that steps were being taken to implement programme to increase the chassis production initially to 7,000 Comets every year and then to 10,000. The company has also been taking active steps to increase the indigenous content of its heavy vehicle range with guidance from its collaborators. He pointed out that during the year under review Mr J. H. Plane, Managing Director of British Leyland International and Deputy Chairman of this company accompanied by Mr A. T. Webster, Managing Director of Overseas Division of British Leyland International Ltd, visited the company. This was followed by a visit from Lord Stokes accompanied by Mr Plane and Mr R. K. Robinson, Manager of Overseas Manufacturing Division. The prospects of expansion were discussed with the visiting guests. Mr Mudaliar also stated that the company was making concerted efforts in the field of exports. The company was also spending substantial funds every year towards the development of ancillary industries.

KESHAW VANASPATI

Keshaw Vanaspati Ltd entered the capital market on January 25, with an issue of Rs 21.47 lakhs. The subscription list was expected to close on February 5, 1972 or earlier at the discretion of the directors but not before January 29, 1972. The company has an authorised capital of Rs 50 lakhs and it has issued and subscribed capital of 14.54 lakhs. The present issue is made of 139,650 equity shares of Rs 10 each and 7,500 (9.5 per cent) redeemable

cumulative preference shares of Rs 100 each. The preference shares have been underwritten by UP State Industrial Corporation. The equity shares have been underwritten by Bharat Bhushan & Co (Rs three lakhs) and Pyarelal Hawelia (Rs three lakhs). The company proposes to manufacture edible hydrogenated oil commonly known as vanaspati. The company has received an industrial licence for the manufacture of 50 tonnes of vanaspati per day. The civil work has already commenced and is expected to be completed by March 1972. The company expects the plant to go into production during the second quarter of 1972. As there is no similar plant in operation at Lucknow and east of this place to a distance of 200 miles, the company expects to have fairly good future.

HARYANA STEEL

Haryana Steel & Alloys Ltd enters the capital market on February 7, with an issue of Rs 37.05 lakhs made up of 220,500 equity shares of Rs 10 each and 15,000 (9.5 per cent) redeemable cumulative tax free preference shares of Rs 100 each. The issue will close on February 16 or earlier at the discretion of the directors but not before February 10, 1972. The entire issue has been underwritten. The company has an authorised capital of rupees one crore and issued, subscribed and paid-up capital of Rs 22.95 lakhs. The construction of the main factory building with steel melting shop, laboratory building, furnace control rooms and electric substations have been completed and the main plant of arc steel melting furnace is now under erection. The company expects to go into production before the end of March 1972. The total cost of the project is estimated at Rs 80 lakhs and will be financed from the share capital to the extent of Rs 60 lakhs and a term loan of Rs 20 lakhs, sanctioned in principle by the Haryana Finance Corporation.

TATA CHEMICALS

Tata Chemicals Ltd has recorded an increased turnover of Rs 661.41 lakhs for the half-year ended December 1971 against Rs 538.56 lakhs for the corresponding period of the previous year. Among the company's major products, the output of soda ash during the period was higher at 118,145 tonnes against 102,195 tonnes for the corresponding

period of the previous year, showing an increase of 15.6 per cent.

INDIA TOBACCO

India Tobacco Co. has secured an order valued at Rs 50 lakhs for exporting 235 million cigarettes to Russia. The company had obtained previously an order of rupees one crore for exporting cigarettes to Russia. In December 1971 the company had concluded an export order of Rs 5.5 lakhs to Hungary.

UNIT PRICES

Unit Trust of India raised the sale and repurchase prices of the units by five paise with effect from January 24, 1972. The prices now are Rs 10.85 and Rs 10.45 per unit respectively.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the two weeks ended November 19, 1971. The list contains names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU); New Articles (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

Non-Ferrous Industries

M/s Castall Corporation Pvt Ltd: N-78, Connaught Circus, Bombay Life Building, New Delhi-1. (Calcutta—West Bengal)—Non-ferrous extrusions—325 tonnes p.a. (COB); M/s Vijay Industrial Works: 532, Mahatma Gandhi Road, P.O. Paschim Putiary, Calcutta-41 (Calcutta—West Bengal)—Copper and brass sheets and strips—335 tonnes p.a., 2. Arsenical copper rod & cadmium copper rod—48 tonnes p.a., 3. Tin based alloys including solder wires—4 Tonnes p.a., (COB); M/s Jayant Metal Mfg. Co.: 16-Sayani Road, Bombay-25 DD (Bombay—Maharashtra)—1. Brass rods and sections. 2. Brass strips, (flats) brass wire, Phosphor-Bronze rods, Phosphor-Bronze strips and wires.—120 tonnes p.a. (COB)

Electrical Equipment

Jesons Electronics Ltd: 17-A/1, Asaf Ali Rd, New Delhi-1. (Ghaziabad—Uttar Pradesh)—Dry Battery Cells—60 Million Nos. p.a. (NU); M/s Power Cables Pvt. Ltd: 184, Golf Links Area, P.B. No. 3004, New Delhi-3. (Nadiad—Gujarat)—Flourescent Tubes—1.5 million Nos. p.a. (NA).

Industrial Machinery

M/s Lidant Electric Co. Ltd: 4-B Ajirwadi, Mazagaon, Bombay-10.

(Bombay—Maharashtra)—1. Stainless Steel Alkyd Pots. 2. Stainless Steel Condensers. 3. Stainless Steel Bottoms for Alkyd Pots. 4. CO₂ Coils. 5. Stainless Steel Jacketed Kettles and; 6. Resin Plants.—Rs. 13 lakhs per annum. (COB)

Agricultural Machinery

The Punjab Tractors Ltd. (The Punjab State Industrial Development Corporation Ltd): No 10, Sector-9-A, Chandigarh-11. (Village Mohali—Punjab)—Agricultural Tractors 'Swaraj-20' (20 HP), 'Swaraj-30' (30 HP)—12,000 Nos. p.a. (NU).

Engineering Industries

M/s P.V.D. Plast Mold Industries: 43-Forbes Street, Fort, Bombay-1. (Gujarat)—1. Plastic Crates for Bottles—264 tonnes p.a. 2. Bags and Multi-coloured Printing Bags—150 tonnes p.a. 3. Industrial Containers—3 to 3000 c.c. including its printing and treating—204 tonnes p.a. 4. Containers—4 to 100 litres capacity—360 tonnes p.a. 5. Plastic Air Ducting Plastic Panels, Plastic Pinions, Plastic Tail Lights, Plastic Gears etc. 72 Tonnes p.a. 6. Plastic cabinets plastic castings, plastic knobs, plastic sleeves, plastic pressings keys etc.—30 Tonnes p.a. 7. Injection Moulded articles—ice plastic jugs, mugs cups, cutlery boxes etc.—10 oz. and higher by vacuum forming process—102 tonnes p.a. 8. Plastic gloves, plastic trays, plastic boxes etc. from the above raw materials—12 tonnes p.a. (COB)

Commercial Equipment

M/s Hyderabad Allwyn Metal Works Ltd: Sanatnagar, Hyderabad-18. (Sanatnagar—Andhra Pradesh)—Commercial Refrigeration Equipment—6000 nos. p.a. (NA)

Chemicals

Cyanamide India Ltd: (Gujarat)—Malathion (Technical) expansion from existing capacity of 675 tonnes p.a. to 900 tonnes p.a. (SE); M/s T.I. Cycles of India: Ambattur, Madras-53. (Ambattur—Tamil Nadu)—1. Brightners—20 tonnes p.a. 2. Nickel Plating Salts—4 tonnes p.a. (NA); M/s The Andhra Sugars Ltd: Venkateswarapuram, P.B. No. 2, Tanuku (AP) (Andhra Pradesh)—1. Caustic Soda Expansion from existing capacity of 9,900 tonnes to 33,000 tonnes p.a. 2. Chlorine—Expansion from existing capacity of 6,330 tonnes to 20,830 tonnes p.a. 3. Hydrochloric Acid—Expansion from existing capacity of 2,600 tonnes to 5,100 tonnes p.a. (SE).

Cement

M/s Madras Cements Ltd: 'Rama-mandiram, Rajapalayam. (Tulukka-

patti—Tamil Nadu) Portland Cement 400,000 tonnes p.a. (SE).

LETTERS OF INTENT

Ferrous Industries

M/s Poysha Industrial Co. Ltd: 4-Bahadur Shah Zafar Marg, New Delhi-1. (Ghaziabad—Uttar Pradesh)—Metal Battery Jackets and components thereof—40 million Nos. p.a. (NA); M/s Poysha Industrial Co. Ltd: Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi-1. (Thana—Maharashtra)—Metal Battery Jackets and components thereof—40 million Nos. p.a. (NA); M/s Poysha Industrial Co Ltd: Ticcicon House, Dr. E. Moses Road, Bombay-11. (Cochin—Kerala)—Metal Battery Jackets and components thereof—150 million Nos. p.a. (NA); M/s Andhra Pradesh Industrial Development Corporation Ltd: B-1-174, Fateh Maidan Road, Hyderabad. (Andhra Pradesh)—M.S. and H.C. Steel Billets and wire rods—50,000 and 20,000 tonnes p.a. respectively (NU); M/s Zenith Tin Works (Pvt) Ltd: Clerk Road, Mahalaxmi, Bombay-34. (Bombay—Maharashtra)—1. Printed and decorated general line containers (excluding tin containers unprinted upto 19 litre capacity)—9000 tonnes p.a. 2. O.T.S Cans—3,000 tonnes p.a. (SE); M/s Shri Amarjit Singh: B-1, Central Green, N.H. 4, Faridabad (NIT) Central Railway, (Haryana—Punjab) Metallic Industrial Springs—600 tonnes p.a. (NU); M/s Super Coil Spring Mfg. Co. Pvt. Ltd: Kalina, Santacruz (East) Bombay-29. (Nasik—Maharashtra)—Metallic Industrial Springs—600 tonnes p.a. (SE); Shri R. Shreenivas: A-75, Government Industrial Estate, (Thana—Maharashtra) (Maharashtra)—Metallic Industrial springs—600 tonnes p.a. (NU); M/s Dagger Forst Tools Ltd: 1st Pokhran Road, (Thana—Maharashtra) (Maharashtra)—Alloy steels—200 tonnes p.a. (NA); M/s K.C.P. Ltd: Post Box No. 2278, Tiruvottiyur, Madras. (Tiruvottiyur, Madras—Tamil Nadu)—Chilled Iron Rolls—1200 tonnes p.a. (NA); Shri M. P. Somanna: 43/120, Narasingaraopet, Kurnool, (AP) (Hyderabad—Andhra Pradesh)—Metallic Industrial springs of all types—600 tonnes p.a. (NU); Shri V. Jagannathan: Plot No. 20, Tea Estate Compound, Race Course, Coimbatore-18. (Coimbatore—Tamil Nadu)—Metallic Industrial Springs of all types—600 tonnes per annum. (NU).

Electrical Equipment

M/s Cutler-Hammer India Ltd: 20/14, Mathura Road, Ballabgarh, Haryana. (Haryana)—1. Motor Starters—50,000 Nos. p.a. (i.e. to 1,00,000 Nos. after expansion) 2. Contractors—50,000 Nos. p.a. (SE); M/s Kelvinator of India Ltd: 19-A, Alipore Road,

Delhi-6. (Faridabad—Haryana)—Electrical Strappings for Fractional Horse Power and other Motors—1,000 tonnes p.a. (NA).

Telecommunication

M/s Electronics Corp. of India Ltd: Hyderabad. (Andhra Pradesh)—Television Sets—20,000 sets pa. (NA).

Transportation

M/s Kanshi Ram: J-63-A, Kirti Nagar, New Delhi-15. (Faridabad—Haryana)—Spark Plugs—28 lakh Nos. p.a. (NU); M/s Krishna Ragnath Shetty & Sons: Bicholim—GOA (Bicholim—Goa)—Light Commercial Vehicles (Two tonner Isuzu Elf Pickup)—12,000 Nos. p.a. (NU); M/s Sarvashri M. Parthasarathy and C.P. Rangachar: 'Sudarsanam' 30 Sir Krishna Rao Road, Basavangudi, Bangalore. (Bangalore—Mysore)—Hydraulic Equipment such as Valves, Pumps, Hydraulic Motors, Cylinders, Power Units, Flow Controls Check Valves, Fittings, Filter, Strainer Tank accumulators—Worth Rs One Crores per annum. (NU).

Industrial Machinery

M/s John Oakey & Mohan Ltd: Mohan Nagar, (Ghaziabad—UP) (Mohan Nagar—Uttar Pradesh)—Grinding Wheels—2000 tonnes per annum (NA).

Machine Tools

M/s Dhirajlal Morarji: 37A, Sarang Street, (Khokha Bazar) Post Box No. 3216, Bombay. (Ahmedabad—Gujarat)—Shot Blasting Machine with Dust Collectors and other accessories.—Rs Sixty Lakhs p.a. (NU).

Engineering Industries

M/s Agni Engineers & Processors Pvt Ltd: Vimal Sadan, 2-B, Rajinder Park, New Delhi-60. (Ballabgarh—Haryana)—Broaching Tools—3,000 Nos. p.a. (NU).

Commercial Equipment

M/s Danfoss (India) Ltd: Bank of Baroda Building, Appollo Street, Bombay-1. (Ghaziabad—Uttar Pradesh)—1. Substantial Expansion. 1. Thermostats expansion for—96,000 Nos p.a. 2. Expansion Valves—Expansion from 2,400 Nos. to 5,000 Nos. p.a. 3. Driers—Expansion from 30,000 Nos. to 60,000 Nos. p.a. II. New Articles. 1. Hygrostats—2000 Nos. p.a. 2. Actuator/Modutrol Motors—2000 Nos. p.a. 3. Liquid Level Controls—1000 Nos. per annum. 4. Proportionate Thermostatic control systems—2000 Nos. per annum. 5. Oil Separators—1000 Nos. p.a. 6. Heat Exchangers.—1000 Nos. per

CENTRAL BANK OF INDIA

THE LARGEST OF THE NATIONALISED BANKS

has completed
60
years of service
to the Nation

This is our Diamond Jubilee Year.

We are the largest nationalised Bank in India with 1006 Branches and a deposit of about Rs. 670 crores.

We are the Lead Bank in 39 districts.

Our Export Performance has won the award from the Government of India

Our direct advances to agriculture and Small Scale industries are the largest among the nationalised Banks.

Our assistance has extended even to the most underprivileged Adivasis of India.

In 1971 alone our deposits increased by about Rs. 107 crores from Rs. 563 crores to about Rs. 670 crores

Our total advances increased from Rs. 401 Crores to about Rs. 480 crores; our investments in Govt. and approved securities increased from Rs. 151 crores to about Rs 176 crores

SIXTY YEARS OF SERVICE TO THE NATION



CENTRAL BANK OF INDIA

HEAD OFFICE: MAHATMA GANDHI ROAD, BOMBAY-1.

PNB/CB/145

annum. 7. Water Valves—1000 Nos. p.a. 8. Capacity Control/Regulators—3000 Nos. p.a. 9. Low Pressure Control—3000 Nos. per annum (SE/NA).

Industrial Instruments

M/s H. Gurn Instruments Pvt. Ltd: 2-A, Shakespeare Sarani, Calcutta-16. (Rishra, Hooghly—West Bengal)—*Items*: 1. Gas Analysers—200 Nos., 2. Chemical Analytical Instruments—200 Nos., 3. Optical and Radiation Pyrometers—200 Nos., 4. Flow Recorders, Indicators etc.—20 Nos., 5. Different types of Transmitters—300 Nos., 6. Different types of Controllers—100 Nos., 7. Bimetal Thermometers—2,000 Nos., 8. Gas Regulators—30,000 Nos., 9. Different types of Valves—500 Nos., 10. Resistance Thermometers and Indicators—200 Nos., 11. Level Indicators Recorders, Controllers and Switches—100 Nos. (NA).

Chemicals

M/s Dharamsi Morarji Chemical Company Ltd, Prospect Chambers: 317-21 Dr. Dadabhai Naoroji Road, Bombay-1. (Ambarnath—Maharashtra)—1. Stabilised Sulphur Trioxide—16,500 tonnes p.a. 2. Liquid Sulphur Dioxide—8,250 tonnes p.a. (NA); M/s Borax Morarji Ltd: Raj Mahal, 3rd Floor, 84, Veer Nariman Road, Church Gate, Bombay-20 BR. (Ambernath—Maharashtra)—Anhydrous Borax—3,000 tonnes p.a. (NA); Shri C. P. Agarwal: E-2/27, Link Road, Jhandewalan, New Delhi (Delhi)—Dissolved Acetylene Gas—0.10 million cu. meters per annum. (NU); M/s Hico Products Pvt. Ltd: 771, Mogal Lane, Mohim, Bombay-16. (Thana—Maharashtra)—Monochloro Acetic Acid and Sodium Monochloro Acetate—1,000 tonnes p.a. (NA); M/s Unichem Laboratories Ltd: 4, 5, 6 Jogeshwari Estate, Jogeshwari (West) Bombay-60. (Maharashtra)—Iodochlorophyldoxyquinoline I.P. (5-Chloro-7-Iodo-8-Hydroxyquinoline)—25 tonnes p.a. (NA); The Industrial Development Corporation of Orissa Ltd: Bhubaneswar-9 (Sunki—Orissa)—Calcium Carbide—14,850 tonnes per annum (NU); Shri B. K. Poddar: 5, Queen's Park, Calcutta. (Sambalpur—Orissa)—Calcium Carbide—14,850 tonnes per annum. (NU); M/s Super Tubes (P) Ltd: Jain Bhavan, Hanz Qazi, Delhi-6. (Mohindergarh—Haryana) (Debra Dun—Uttar Pradesh)—Calcium Carbide—14,850 tonnes per annum. (NU); M/s Hukumchand Jute Mills Limited: (Caustic Soda Section), 9, Brabourne Road, Calcutta-1. (Madhya Pradesh)—1. Caustic Soda—22,680 tonnes p.a. after expansion. 2. Chlorine—18,700 tonnes p.a. after expansion (SE).

Drugs & Pharmaceuticals

M/s Aic Industries Ltd: P.O. Alto,

Via Bulsar, W. Rly., Gujarat. (Gujarat)—Vat Dyestuffs—Expansion from existing capacity of 586 tonnes to 836 tonnes p.a. (SE).

Paper

M/s Jayant Dalal Pvt Ltd: Jahangir Building, 133, Mahatma Gandhi Road, Bombay-1. (Baroda—Gujarat)—1. —Presspohn (Rolls & Sheets)—1800 tonnes p.a. 2. Di-electric (Thin Card Rolls)—1400 tonnes p.a., 3. Electric Board (Sheets)—1200 tonnes p.a., 4. Cable Insulation paper (Rolls)—2200 tonnes p.a., 5. Coloured Press Paper—400 tonnes p.a., 6. Packing paper—200 tonnes p.a. (NU).

Vegetables Oils & Vanaspati

M/s Jayant Oil Mills: 13, Sitafalwadi Mount Road, Mazgaon Bombay-10. (Maharashtra)—Castor oil fatty acids—3600 tonnes p.a. (NA).

Ceramics

M/s The Ishwar Industries Ltd: (P.O.) Ishwar Nagar, New Delhi (Niwar, Jabalpur) (Madhya Pradesh)—High Aluminous Refractory Cement—12,000 tonnes p.a. (NU).

Cement

M/s Gujarat Industries Investment Corp. Ltd: Nataraj Chambers, Ashram Road, Navrangpura, Ahmedabad-9. (Amirgarh—Gujarat)—Portland Cement—200,000 tonnes p.a. (NU); M/s Hosdurga Cement & Chemicals Ltd: No. 68, II Main Road, N.T. Pet, Bangalore-2 (Mallapura—Mysore)—Portland Cement—200,000 tonnes p.a. (NU); M/s The Palamanu Cement Company: 14, Hare Street, Calcutta-1. (Bhawnathpur—Bihar)—Portland Cement—250,000 tonnes p.a. (NU); M/s M.P. State Industrial Corporation Ltd: Dte. of Industries Building, 117/420,

G.T. Road, Kanpur. (Dist. Pithorgarh—Uttar Pradesh)—Portland Cement—432,000 tonnes p.a. (NU); M/s U.P. State Industrial Corporation Ltd: Dte. of Industries Building, 117/420, G.T. Road, Kanpur. (Dist. Mirzapur—Uttar Pradesh)—Portland Cement—432,000 tonnes p.a. (NU); M/s Panvam Cement & Mineral Industries Ltd: Cement Nagar, P.O. District Kurnool (AP) (Sullorpet Taluk—Andhra Pradesh)—White Cement—45,000 tonnes p.a. (NU); M/s Kalyanpur Lime and Cement Works Ltd: Edward House, Arrah (Bihar). (Bhawantpur—Bihar)—Portland Cement—250,000 tonnes p.a. (NU); Shri N. Srinivasan: 2, Sir C. P. Ramaswami Iyer Road, Madras-18. (Katni/Lulli/Manghatta—(Madhya Pradesh)—Portland Cement—400,000 tonnes p.a. (NU).

Timber Products

M/s The Western India Plywoods Ltd: Balliapatnam P.O., Cannanore Dist., Kerala. (Cannanore—Kerala)—*Densified Wood such as*: 1. Unimpregnated Laminated Densified Wood. 2. Fully Impregnated Laminated Densified Wood. 3. Solid Densified Wood. 4. Laminated cum Solid Densified Wood. 5. Irradiated Wood. —Total capacity of 2000 tonnes p.a. (NA).

LICENCES REVOKED OR SURRENDERED

(Information pertains to particular licences only).

M/s Chandi Prasad Radhakrishna. Bhagulpur.—Woollen Yarn.

CHANGES IN THE NAMES OF OWNERS/UNDERTAKINGS

(Information pertains to particular licences only).

For M/s Sen Raleigh Ltd to M/s Sen & Pandit (Private) Ltd.

Eastern Economist 25 Years Ago

FEBRUARY 7, 1947

The Advisory Planning Board, set up by the Interim Government in October 1946, has with commendable speed submitted its proposals for planning, a summary of which is now before us for examination. The full report yet awaits publication. We have deliberately called its recommendations as proposals for planning just to emphasize the obviously regrettable fact that planning even—the preliminary organisation to get it going—is yet in this country in a proposal stage. We are as we were, some fifteen years ago, when in the midst of unprecedented depression, Sir M. Visvesvaraya repaid the economists of this country with the charming prospects for planning, if we could only get it through. It is a significant measure of our progress and does incidentally great credit to the conceptual abilities of Sir M.

Visvesvaraya that the Advisory Planning Board (A.P.B.) have almost bodily lifted the organisational set-up— from the Planning Commission and the cabinet committee to the district executive—proposed by him in his Planned Economy for India. It is interesting to recall here that the only hurdle according to Sir M. Visvesvaraya was political dependence. Now that hurdle is no longer there at least in its old form and magnitude. An Interim National Government is actually in power and can go ahead, if it wants to, with the A.P.B. proposals. New constitutional arrangements for complete independence are being currently forged. We are now free to make provision in the new political set up for the Institutions and arrangements recommended by A.P.B.

BOOKS BRIEFLY

Unemployment Problem in Asia

Employment and Unemployment Problems of the Near East and South Asia Volume I: Pp 1 to 470 & Volume II: Pp 471 to 862 : Edited by Ronald G. Ridker and Harold Lubell: Vikas Publications, Delhi: Price Rs 45 each.

Socialist's Quest For the Right Path: S. M. Joshi: Sindhu Publications Pvt Ltd, Bombay: Pp 187: Price Rs 20.

The Drain Theory: (Papers read at the Indian Economic Conference, Hyderabad, 1968): Popular Prakashan, Bombay: Pp 57: Price Rs 10.

Central Banking in a Developing Economy: P. C. Bhattacharyya: Vora & Co. Publishers Pvt. Ltd, Bombay: Pp 283: Price Rs 25.

Economic Development and Growth: Robert E. Baldwin: Wiley Eastern Private Limited Publishers, New Delhi: Pp 133: Price Rs 9.75.

Reviewed by ACADEMICUS

The two excellent volumes of *Employment and Unemployment Problems of the Near East and South Asia*, which must be read together are the product of a conference that the Bureau of Near East and South Asia of the US Agency for International Development sponsored to discuss employment problems of the various countries within its purview.

It has now become an accepted fact that the problems of unemployment, open or disguised, are becoming increasingly serious in the near east and south Asia and because of its chronic and widespread character and its economic as also socio-political implications, at least a partial alleviation of the problem, if not complete elimination, is being recognised as one of the basic conditions of economic progress of the masses in this vast region. This means that while creation of more employment opportunities should not be considered the sole or even the primary objective of planning, the approach to the problem of growth in any economy must take into account the employment issues. It is against this background that these two volumes deal with the various aspects of the problem of employment and unemployment in the near east and south Asia.

Important Conclusions

Out of the discussions carried on by a number of authors it is possible to point out some of the important general conclusions at which the conference arrived.

The conference was of the opinion that factor price distortions between agriculture and industry should be corrected. This is necessary not just

for the sake of employment generation which may not be greatly affected in the short run by these measures, but also for the sake of long run efficiency and growth which must be accorded top priority as a national goal in developing countries.

It has been further emphasised that investment must be reallocated to favour sectors producing wage-goods and necessary inputs into these sectors. This is because scarcity of wage-goods interferes with the ability of the economy to absorb labour effectively and perhaps even with the ability to continue growing at satisfactory rates. It was felt strongly that the supply of wage-goods is an important determinant of the level of employment.

Emphasis on Farming

Since the most important wage-goods are produced in the agricultural sector, this in other terms means placing greater emphasis on the agricultural sector. To the extent this has already occurred, the prospects for productively absorbing additional labour have already improved in many developing countries. But despite Green Revolution and increasing emphasis which has come to be placed on agriculture, it is doubtful, if from the point of view of maximising employment opportunities, this reorientation has yet gone far enough in most of the countries of the region under purview.

Another advantage of emphasising agriculture is that it will slow down migration to cities thereby easing the social problems associated with urban unemployment. Of course, to significantly alter this urban drift other policies are likely to be required as well.

including a significant improvement in social infrastructure such as rural educational and health facilities that migrants seek by moving to urban areas.

The conference has emphasised that more emphasis must be placed on equity in the distribution of income, wealth and economic opportunities. In western society where income transfers between the employed and unemployed are assumed to be exceptional rather than the rule, the provision of jobs is generally considered to be a powerful way to eliminate the worst kind of inequities in income distribution. But in developing countries where the concern is for the welfare of those at the very low-end of the economic scale, the emphasis on equality as a policy variable must become stronger. To help this low-end poverty group requires more than mere provision of jobs. The indigent must be rehabilitated so that they become capable of undertaking productive work. In other words, to help this group requires a redistribution of income which means a redistribution of the means to acquire income. Also policies of redistribution of income may in the long run be even more important, because beyond a certain point inequalities in the distribution of income are likely to reduce the economy's ability to absorb labour effectively.

Labour Intensive Jobs

One important way to provide more jobs is to increase the demand for labour-intensive commodities at the expense of commodities embodying large amount of capital and imports, and one way to do this is to put more purchasing power in the hands of those who would purchase such goods. This means not only the supply of wage-goods must be increased but more purchasing power must also be placed in the hands of those who would purchase such goods.

Would such an income redistribution policy prove self-defeating by adversely affecting saving, investment and employment? The conference felt that the amount saved by a household depends not only on its income and market interest rates but heavily on opportunities for profitable investment. If through increase in the demand for their products, it is demonstrated to small farmers, craftsman and manufacturers that such opportunities are available, no drop in the aggregate savings rate may occur. Even granting that rate of saving would be adversely affected, if in the process unemployed labour and capital can be put to effective use, what is lost in a lower savings rate may be more than made up by a lower capital-output ratio, so

that the net effect could be higher rather than lower growth rate.

As regards research, the conference was of the opinion that the bias inherent in technical research and development must be reversed. While improvements can be made by changing the composition of production, shifts towards more labour intensive technologies within sectors is also called for. A necessary condition for this shift to occur is a correction in factor price distortions and other biases in favour of capital-intensive methods. Unfortunately what is happening at present is that factor proportions and consumer demands in developed countries and biases inherent in the training of technicians in advanced countries determine the direction of practically all the world's research and development efforts. In the light of this, the conference has made a far-reaching suggestion that a far greater portion of the world's research should be conducted in less developed countries and such a policy should be assisted by developed countries who should provide finances, personnel and possibly new institutions for this purpose.

The conference came to the conclusion that a comprehensive planning package that includes the generation of better employment opportunities is required and that the employment-income problem will never be solved so long as responsibility for its solution is delegated to special office or division in the government policy hierarchy as is done at the present. The only way to effectively attack the problem is to raise employment as a policy goal to the same status as the goal of growth itself.

Common Conclusions

A number of authors have authoritatively discussed the various aspects of the problem of employment and unemployment in the different countries of the near east and south Asia and the above seem to be some of the common conclusions at which the conference has arrived. These two excellent mimeographed volumes put the problem of unemployment in this vast region in its proper perspective and give an idea of what needs to be done, if this immensely complex problem is to be tackled fairly successfully.

No doubt certain important aspects of the problem of employment have not been touched. Thus nothing has been said about the educational system which determines the supply of various types of skills, or about the services sector, despite its obvious importance or about the labour legis-

lation which can play a significant role in determining the cost and hence the demand for certain types of labour or about fiscal and monetary policy or anti-trust legislation or regional planning or trade and aid policies of developed countries, though all of these have a direct or indirect bearing on the problem of employment in developing countries. Of course no apology is necessary for the selective coverage of the issue of employment, because the subject is far too vast to be dealt in detail covering all relevant aspects of the problems of the seven countries dealt with in these two volumes. The volumes are really thought-provoking and should provide much food for thought to the harassed planners of these regions who so far have completely failed to tackle the problem of unemployment which during the last decade appears to be assuming menacing proportions.

THE RIGHT PATH

S. M. Joshi has been one of the founders of the socialist movement in India and for more than forty years has dedicated his life, according to his lights, to the service of the toiling masses in India. Once Jaya Prakash Narayan described S. M. Joshi as a person whose life was evenly balanced between the spade, the prison and the ballot box. He is both a man of ideas and of actions. Gandhiji's influence on him has been profound so that Joshi has always insisted on purity of means when plunged in action. What is more important, he is not dogmatic but is always introspective and self-critical.

The articles in the *Socialist's Quest for the Right Path* are a result of the process of thinking and acting in S. M. Joshi's political career. These articles were written during the last five years or so and apart from throwing much light on different facets of the personality of Joshi they also give the readers an idea of the thinking and working of different socialist parties in India and their attitude towards the ruling party. In a sense they help us to understand recent developments in party politics in the country.

In his address delivered at Ramgarh Conference of the Praja Socialist Party in 1963, while criticising Congress for its various failures, Joshi has also shown awareness of the failures of his party. He has emphasised that they have not exerted to the best of their capacity, that they have failed to train their different cadres and that the parliamentary activities of their members have acquired disproportionate importance and emphasis. Like the Congress,

PSP has also come to believe that their main job is to fight elections and has tended to become imitators of the Congress in matters of social values and day-to-day politics. One common thread that runs through all his speeches and articles in this volume is the failure of the ruling party to fulfil its promises to masses and the necessity of an alternative to the ruling party which part only Socialist Party can play. While S. M. Joshi's account of the failures of the ruling party and the reasons of such failures are to the point and extremely satisfactory, there is something vague when he speaks of the alternative which appears to be couched in platitudes and clichés.

Riddled with Rivalries

Possibly in no other country was there better opportunity for Socialist Party to succeed than in India. Since independence the country has been experiencing rising prices, increasing unemployment, deterioration in the condition of vast landless agricultural labour and increasing frustration among the middle class. If such opportunities were not exploited by different socialist parties in India, the fault mainly lies with them. The entire history of the socialist movement in India since the Congress in 1948 has been riddled with rivalries, frustrations and disappointments. While during the same period the communists could gain some ground by their dedication and training of cadres, the different socialist parties in India went on losing more and more under their feet so much so that some of them have become laughing stock of the people. This is all the more galling because there were and are some very devoted and sincere men like Lohia and S. M. Joshi in the movement. But then Indian socialist movement is no exception, for during the last hundred years or more, different socialist parties in European countries have shared almost similar fate, while the communist parties definitely did better and presented more solid front.

S. M. Joshi's articles and speeches in the volume can partly explain this failure of the socialist movement in India. Major part of the book is devoted to the criticism of the ruling party which incidentally shows the essentially negative approach to the problem of poverty in India. No party can become great only by criticising others. It is the inability of the PSP and SSP to work out in concrete terms a programme of action which will both appeal to the vast masses, and be at the same time practicable policy for execution that explains their failure. Granting

that they are sincere, the leaders of the socialist movement in India must realise that mere sincerity is not enough.

Even granting that certain amount of repetition is inevitable in a book containing articles and speeches written and delivered during the last five years, the book makes extremely dull reading and a serious student of Indian politics will hardly find anything new or outstanding in the book.

THE DRAIN THEORY

The Drain Theory contains collection of papers presented at the Hyderabad Session of the Indian Economic Conference in 1968.

Throughout the British rule, India was mercilessly impoverished. The fact of Indian poverty stood up in sharp contrast to the fiction of 'the blessing of British rule' created by the imperial masters who spoke of the white man's burden. It was under these circumstances that nationalists like Dadabhai Naoroji and R. C. Dutt developed the Drain Theory.

The central point of the Drain Theory is that a portion of the national product was not available for national consumption or capital formation but was unilaterally transferred to England under political pressure, first in the form of outward flow of bullion and later in the form of unrequited exports. An attempt has been made in these papers to reinterpret the Drain Theory.

Subrata Chakravarty in his paper on 'The Drain Theory of Dadabhai Naoroji' has stated that the Queen's Proclamation of 1858 led many notable Indians to believe that no further plunder of resources would be witnessed in India and that a true 'British Course' would be witnessed in the country. But they were soon disappointed to find 'the drain assuming a new magnitude and a new direction, resulting in severe famines'. Thus appeared 'Poverty and Un-British Rule in India' by Dadabhai Naoroji. His paper seeks to analyse Dadabhai's Drain Theory in the light of modern economic thinking and with the help of modern tools. The author is of the opinion that some of Dadabhai's problems such as existence and servicing of foreign debt, curtailment of defence and non-plan expenditure and the incidence of taxation are faced even today by developing nations, though the context is different. Some of the arguments of Dadabhai appear highly modern and penetrative. Thus in his criterion of 'to keep the money at home' for generating income and employment, an investment multiplier can be traced, though in a very crude

form. Also Dadabhai's understanding of the problems of foreign capital, unilateral transfers, skill and capital formation etc. according to Chakravarty, appear far in advance of his time.

In his fortnight paper on 'Drain In Perpetuity' M. M. Kallur has emphasised that various aspects of the Drain Theory clearly identify the attributes of a colonial economy and to that extent suggestively enunciate the tasks and safeguards for the newly independent developing countries.

The widening gulf between the rich and the poor, both by classes and regions, external debt, expensive civil administration, mounting military expenditure, slow growth rate, economic dependence on foreign countries, and excessive emphasis on the import of foreign technical know-how etc., do not give the impression of extensive rejuvenation and renovation that the spirit of economic nationalism in India was expected to bring about after independence. The author has rightly warned that notwithstanding certain changes in forms and emphasis, failure to adequately learn the lessons of the Drain Theory is likely to make India's economic policy go adrift and thereby create challenges of political revolution or 'commit India to a drain in perpetuity'.

Staggering Figure

O. P. Mahajan has emphasised that economic drain cannot be measured accurately. However, his calculations show that the economic drain on the Home Charges alone amounted to £ 1038 million. If interest were added, the sum would be staggering. According to him the drain continued even in the 20th century. This economic drain not only meant loss of wealth but also of capital. Persistent leakages from income-savings stream hampered the growth of the Indian economy. Also the British government's concern for meeting external obligations had been an important factor in shaping government of India's currency policy which had adverse effects on domestic trade and industry.

In his paper A. C. Minocha has made an attempt to examine the relevance of the Drain Theory in the context of present-day trade relations between developed and developing countries. He is of the opinion that the Drain Theory is in harmony with some of the modern ideas on international economic relations between developed and underdeveloped countries. Modern theory of international trade which developed in the course of German reparations controversy after the First

World War in response to unilateral transfers incorporates similar elements. Thus Prebisch-Singer thesis is in line with the Drain Theory, although political conditions have undergone changes since the days of Dadabhai.

The primary producing countries have not only not received the gains of higher productivity of industrial countries, but have actually surrendered a part of their own productivity gains to the developed countries on account of deterioration in their terms of trade. Minocha says that underdeveloped countries have lost about 62.5 million dollars due to worsening of their terms of trade and this loss is several times the external assistance received from developed countries. This economic drain in modern times has been made possible by factors such as non-equitable exchanges, payment of interest on mounting external debt, unfavourable rates of exchange, protectionist policies of the developed countries and deterioration in the terms of trade of developing countries.

Subrata Gupta writes that modern economic research works by Dudley Seers and Ragnar Nurkse give results which are very similar to the observations of Dadabhai. K. C. Mundra has written that not much literature has been produced to apply the Drain Theory in the context of foreign aid which dates at least from the 17th century when England borrowed from Holland. Strictly speaking foreign aid necessarily entails some resource flow from donor to the donee country and thus provides gains to the donor.

Unfair Talk

S. Selvakumar in a forcefully argued paper states that the British explained Indian poverty in terms of over-population and lack of industries. It is unfair to talk in above terms when the country was being deprived of capital which forms the basis of industry. Pabitra Sen Gupta has tried to make out the distinction between the effects of external economic drain in a colonial country and the foreign aid to an independent planned economy. He has concluded that under the domination of foreign powers, growth of an economy is bound to be slower than that of an independent economy which takes the help of foreign capital for its economic development.

It is refreshing to read old theories reinterpreted in the context of new situations and to find out similarities (and dissimilarities) between the old theories and new ones. It is instructive to compare old concepts of imperial exploitation with new concepts of exploitation of developing countries.

by developed ones. History has its lessons and if some of the historical writings are properly read and interpreted they can provide us with lessons to guard against similar pitfalls (though appearing in new garbs) in future. That is the value of this book.

NEW ROLE OF BANKING

Central Banking in a Developing Economy is a collection of important speeches and writings of a former Governor of the Reserve Bank of India who was essentially a professor before becoming a civil servant. Thus since his speeches and writing combine both academic objectivity and practical experience of an eminent banker, the book is bound to evoke interest among economists, bankers and the public. The book will evoke particular interest because it was during the P. C. Bhattacharyya's Governorship that momentous decisions (including devaluation of the rupee in 1966) on important matters affecting banking, commerce, industry and trade had to be taken.

For long the traditional objective of a central banking was the maintenance of price and exchange stability. In the context of planned economic development of backward countries, the above objectives of policy of a central bank had to be broadened into a more compelling goal of rapid economic growth.

Though economic growth is primarily dependent on real factors like quantity and quality of labour and capital, their effective mobilisation is facilitated through conscious and appropriate monetary policy. Thus a country must have an appropriate degree of monetary expansion to meet the increasing requirements of expanding economy. This becomes a necessary condition of economic growth in the absence of which the rate of growth is bound to be adversely affected. It is in the context of these broader objectives that the central bank of a developing country has important roles to play in the process of economic development.

Serious Gaps

At the time India embarked on economic planning, there were serious gaps in the institutional structure for mobilisation of savings and for effecting investment in desirable channels. The commercial banks and the stock exchanges were the only two types of institutions which existed to provide financial requirements of development. The commercial banks were mostly urban-oriented and resources were also mainly of short-term character. The commercial banks therefore restricted themselves mainly to the provision of working capital for trade

and industry and stock exchanges were the media of raising long-term capital.

It was therefore natural that the Reserve Bank of India turned its attention at the very outset to the development of various types of new institutional facilities to fill in the gaps. This became the promotional aspect of central banking policy. The Reserve Bank took interest in agricultural credit and in reorganising co-operative banking which finally led to the proposal of the establishment of Agricultural Finance Corporation and Agricultural Development Corporation meant to provide re-financing facilities to commercial banks to enable them to finance long-term development needs of plantation and other similar agricultural developmental projects. Similar promotional steps were taken by the Reserve Bank in the field of industrial finance, short-term and long-term, by taking steps to establish financial institutions like state industrial finance corporations, Refinance Corporation of India, the Industrial Development Bank, etc.

Active Policy

In furtherance of the long-term objective of planned and rapid economic growth of India, the Reserve Bank has been following an active monetary policy of controlled inflation since 1951 employing both quantitative and selective tools of credit control.

P.C. Bhattacharyya has covered in this volume a wide variety of topics such as resource mobilisation, agricultural credit, land mortgage banks, co-operative movement, both urban and rural, financing of industries, export policies, management of state industrial finance corporations and commercial banks, education and man-power development in banking sphere and so on.

While the author has given an authoritative analysis of the working of the Reserve Bank of India since 1951, he has failed to underscore the shortcomings and failures of the Reserve Bank. May be it was not entirely the fault of the Reserve Bank and that the fiscal and commercial policies of the government of India ran counter to its policies; but the fact remains that the devaluation of rupee in June 1966 was a fiasco and the Reserve Bank has failed to effectively bring under control inflationary pressures. One also doubts if the Reserve Bank has always exercised its independence to the extent necessary and many at present feel that the Reserve Bank has become 'a committed institution'. While therefore Bhattacharyya's book is useful so far as the technical aspect of the working of the

Reserve Bank is concerned, it will have to be supplemented by some other critical book on the Reserve Bank to give a comprehensive view of its working and role in the development process.

DEVELOPMENT AND GROWTH

Possibly every serious student of growth economics has read *Economic Development (Theory, History, Policy)* by G.M. Meier and Robert E. Baldwin. But that excellent book with about 600 pages and with all the technicalities is beyond the understanding of the common readers who in these days cannot afford to be completely ignorant of at least the elements of economics of growth. For such readers, R.E. Baldwin, one of the two authors, has for all practical purposes summarised the above big book without technical jargon in his *Economic Development and Growth* in less than one-fourth the size of that volume. But the brevity of the new book and the non-technical treatment of Baldwin have not at all resulted in the deterioration of the quality so much so that even those readers who are familiar with the joint production will enjoy reading this small book. The author has shown that the subject of economic development can be covered quite adequately with the elementary kit of analytical tools.

Economic Development and Growth analyses various topics which are organised around three aspects of economic development: (1) What is the nature of growth problem facing the less developed countries? (2) What are the main theories regarding key relationship that determine a country's rate and pattern of economic development? (3) What are the major policy issues with which developing countries must currently deal and what is the most satisfactory way of handling these issues?

Chapter one covers the first question where, in contrast to developed countries, an economic profile of developing countries is given. This profile draws attention to low income in the developing countries and the widening gap in this respect between developed and developing countries, the predominance and backwardness of the agricultural sector, agricultural products for export purposes and the quantitative and qualitative differences in population, technology and entrepreneurship, natural resources and capital (which for example, between 1950 and 1954 averaged, in terms of gross domestic saving, about 13 per cent in contrast to 22 per cent in developed countries). Though the profile is in general terms, it is supplemented by illustrative data which bring home the fact that backward or

developing countries do not belong to just one category but to several categories of backwardness.

As regards the second question mentioned above, the author has stated that the common denominator of the theories of development from the classical to the post-Keynesians is their focus on capital accumulation. All these theories make an effort to understand both the process by which capital goods are amassed and economic factors that foster or impede capital accumulation. The analysis of the classical writers shows how economic development can be thwarted by population pressures coupled with relative scarcity of natural resources, notably land. The contribution of the neoclassical school, on the other hand, is significant because of its improvement over the classical theory in analysing the saving and investment processes and in tracing the inter-sector repercussions of economic development. Neoclassical writers, unlike Karl Marx, also stressed the favourable effects of technological progress.

Marx on the other contended that the relations of production associated with capitalism are incompatible with the technological progress generated under the system of capitalism and as a consequence capitalism will be plagued by periodic depressions with the ultimate collapse of the system. Whether Marxian contentions are valid or not, he however correctly pointed out the high costs of capitalist development in terms of social and economic disruptions. Baldwin believes that while Marxian analysis is full of insights into the nature of the capitalist growth process, Marx however did not build a logically sound theory of economic development.

Development Theory

Writing about modifications to the traditional development theory, the author has drawn attention to Schumpeter's great contribution to development theory in emphasising the importance of the entrepreneurial function. Schumpeter recognised that development was more than merely putting money into the bank and watching it grow. Development involves significant changes and there must be individuals who can lead a process of basic economic change. Though Schumpeter's prediction that capitalism will eventually give place to socialism has few supporters, the fact remains that capitalism has changed and will keep on changing.

The author has also drawn attention to the stagnationists, the post-Keyne-

sian theories and more recent growth theories where he has analysed topics such as the population trap, the role of natural resources and technology, unfavourable terms of trade and foreign monopoly. While discussing the most recent theories, he has drawn attention to current line of thought concerning the role of non-economic factors in development. Everett Hagen, a development economist of repute, has become convinced of the inadequacy of a narrow economic approach to development and has made an outstanding contribution by emphasising non-economic factors of development.

As regards programmes and policies, the author has analysed the 'Big Push' versus the selective approach and the role of government. As regards development policies in major sectors, the author has pointed out the various steps that will have to be taken in the agricultural sector where productivity will have to be increased. He has emphasised that one aspect of agricultural behaviour that is being increasingly appreciated and utilised in planning agricultural policies in developing countries is the generally high degree of responsiveness on the part of farmers to economic incentives.

Role of Education

The author has however warned that though there is no more the talk of perverse agricultural supply curve, this does not mean that a country has only to juggle a few prices to achieve agricultural development. The author has also discussed the policies to be pursued in the manufacturing sector and in respect of social overhead capital. One interesting point to which he has drawn attention is that education has replaced capital accumulation in the thinking of some economists as the key-factor in economic development. Development planners have been increasingly regarding the lack of skill and knowledge as a greater barrier to growth than lack of savings. One result of this has been a substantial increase in public outlay on education in many developing countries.

The author has analysed the topics of financing development through inflation, taxation and foreign assistance. As regards the last one, the author has maintained that the postwar years have demonstrated that it is difficult for great powers to avoid becoming involved in the political and military eruptions of developing countries and yet as long as there is a reasonably good chance that foreign assistance furthers the kind of political environment needed to avoid political and social disintegration which might follow if mass poverty in develop-

ing countries continues in the face of the revolution of rising expectations, it represents, in a very broad sense, an efficient use of the resources of the developed countries.

Baldwin has done a wonderful job in compressing a vast amount of material on growth within the compass of such a small book as this. The publishers have been performing an extremely useful service by bringing out a number of booklets on different aspects of economics and thereby educating the public in the rudiments of the subject. They are truly helping to create an important social overhead capital which will help acceleration of the process of economic growth in developing countries.

Books Received

Caste, Religion and Power (An Indian Case Study): Partap C. Aggarwal: Shri Ram Centre for Industrial Relations; Pp 270; Price Rs 34.

Non-Appeasement (A New Direction for Indian Foreign Policy): M.L. Sondhi: Abhinav Publications, E-37, Hauz Khas, New Delhi-16; Pp 291; Price Rs 35.

Dynamic Models and Possibility of their Application to Planned Economic Development: Dr Angiras Shukla: Abhinav Publications; Pp 209; Price Rs 25.

The Modernization Imperative and Indian Planning: Baldev Raj Nayar: Vikas Publications; Pp 246; Price Rs 30.

Regulated Markets in Gujarat: Dr V.R. Joshi, Kaira District Co-operative Union, Sahakar Bhavan, Nadiad (Dist Kaira, Gujarat); Pp 449; Price Rs 35.

Tenancy Abolition and the Emerging Pattern in Gujarat: M.B. Desai: Department of Agricultural Economics, Faculty of Arts, M.S. University of Baroda, Baroda; Pp 194; Price Rs 20.

The Indian Petroleum Handbook, 1970-71: Published by Petroleum Information Service, 22 Pusa Road, New Delhi-5; Pp 422; Price Rs 10.

Fertiliser Statistics—1970-71: Published by the Fertiliser Association of India, 85, Sundar Nagar, New Delhi-3; Pp 604; Price Rs 25.

Electric Power (Sector Working Paper): Published by the World Bank; Pp 23.

Tea Statistics—1970-71: Published by Tea Board, 14, Brabourne Road, Calcutta-1; Pp 253; Price Rs 3.

MARCHING FORWARD



The story of a bank is the story of the people it serves.
In 1971, DENA BANK

Gave increased financial assistance to larger number of entrepreneurs, exporters, agriculturists, artisans and other self-employed persons, raising the total advances to Rs.122 Crores;

Mobilised fresh savings, raising the total deposits to Rs.185 Crores;

Rendered banking service to 10 lakh account-holders,

Brought banking to more people in rural and semi-urban areas as well as in cities through 454 branches in 14 States.



DENA BANK
 (A Government of India Undertaking)
 Head Office: Dena Bank Buildings,
 17, Horniman Circle, Bombay-1

In DELHI our Branches at :

Connaught Circus * Chandni Chowk * Subzi Mandi
 * Najafgarh Road * Karol Bagh * Darya Ganj * G. B. Road
 We also have Branches at Chhatrapur * Okhla.

COMPANY MEETINGS

SUDARSAN TRADING COMPANY LIMITED

Registered Office : CALICUT-2

Twelfth Annual General Meeting

Speech delivered by Sri S. Chinnakaruppa Thevar, Chairman, at the Twelfth Annual General Meeting of the Company held at the Conference Hall at 'Sudarsan Building', Chakkorathukulam, Calicut-11 on Friday, the Twenty Eighth day of January, 1972 at 3 O'Clock in the afternoon.

Dear Members:

I have great pleasure to extend a most warm and cordial welcome to all Members to this Annual General Meeting of your Company. With your permission, I take the Balance Sheet and Annual Accounts together with the Directors' Report for the year ended 31st July, 1971, which has been in your possession, as read. You will observe from the Annual Report and Accounts that the operations of the Company are on the path of uninterrupted progress in spite of the general climate of unjust and unfair criticism and comment which prevails in the economic sphere in our Country now.

After our last Annual Meeting, we have passed through a mid-term election in March, 1971, resulting in the clear polarisation of the political trend in the country. We also saw the night-mare of horrors in Bangla Desh resulting in the intolerable financial pressures on our country leading into a swift and decisive war. It has been proved again that this country is capable of producing the right kind of leadership in the event of a crisis. Since last December 16, every Indian feels two feet taller. But this pride in ourselves should be accompanied by a sense of purpose, dedication and national resolve. Now that economic aid has been curtailed substantially, we must at all costs become economically self-reliant. This is the key to peace, progress and prosperity and the only guarantee to our national self-respect.

Financial Position :

The Subscribed Capital of the Company has been increased to Rs. 30 lakhs by means of a private issue in the wake of the last public issue of Shares which

met with tremendous success. The paid-up Capital now stands increased to Rs. 21,58,675/- as against the previous year's Rs. 7,63,676/-. The Company has a free Reserve Fund of Rs. 3,03,134/- as against the previous year's figure of Rs. 80,000/-. This includes the appropriation of Rs. 1,95,000/- towards free reserves out of the profits for the year ended 31-7-1971. The gross fixed assets of the Company as on 31st July, 1971 are valued at Rs. 1,62,57,176/- which has been depreciated by Rs. 25,75,379/- resulting in a net value of Rs. 1,36,81,797/-.

The net profit this year before providing for taxation but after provision for depreciation is Rs. 11,54,618/- as against the previous year's Rs. 3,30,440/-. The provision for taxation during the year had to be increased from the previous year's Rs. 2,40,000/- to Rs. 7,25,000/- due to increase in profits. Provision for dividend in the current year's appropriations has also been enhanced to Rs. 2,15,867/- against previous year's figure of Rs. 68,620/- due to the increase in the number of shares qualifying for dividend and also due to the proposed increase of dividend from the previous year's 9% to this year's 10%.

Consequent to the grant of 8% incentive bonus to its employees, in addition to the statutory bonus of 4%, the provision for Bonus had to be increased Considerably.

The performance of the Company during the year under review may be examined:

Sudarsan Chit Funds :

I would invite your attention to the Report of your Directors indicating the

nature of the progress made by the Company in the field of chit business during the year which is in the region of Rs. 40 Crores. This is an increase of 100% over the previous year's figure! By performing so creditably in its chosen field, Sudarsan, has proved what can be achieved by sound business sense and hard work. I am sure, I have you all with me when I pledge Sudarsan in its own humble way in performing a greater task during the current year. With the impending legislative measures on the working of Chit Funds in the country, it is expected that chit funds as a healthy institution will sustain itself in our economy. You would have observed that credit from Banks and Institutional Finance is available only for purely productive purposes, which again has been defined in a rigid fashion. Any enterprise, be it commercial or trading which is classified as non-productive, although ancillary and most essential to productive enterprise would naturally be deprived of any patronage from the Banking and Institutional Finance. Chit Funds, rightly provide the answer in such situations and in a way relieves the pressures for such credit on the Banks and Institutional Finance. In turn, it also serves the investor with reasonable returns. The employment opportunities created by this system in the commercial and trading field has gone a long way in reducing in some measure the acute employment problems of our country.

Feroke Tile Works :

The main business of Feroke Tile Works, representing the manufacture of Terra-cotta goods has also been resumed from December, 1970. The lease arrangements are working out profitably. I am happy to report that considerable progress has been made in

converting the terra-cotta breakages into puzzolona cement. Similarly, the commissioning of an additional Stone-ware Pipe unit at Rajahmundry is also nearing completion.

Standard Furniture Company :

I have pleasure to report that the Standard Furniture Company has turned the corner in spite of the great handicaps in procuring adequate quantities of suitable timber which is the main raw-material. Although Kallai was at one time the greatest centre for timber trade, the situation has altered considerably during the last decade. The timber producing forests have receded from Kallai, due to indiscriminate felling and lack of planned regeneration of forests. Kallai market has to rely on Mysore, Coorg and Madras forests for its scanty supply of timber to keep the tottering Saw Mill Industry alive. This has certainly affected the timber and plywood industry at Kallai adversely by slashing their returns and also by reducing the standards of production. In spite of all these, we have increased our sales and other income from Rs. 11,46,898/- to Rs. 37,03,059/-. This is no mean achievement. I am sure that with the present tempo being maintained, we will be able to show better results. We trust that the Government of Kerala would extend to us all help in over-coming our raw-material problems.

General:

In accordance with the policy framed by your Company in its various resolutions and also with the aim of diversifying its activities, as outlined in the Prospectus dated, 30th January, 1970 for the last issue of Shares, the Company has proceeded with the steps to amend the Object Clauses of Memorandum. As a consequence, your Directors are proceeding with the object of entering hoteliering industry during the year. It is expected that we will be able to take a big stride in this field by availing the financial facilities provided for the development of tourism by Governmental agencies or Commercial Banks.

Another important matter has now come up for consideration of the Members. The Company has received Notices from certain Share-holders suggesting the appointment of 3 (Three) firms as Auditors of the Company for the current year which now stands included in the business of our Meeting. We have about 100 branches and offices to be audited every year and it has become an ordeal to complete the audit work on schedule. Therefore, from the practical point of view also, it has become expedient to distribute the audit work suitably. The Members may therefore con-

sider the suggestion and take an appropriate decision in this matter.

Before I conclude may I express my sincere thanks to all those who were associated with our Company for the confidence bestowed in us and to our valued constituents, customers and subscribers for their liberal support, and to our Auditors and Legal Advisors for the able professional assistance rendered to us. And to those who made this year's performance possible in such a creditable manner, that is, all our em-

ployees, agents and staff and Officers my hearty congratulations. I also thank my colleagues on the Board for their contributions in this regard.

Thank you

S. CHINNAKARUPPA THEVAR,
Chairman.

Calicut,

Dated: 28th January, 1972.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

EARN
7 1/4%

ON 5-YEAR POST OFFICE TIME DEPOSITS

3 YEAR DEPOSITS 7% 1 YEAR DEPOSITS 6%

Interest up to Rs. 3000 in a year including interest on other taxable securities and deposits is **FREE OF INCOME-TAX.**

ASK YOUR POST OFFICE FOR DETAILS

NATIONAL SAVINGS ORGANIZATION

dev 71/291

ASHOK LEYLAND LIMITED

Sir A. Ramaswami Mudaliar's Review

Addressing the shareholders of Ashok Leyland Limited at the Twentythird Annual General Meeting of the Company held at Ennore, Madras-57 on the 28th January, 1972, Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman said:

Gentlemen,

I have great pleasure in welcoming you to the 23rd Annual General Meeting of this Company.

FINANCIAL RESULTS:

The Audited Accounts and Directors' Report for the year ended 30th September 1971 have been circulated to you and with your permission I shall take them as read.

As will be seen from the Accounts, although the sales for the year 1970-71 have increased to Rs. 36.83 Crores, compared with Rs. 33.30 Crores last year, profits for the year are down by nearly Rs. 16 lakhs. This has been mainly due to increased cost of materials and working expenses. A part of this increased cost has been covered by increases in the price of our products. After providing for the transfer of Rs. 17 Lakhs to Debenture Redemption Account in terms of the Debenture Trust Deed, a sum of Rs. 76.43 Lakhs was transferred to General Reserve from which your Directors have recommended a dividend of 9% amounting to Rs. 73.99 Lakhs. This would mean an increase in reserves of only Rs. 2.44 Lakhs.

SALES AND PRODUCTION:

Sales for the year under review amounted to 5030 Comets, 226 heavy goods and passenger chassis, 318 industrial engines, and spare parts sales substantially higher than last year. Comet vehicles output was some 10% below target and in fact 73 vehicles less than that achieved in the previous year. During the course of the year there was a substantial increase in demand for the products of your Company and our forward order book is now fuller than it has been for some years in terms of our production capacity and the number of outstanding orders is an all time record.

PROFITABILITY:

Bearing in mind that in most motor vehicle manufacturing units a small

drop below targeted production frequently results in a very substantial reduction in profits, we are indeed fortunate that results in the year under review are not more unsatisfactory. However, our return on capital employed gives room for improvement and if we are to finance our expansion programmes, we need to achieve a higher rate of return to attract investment.

On the subject of profitability, we have a duty to our shareholders and we do not consider it either immoral or unreasonable to strive to attain a fair return on investment.

LABOUR:

It is indeed unfortunate that the drop in production should be caused by a 14-day strike by Union employees in March 1971 followed by go-slow tactics in some sections of the Factory. It is a tragedy that at a time when the maximum utilisation of plant and equipment is essential for the benefit of the country, a small number of militant extremists can hold to ransom the majority of our loyal workmen, the Company, our customers including Government undertakings and even the Defence Department.

It is also a major anomaly that at a time when the country is struggling to improve the economy and lift the standard of living, industrial production is reduced by employees who receive a high level of wages and have access to substantial amenities. This in turn contributes to an increase in the cost of living which the bulk of our countrymen in rural areas are unable to afford.

During the history of our Company, we have always tried to take a lead in terms of remuneration for our workmen and improved welfare facilities but it is essential that this is matched with higher productivity and maximum utilisation of expensive plant and equip-

ment, otherwise the whole basis of our future is at stake.

If there are to be any further improvements for all our workmen, a greater level of industrial discipline is essential. We support the recent comments made by the President and the Prime Minister concerning the industrial atmosphere and in this regard we believe we have the unqualified support of the large majority of our workpeople.

MATERIALS:

Last year I reported to you our concern at the upward spiral in the prices of materials. During the year under review this continued together with increases in the cost of bought out items and Government levies. We maintained our efforts to absorb increased costs internally by improved methods but factors beyond our control had to be reflected in higher selling prices.

During the present year we have embarked on a cost reduction programme aimed at further improving our efficiency eliminating any possible wasteful expenditure. We trust that this will result, if it is inevitable for other reasons, in any increase in prices of our vehicles being kept as low as possible.

EXPORTS:

In the field of export, I am glad to inform you that commensurate with the policy of Government and our own efforts in this direction, your Company has had another successful year. We are continuing our efforts to find new export markets and we are indebted to British Leyland Motor Corporation for their active assistance in this regard.

RESEARCH AND DEVELOPMENT:

Recently the Union Minister for Industrial Development, while speaking

at the Association of Indian Automobile Manufacturers, called upon the Automobile Manufacturers to commit a minimum percentage of their resources to Research and Development and provide active assistance by way of technical know-how, supervision and provision of quality control for the development of ancillary industries. I am happy to state that in these directions we have for some time been focusing our attention to the maximum extent possible and shall continue to do so in our future activities.

Although we support and participate in a number of All-India organisations involved in this work, it is, however, our belief that the major part of the work must of necessity be carried out in our own factories and in this regard steps are already in hand to further increase the finance and facilities available to our Technical Department.

EXPANSION PROGRAMME:

During the course of the year under review, we had a visit from Mr. J.H. Plane, Managing Director of British Leyland International Ltd. and Deputy Chairman of our Company, accompanied by Mr. A.T. Webster, Managing Director of Overseas Division of British Leyland International Ltd. This was followed since the end of the year by a further visit from Lord Stokes to whom we are ever grateful for his continued enthusiasm and support and interest and guidance in our activities. Lord Stokes was accompanied by Mr. Plane and by Mr. R.K. Robinson, Manager of his Overseas Manufacturing Division, who was paying his 19th visit to your Factories.

We very much welcome the opportunity of discussing our activities and expansion plans with Lord Stokes and we are now taking steps to implement a programme to increase the chassis production initially to 7,000 Comets per annum and then to 10,000 per annum. We are also taking active steps to increase the local content on our heavy vehicle range and we are happy that we continue to have valuable guidance from our collaborators.

ENNORE FOUNDRIES:

Our Associate Company, Ennore Foundries, continued to make good progress and your Company will be receiving a dividend of 9½% subject to deduction of tax on its investment in this Company.

FUTURE PROSPECTS:

Although the Automobile Industry as a whole in our country has many

problems, I am confident that it has a great future. We are also beset with many difficulties but providing we can maintain our advance on all fronts, I am optimistic that with the continued support of our Government, the day-to-day problem will not affect the overall prosperity and future of your Company.

ACKNOWLEDGEMENTS:

Last year I referred to the outstanding part played by Mr. J.C. Watson in the success of your Company. Mr. Watson completed his term of office with us at the end of September 1971 and has returned to the Leyland organisation in the U.K. On behalf of us all I would like to reiterate our appreciation and sincere thanks for the enormous contribution he has made to the progress of our activities.

Mr. Watson is succeeded by Mr. R.R. Jones, as Managing Director who is no stranger to Ashok Leyland as he

was our General Manager from 1959 to 1965.

We are also grateful to our collaborators for their continued guidance and assistance in the activities of the Company.

I would also take the opportunity to convey our thanks to the Central and State Governments for their support and encouragement and to the Financial Institutions, our Bankers and our nationwide dealers for their day-to-day support in the advancement of our business.

Finally, on behalf of your Board of Directors and myself I would like to convey to you our thanks for the support and confidence you have placed in us and in the development of the Company.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

**The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.**

THIRD ALL INDIA PUBLIC RELATIONS CONFERENCE

AT CALCUTTA ON MARCH 11-13, 1972
ORGANISED BY THE
PUBLIC RELATIONS SOCIETY OF INDIA

Theme

Public Relations and the Changing Social Environment in India

To be inaugurated by

Shrimati Nandini Satpathy
Union Minister for Information & Broadcasting
Chairman of the Reception Committee
Mr. Bhaskar Mitter
President

Associated Chambers of Commerce & Industry

Speakers

Speakers will include Union Ministers, Central and State Government officials, leading industrialists, front ranking journalists, important academicians and other eminent personalities

Programme

MARCH 11 : Inaugural Session

First Session—Press and Public Relations

Second Session—Economic Environment

MARCH 12 :

First Session—Political and Social Environment

Second Session—Communications between Management and Labour

MARCH 13 :

First Session—Problems of Public Relations : Objectives, Media, Audience, Trends

Second Session—The Public Relations Society of India: Organisation

Third Session—Concluding Session

Delegate Fee

Rs 200/- (for PRSI members) Rs. 250/- (for non members)

Patrons

Rs. 1000/- Entitled to send one delegate to the Conference

For further information, Conference folders, delegate forms, etc., write to :

Mr. Anil Basu, Hony. Secretary
3rd All India Public Relations Conference Committee
c/o. Goodyear India Limited,
225C Acharyya Jagadish Chandra Bose Road, Calcutta 20



RECORDS AND STATISTICS

Economy's Uneven Performance in 1970-71

THE PERFORMANCE of the Indian economy during July 1970 to June 1971 was rather uneven, though in terms of overall growth rate it appeared fairly satisfactory, according to the report on Currency and Finance for 1970-71 released by the Reserve Bank of India.

The report says that national income at constant prices is estimated to have expanded by 5 to 5.5 per cent over 1969-70, attaining for the second year in succession the overall target of growth postulated in the Fourth Plan. To a large extent this rise was due to a growth rate of over six per cent in the agricultural sector.

Foodgrains production continued its upward movement for the second year, recording a rise of over eight per cent. In contrast, growth rate in industrial production showed deceleration. The prices continued to be under pressure throughout the year. Exports registered a rise, but in respect of imports, there was a reversal of the declining trend noticed since devaluation, the report adds.

Problem of Evacuees

The report says the tragic developments in Bangla Desh, following the military crackdown in March, 1971, had led to a serious problem of millions of evacuees seeking refuge in India. Provision of food and shelter to these unfortunate people had put a heavy strain on the country's resources and was bound to act as a serious constraint on the tempo of economic development, it added.

The report reviews the overall economy, industrial and agricultural output, credit control measures and other banking developments, rural credit, capital market, developments in trade tariffs and exchange control and currency and coinage.

The report is essentially the same in scope and content as the earlier currency and finance reports, except for some changes that have been effected as a result of the rationalisation of its various publications. It may be recalled

that the bank initiated last year rationalisation of the three major publications, viz., the Annual Report of the Central Board of Directors of the Reserve Bank under Section 53 (2) of the Reserve Bank of India Act, 1934, the Report on Trend and Progress of Banking in India under Section 36 (2) of Banking Regulation Act, 1949, and the Report on Currency and Finance. This year also the bank has merged the first two reports into a combined report and this combined report, called the Annual Report on the Working of the Reserve Bank of India and Trend and Progress of Banking in India, was published on October 7, 1971. This report covered the period July 1970 to June 1971.

Descriptive Account

The present Report on Currency and Finance covers the developments in the economy during the year July-June. However, in order to maintain continuity with the earlier year's report, the descriptive account of developments in different spheres of the Indian economy, given in various chapters has also been indicated for the period from April-March. Chapter I of part I of this report, which presents an analytical review of the developments in the Indian economy during the year July 1970-June 1971, is a reproduction of chapter I of the bank's combined Annual Report and Report on the Trend and Progress of Banking in India for 1970-71 with suitable revisions in view of the data received subsequently.

Chapter II reviews the trends in industrial and agricultural output, the progress made in the field of new agricultural strategy, and also the price trends in major individual agricultural and industrial products. Chapter III deals with credit control measures and other banking developments, such as Credit Guarantee Scheme, Deposit Insurance Corporation, etc. Developments in rural credit have been discussed in chapter IV which highlight the progress made in the field. This chapter notes the various developments such as spread

of banking into the rural areas and agricultural finance, institutional and other developments in co-operative credit, extent of Reserve Bank credit to co-operatives and trends in co-operative finance. In chapter V on capital market, trends in gilt-edged market, equity prices, new issue activity and the financial assistance rendered by term-lending institutions are reviewed. This chapter also contains a brief account of the implementation of the Monopolies and Restrictive Trade Practices Act, 1969, and data on the number of companies at work as at the end of March each year from 1966 to 1971. Chapter VI is devoted to a detailed discussion of central and state budgets as well as their debt position; this chapter also reviews the finances of the railways. Chapter VII presents a review of developments in policy in the fields of trade, tariffs and exchange control, and chapter VIII deals with currency and coinage; in particular, information relating to circulation of notes and coins and small coins, issue of new coins and notes, etc., is furnished.

This year suitable graphs have been given in almost all the chapters in respect of more important aspects of the economy supplementing the data given in tables.

Appendices and Annexures

As a result of the rationalisation of the bank's publications, appendices and annexures reproducing circulars issued by the bank to commercial banks on general and selective credit controls, particulars of the banks which were granted moratorium, statement on licensing interest of Section 23 of the Banking Regulation Act, amalgamations, etc., which hitherto formed part of the Report on Trend and Progress of Banking in India have been incorporated in the Report on Currency and Finance and these are given in appendices I, II, III and IV. Details regarding budget proposals, review of individual state budgets, export and import control measures, etc., are given as usual in appendices V to XII.

In the statistical section, the data covered in the present report relate to the financial year 1970-71; it is proposed to change over to the July-June basis in due course.

nature made him like other men.

we made him different

GWALIOR SUITING

GOOD FOR WEAR ROUND THE YEAR

GWALIOR FABRICS



**DYES
CHEMICALS
PHARMACEUTICALS &
INTERMEDIATES**



REGISTERED TRADE MARK

THE ATUL PRODUCTS LIMITED ATUL VIA. BULSAR, WESTERN RAILWAY

Member of the National Safety Council
SAFETY HELPS PRODUCTION

Printed and Published by R. P. Agarwala, on behalf of the Eastern Economist Ltd., United Commercial Bank Building,
Parliament Street, New Delhi, at the New India Press, Connaught Circus, New Delhi.
Editor : V. Balasubramanian

Registered at the G.P.O. London. as a newspaper

EASTERN 6 ECONOMIST

50 FEBRUARY 11, 1972 VOL. 58

W. Bengal: Elections and the Economy
Outlook for Iron Ore
Trading to Purpose
The West African Coast



**Remember, stability and progress are possible only if the state governments
come under the same party that rules in the centre.**

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam — Mavoor — Kozhikode

saves

enormous foreign exchange for National Development

by

manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

FEBRUARY 11, 1972

W. Bengal Elections and the Economy	217
Outlook for Iron Ore	218
Raw Jute Export	219
Trading to Purpose	220
Between the Devil and the Deep Sea —K.S. Ramanujam	222
International Sub-contracting for Export Development—O.P. Jain	227
WINDOW ON THE WORLD	230
The West African Coast. Hot Money Snowballing. Protein Crisis in Developing Countries.	
TRADE WINDS	237
Mithapur Fertiliser; Painting Mac- hines Scheme; Engineering Goods Exports; Vizag Outer Harbour; No US Aid Imports; Direct Taxation Report; Tariff Value of Sugar; Import of TV Stopped; Two Ventures Abroad; Air- lines Boards; Airport Authority; IOC's New Dealerships; Telephone Equipment; Draft Patents Rules; Pro- vident Fund Interest; Akbar Hotel; Scindia's New Vessel; Names in the News.	
COMPANY AFFAIRS	239
Sudarsan Trading; State Bank of Bikaner; Reckitt & Colman; Vysya Bank; Orient Beverages; Capital and Bonus Issues.	
READERS' ROUNDTABLE	241
Nigeria Today.	
CHAIRMEN'S STATEMENTS	242
Voltas Ltd. Indian Oxygen Ltd.	
RECORDS AND STATISTICS	249
Wholesale Prices; Index Numbers of Industrial Production; Reserve Bank of India; Scheduled Commercial Banks; Index Numbers of Security Prices; Consumer Price Index Num- bers for Industrial Workers and Urban Non-Manual Employees.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

W. BENGAL : ELECTIONS AND THE ECONOMY

IN ORDERING elections to the West Bengal Assembly in March, Mrs Gandhi seems to have assumed that the electorate will help the Congress (R) to sweep the polls and form a stable ministry. The Prime Minister's confidence seems to be based mainly on three factors. First, the Congress (R) has greatly enhanced its popularity in the recent months and Mrs Gandhi's prestige stands high throughout the country, especially in West Bengal. Secondly, the influence of the Communist party (Marxist) is believed to be waning both in Calcutta and in some districts. Thirdly, the law and order situation has distinctly improved. It is true that the Congress (R) has considerably consolidated its position in West Bengal. But it is doubtful if its party machinery is sufficiently strong to be able to achieve a comfortable majority in the assembly. Its popularity in West Bengal seems to rest mainly on the personality of the Prime Minister rather than on its local leaders. The fact that the Congress (R) has to ally itself with the CPI in contesting the election would seem to indicate its weakness and lack of self-confidence.

On the other hand, the Communist party (Marxist) is well organised and has a large and disciplined machinery to undertake a vigorous campaign to win votes. The Marxists may have lost some influence in certain parts of West Bengal. But in the state as a whole they continue to retain a powerful hold, especially in the rural areas as well as over students, workers, employees in government and commercial offices and other sections of the people. The Marxists seem to possess considerable resources of money and men to put up a stiff fight to the Democratic Alliance, consisting of the Congress (R) and the CPI. The CPI (M) has allied itself with eight other parties which, though of minor importance in the state's politics, wield some influence in certain areas. Mrs Gandhi is reported to have dismissed as "blatant lies" the charges made by the Marxists that their party workers are being terrorised and prevented from conducting their campaign. But the Marxists continue to persist in their charges. If they win a majority, they may say that they did so despite police repression. If they fail, they can explain it away by attributing it to the alleged suppression of their democratic rights.

The Congress (R) is reported to have decided to choose Mr Siddhartha Shankar Ray as the Chief Minister if it succeeds in getting the majority. But the manner in which this party is indicating its preference is hardly in the best democratic traditions. A few days ago, Mr Ray disclosed his intention to stand for the assembly from a predominantly Muslim constituency because he wanted to proclaim his party's faith in secularism. Later he changed his mind and decided not to contest at all. But reports persist that the Congress (R) is determined to have only Mr Ray as the leader of its legislature party in West Bengal. If so, the correct course for Mr Ray will be to seek election to the assembly now. But his intention seems to be to wait and watch. If his party wins a big majority he will agree to form the ministry. If it does not, he will prefer to remain in the central government. Such a policy will be in the best interest of Mr Ray but not of the country or West Bengal. If Mr Ray is to enter the assembly after the elections, it will mean that West Bengal should have soon two by-elections — one for the assembly and another for the Lok Sabha to fill Mr Ray's vacancy. This will mean a lot of unnecessary expenditure and unproductive work. It will seem odd and even unfair to the electorate if after the elections the Congress (R) has to choose as its leader and Chief Minister one who deliberately avoided contesting a seat. The Constitution may permit such an arrangement but is it in the true democratic spirit that the Chief Minister should remain without a seat in the assembly for as long as six months?

The economic situation in West Bengal on the eve of the election is in many respects much better than what it was over a year ago. Many factories which had remained closed for several months or even years have re-opened. These include Kesoram Rayon, Bangalaxmi Cotton Mills, Mohini Mills, Beagal Potteries, Howrah Jute Mills and many others. The Labour Department of the West Bengal government has revealed that in the last six months 50 closed, 36 locked-out, and 10 strike-bound mills and factories have reopened. At present there are 247 closed, 40 locked-out, and 10 strike-bound factories in the state. The government has made a beginning in reviving the state's economy by announcing various in-

ceptives to entrepreneurs, by reorganising the Industrial Development Corporation, by stimulating the growth of about 2,000 small units in a year, by improving the infrastructure in the districts and in other ways. Nevertheless, it cannot be said that business confidence has been fully restored. This will be clear from the fact that even the nationalised banks in West Bengal continue to be rather shy in providing credit to industries. In his presidential speech at the quarterly general meeting of the Indian Chamber of Commerce, Calcutta, on January 28, this year, Mr Sanjoy Sen regretted that while bank deposits had spectacularly improved, the flow of credit to industry especially in West Bengal had not increased. He suggested that the banks should adopt a "forward-looking" policy in regard to the credit needs of industries in West Bengal.

The labour scene in West Bengal has improved much. But inter-union rivalry seems to continue unabated in many industries. This is one of the main reasons why the supply of power to industries has to be frequently curtailed, causing considerable damage to production and profits. The labour department of the state government recently analysed the causes of closure of 54 industrial units, employing more than 100 workmen per unit. It revealed that in 16 cases, labour indiscipline caused the closure and the number of workers involved in them was 8,231. It also showed that labour indiscipline accounted for nearly 30 per cent of the continuing closure cases of units with more than 100 workers. Meanwhile, Mr Dias, the Governor, has warned the workers of Durgapur Projects Ltd, a state-owned plant, that the government would be compelled to close it down if it was not run properly. He expressed his unhappiness about the manner in which the project was running in the last few years.

The government of India has done much to develop West Bengal's economy during the present spell of President's rule. More funds have been made available for the development of Calcutta and new projects are being sponsored with large employment potential. These include the second Howrah Bridge, the tube railway, a petrochemical complex and a shipyard. But the union government has to take firm decisions on some of these schemes and implement them speedily. Meanwhile, the government of India should refrain from measures which will make investment in West Bengal more difficult. For instance, Mr Moinul Haque Chowdhury, union Minister for Industrial Development, said in Calcutta on January 2 that the govern-

ment would not allow any industrial units operating in West Bengal to undertake expansion elsewhere in the country and that it should take place in this state itself. While the government's objective is understandable, the method is hardly appropriate. Industrial expansion in West Bengal should be promoted by making investment attractive here and not by fettering the

freedom of entrepreneurs. With the departure of the refugees, improvement of law and order, and the prospects of developing trade with Bangla Desh, West Bengal's economy can look forward to rapid revival in the coming months. But progress will depend mainly on the complexion and competence of the new ministry that will be set up in March.

Outlook for Iron Ore

WITH THE inauguration, recently, by the Prime Minister of work on the outer harbour in Visakhapatnam, an important advance has been made in the development of major ports. This harbour, costing Rs 46 crores, is being constructed with Japanese assistance in order to enable bulk carriers of even 100,000 dwt to berth alongside and transport increasingly large quantities of ore from this new harbour to Japan. Already, in the past five years, revolutionary developments have been taking place in the mining and transportation of iron ore for meeting the requirements of the major steel plants and catering for the needs of Japan and many countries in western and eastern Europe. Curiously enough, the export trade in iron ore is now bigger in quantity than that needed for internal consumption, as out of an estimated output of 33 million tonnes in 1971, exports probably accounted for 22 million tonnes.

The quantum of exports would have been even higher but for the difficulties encountered in mining iron ore at Bailadila in Madhya Pradesh and the bottlenecks in rail transport facilities. Even so, the progress recorded in the past decade should be considered spectacular as in 1961 output was 18.67 million tonnes and export 3.3 million tonnes. There has therefore been a more than seven-fold increase in exports in the decade under reference. The value of exports has improved to Rs 130 crores from only Rs 18 crores.

It would not have been thought possible in earlier years that this mineral which occurred in abundance in several parts of the country would be such a valuable foreign exchange earner and there was scope for even doubling the earnings in the seventies after new mines had been opened up in the Bailadila areas and the Kudremukh and Dhonimalai projects in Mysore state began to yield results. It is highly advantageous to invest heavily in iron ore mining, development of rail transport facilities and the creation of modern loading and unloading facilities at the various ports. This is

because for even Rs 100 crores of investment there can easily be net annual foreign exchange earnings of Rs 50 crores and more, besides providing large employment for skilled and unskilled workers. It will also not be necessary to spend sizable amounts in foreign exchange for developing mines or transport facilities as the required technical personnel are locally available and the equipment needed for mining and for transport can be secured from indigenous sources.

The major breakthrough was established a few years back when the Kiriburu mines in south Bihar were exploited on modern lines for exporting ore to Japan on a systematic basis. As this experiment proved successful it was decided to utilise the vast deposits in the Bailadila area and a special railway system was constructed over the eastern ghats for this purpose. The whole plan has been working smoothly though it has been complained that there has been delay in the development of new mines in this area and the railways and ports have not been able to handle the anticipated growth in ore traffic. It was even pointed out by the Planning Commission that on account of various factors there may be a serious shortfall in the production and export of iron ore by the end of the current plan period.

The different problems, however, are not difficult of solution as what is required is systematic survey of progress of work in different directions and there should also be no constraint on account of paucity of financial resources. It has been successfully demonstrated that pelletisation plants can be manufactured by our engineering firms and there is no problem in regard to the modernisation of railway facilities. There is actually a proposal for electrifying the railway system between Bailadila and Visakhapatnam and augmenting its capacity, as otherwise serious difficulties may arise in regard to the availability of ore for the steel plant that will come up in the Visakhapatnam area and for export. Indeed if there is no proper visualisation,

stage may arrive when there can be a conflict between meeting the requirements of indigenous steel plants and exports. No hiatus of this kind arose in recent years because the output of steel ingots has been more or less stagnant because of the low operating efficiency of the public sector steel plants and the absence of any significant progress in regard to the implementation of new schemes.

After 1971-72, however, there may have to be a more pronounced increase in the output of iron ore as it has been postulated that there should be an increase in ingot production by at least one million tonnes in 1972-73. In 1973-74, after the Bokaro project commences production early next year, the consumption of ore may increase even by three million tonnes. If there is also a recovery in the steel industry in Japan and elsewhere, exports will have to be raised by three million tonnes annually. Prior to the recent recession Japan had programmed that there should be an improvement in the output of crude steel by as much as eight million tonnes annually.

In the light of recent developments it is not known whether there will have to be a lowering of sights by Japan and exports may not increase on the anticipated scale. But there will have to be a higher level of activity sooner than later, because there is anxiety in the developing countries to bring about faster economic growth and many developed countries have large exportable surpluses which have to be used, if need be, by extending larger aid to those in need.

In any case, there will have to be an intensification of iron ore mining in several parts of the country as the output of steel is bound to rise at a faster rate in the current decade. The north-eastern region will continue to be the main supplier of ore for the major steel plants and for export and between the six steel units and the ports of Haldia, Paradip and Visakhapatnam nearly 30 million tonnes of ore may have to be handled yearly after 1973-74. The quantities required will increase even more significantly after the Visakhapatnam steel plant arrives on the scene.

In Mysore and Tamil Nadu there will, of course, be greater dependence on exports as only the Hospet plant will have a sizable initial capacity while the Salem plant will be producing alloy and special steels in smaller quantities. The region, however, will become more important from the export angle as there is preference for Bellary ore. Also, the Japanese are keen on developing the magnetite deposits in the

Kudremukh area while the National Mineral Development Corporation will be exploiting the Dhonimalai deposits. Already, considerable preliminary work has been completed for determining the suitability of Kudremukh ore for steel smelting. Many pilot experiments have been successfully conducted and it is felt that after due processing, magnetite ore can be pumped into giant tankers in the form of slurry.

In this manner there can be a substantial saving in freight and handling charges and the bulk carriers also may not have to wait for long, as even in the initial stages loading can be effected at the rate of 7,000 tonnes per hour. If in Dhonimalai also the same procedures can be followed, large quantities can be made available for export. As in Calicut and Tamil Nadu fresh deposits of this grade of ore have been located, these two regions also may be in a position to make their

own contribution to the export effort. It is thus expected that after the new harbour at Mangalore has been completed, ore exports from here may exceed three million tonnes and Madras will continue to account for a similar quantum.

The pride of place will however be occupied by Visakhapatnam after the outer harbour starts functioning as the volume of exports may rise to even 12 million tonnes displacing Goa from its present leading position. In view of the enormity of tasks involved and the need for co-ordinating the activities of different agencies, it is desirable to create a special organisation which will be in a position to discover lapses quickly and ensure a defined rate of progress. As there are inexhaustible deposits of iron ore, the objective should be to maximise exports and secure also a larger unit value for these exports with pelletisation, upgrading or other means.

Raw Jute Export

THE JUTE industry has expressed its surprise at the decision of the government of India to export about three lakh bales of raw jute, in addition to the one lakh bales normally shipped to Russia every year, and has strongly opposed it. The industry has said that export on the scale envisaged will create a scarcity of the fibre when there is an increasing demand for its products in foreign markets. According to the industry's estimates, the 1971-72 crop amounted to 68 lakh bales which, together with the 14 lakh bales carried over from the previous crop, gives a total supply of 82 lakh bales. Since mill consumption is placed at 76 lakh bales and non-mill consumption at two lakh bales, the industry will have a carryover of only four lakh bales or hardly three weeks' consumption compared to the usual minimum stocking requirement of 18 lakh bales equivalent to three months' consumption.

The government of India does not seem to have made out a convincing case in justification of its decision to export raw jute on a large scale. There have been many occasions in the past when industry and government sharply differed on the availability of raw jute and almost always industry's estimates have proved correct. There have also been instances when the country had to import raw jute at a heavy price because New Delhi did not agree with the industry's assessment about the country's requirements and supply of the fibre. The Indian Jute Mills Association has now warned that export of raw jute, as

proposed by the government, will expose the industry to "grave risks". It points out that the European demand for jute is usually for those qualities and grades of the fibre which are essential for the production of carpet backing, fine hessians, and other specialities, and of which there is always a scarcity. Besides, the industry will have no safety margin in carryover stocks if the next season's Indian crop proves insufficient. There has been a shortage of fibre in the country every two or three years and therefore caution is necessary in permitting exports.

That the industry's anxiety about the availability of fibre in the next season is not wholly baseless will be clear from the wide fluctuations in the production of raw jute in India. The trend is shown in the following table:

PRODUCTION OF RAW JUTE IN INDIA

July-June	'000 bales
1965-66	44,64
1966-67	53,58
1967-68	63,20
1968-69	29,32
1969-70	56,55
1970-71	49,05

The following table shows the

trend in the import of raw jute into India.

IMPORT OF RAW JUTE

Year	Quantity Metric tons	Jute Raw Value Rs '000
	(excluding Bimlipatam and mesta)	
1968-69	42,760	9,09.01
1969-70	3,525	96.00
1970-71	701	10.35
	(Bimlipatam jute & mesta)	
1968-69	47,678	7,15.03
1969-70	23,398	3,96.08
1970-71	Nil	Nil

The export of raw jute from India in the past has been relatively small, as shown in the following table:

EXPORT OF RAW JUTE

July/June	'000 bales
1965-66	1.17
1966-67	2.03
1967-68	86
1968-69	54
1969-70	1.45
1970-71 (upto March)	66

The government's decision to export raw jute is said to have been influenced by its desire to help the growers to get a fair price. It is argued that in the recent months in certain parts of the eastern region growers had to resort to distress sales. But the industry has explained that throughout the current season the mills have been buying jute in the Calcutta market at prices never below Rs 50 a maund, basis Assam Bottoms. It is claimed that purchases at mill agencies reached "saturation point" since all the available storage was fully utilised. The fall in the up-country prices especially in Bihar and Assam below the Calcutta parity in certain months last year is attributed not to the slackness in mill buying but to the disruption of railway traffic and the suspension of the inter-state road transport due to floods as well as the shortage of wagons.

The industry has suggested that if the government thinks that there is a surplus of jute, it will be better to build up a buffer stock of raw jute or the mills may be provided with

adequate bank credit to buy jute for keeping six months' stocks. But it is doubtful if New Delhi will agree to these suggestions in view of its firm commitments to export raw jute. The government perhaps may feel that even if a shortfall develops in the near future raw jute can be imported from Bangla Desh. But such a policy will be quite contrary to the government's emphasis on self-sufficiency. Moreover, Bangla Desh itself will have to augment its exports of raw jute to its traditional customers. Until recently East Bengal had been exporting raw jute to more than thirty countries. For some time, the European Economic Community were the biggest buyers of Pakistani jute, accounting for nearly 31 per cent of the total exports. But in the last few years, the countries of east Europe had been also substantially stepping up their off-take of Pakistani jute.

Caution therefore seems necessary while encouraging the export of Indian raw jute on a large scale. Meanwhile the government of India and the state governments concerned should intensify the productivity of raw jute. The average yield in the country has not even

reached three bales per acre. There is therefore vast scope for increasing the yield and improving the quality and thereby helping the growers to obtain better prices and the industry to earn more foreign exchange. In April 1971, the IJMA referred to the acute shortage of the materials required for stepping up the yield. "Between the actual requirements and the supplies available", said the IJMA, "be they improved seeds, fertilisers, insecticides, or agricultural implements—there are staggering gaps". The availability of these inputs does not seem to have improved much in the subsequent months. The Gunny Trades Association pointed out in last September that the yield per acre could be increased by 50 per cent by applying modern and scientific techniques of cultivation, sufficient manures, and the use of better seeds. But the Association stressed that the application of these techniques over an area of about 30 lakh acres in remote villages spread over six large states of the country was a stupendous task which required energetic steps. The time has now come to implement this programme in a more serious and systematic manner than in the past.

Trading to Purpose

THE NATION is currently concerned to make the economy more self-reliant and less dependent on foreign aid, following the suspension of US assistance. This has given rise to serious discussion about how the country's foreign trade can be conducted on a balanced basis at a higher level. But for the unexpected developments in the internal economic situation, even the prospect of reduced net aid or repayment obligations exceeding marginally gross aid would not have had any disturbing effect.

This was because the trends in foreign trade in 1970-71 were so hopeful that they raised expectations in some quarters of exports paying fully for imports and that it would be necessary to secure fresh foreign aid only for repaying old debts. This expectation was not unjustified as there was only a small deficit of Rs 90.1 crores in 1970-71 against as much as Rs 550.76 crores in 1968-69. Exports in the last financial year touched the peak level of Rs 1,535.16 crores while imports were much lower as compared to earlier years at Rs 1,625.17 crores. Aggregate exports in 1968-69 on the other hand, amounted to only Rs 1,357.78 crores against imports of Rs 1,908.63 crores. The big drop of over Rs 283 crores in two years was mainly due to a sharp reduction in imports of foodgrains, intermediate products, fertilisers, and

other items. As it was expected that in 1971-72 there would be a further increase in exports of tea, coffee, gunnies iron ore and other items and it would also be possible to effect a fresh displacement of imports of foodgrains and finished products, it was confidently felt that in 1971-72 the gap could be narrowed further if not altogether eliminated.

These expectations however have not materialised mainly due to the deceleration in the growth rate in industrial production, serious shortage of raw cotton, higher prices for imports of crude oil and a heavy shortfall in production of steel, compelling sizable expenditure on imports of steel, cotton and many other items. It is also not known what were the complicating factors on account of the diversion of foreign exchange resources for meeting the needs of the defence services and also the suspension of exports for a time during the period of the Indo-Pakistan conflict in order to conserve scarce physical resources.

Even so, exports in the first half of 1971-72 were much higher at Rs 784.07 crores against Rs 678.26 crores in the corresponding period in 1970-71. As there is usually a seasonal increase in exports in the latter half of every financial year, and during the period of 1970-71, exports were as much as Rs 857 crores,

it would have been reasonable to expect that exports for the whole of 1971-72 could be easily Rs 1,700 crores. Even if imports had risen by Rs 150 crores to Rs 1,775 crores, there would have been a gap of only Rs 75 crores.

It is not correct to project the estimate of deficit for a whole year on the basis of the data for the first six months, as in 1970-71 the deficit of Rs 120.43 crores for this period was reduced to Rs 90.1 crores for 12 months. If there were similar favourable developments in 1971-72, there could have been a contraction in the deficit of Rs 180.78 crores for the first six months to around Rs 100 crores, having regard to the fact that there has been a boom in exports of gunnies and tea. There are also larger exportable surpluses of coffee and cardamom. Exports of engineering goods too have been looking up and a faster rate of growth could not be achieved because of the shortage of steel, labour trouble and other factors.

In the absence of full details relating to foreign trade in recent months it is not possible to say whether the gap for the current year will be less than that of 1970-71 or at least equal to it. But a spokesman of the union Finance Ministry recently indicated that the trade deficit for 1971 was around Rs 296 crores. As there was only a small gap in the first quarter of 1971, there has obviously been a major upset in earlier calculations and it would appear that on account of heavy steel imports, dearer crude oil and imports needed by the defence services, there was a sizable deficit in the last quarter of 1971. Even if there is a crash programme for boosting exports in the first quarter of 1972, and also a staggering of imports, the gap for 1971-72 is likely to be at least twice that of 1970-71.

These developments are no doubt unwelcome, but they need not be considered disturbing even with the prospect of reduced foreign aid in 1972-73. For, there is now greater awareness of the need for stepping up indigenous production of cash crops and major industries in order to reduce dependence on imports and also boost exports. It might, of course, be asked why it required an emergency or threat of suspension of aid by an important member of the aid consortium to compel the government to realise that its failure to make the best use of the existing facilities of the industrial sector and eliminate the remaining weaknesses of the agricultural economy have been costing the country dearly in terms of foreign exchange.

Additional steel imports alone have resulted in an extra outlay of Rs 100 crores in 1971-72 while imports of fertilisers could have been virtually eliminated if only the existing fertiliser plants

had improved their operating efficiency. There was also a serious shortfall in the availability of raw cotton from indigenous sources on account of a bad crop in 1970-71 while imports of non-ferrous metals have had to be increased because of the delays involved in implementing schemes for producing more aluminium, copper and zinc.

The government and the Planning Commission are now aware of the importance of increasing the output of steel and fertilisers. If only the public sector steel plants can raise their output to at least 80 per cent of rated capacity there can be an increase in the availability of steel ingots by over one million tonnes. As the two major units in the private sector too can raise their output by two lakh tonnes, there can easily be an aggregate production of 7.5 million tonnes of ingots.

The Planning Commission has now set a target of 7.2 million tonnes of steel for 1972-73 against the likely production of 6.3 million tonnes in the current year. The new target should, therefore, be considered modest in relation to actual capability. However, even if there could be an improvement in the output of finished steel by six lakh tonnes, there would be a saving of Rs 90 crores in foreign exchange. If the fertiliser units improved their operating efficiency, imports of about Rs 40 crores could be easily displaced. Fortunately, a bumper raw cotton crop of 65 lakh bales will be helpful in restricting imports only to those needed from Egypt and Sudan. As there are higher exports of engineering goods, gunnies, tea and other items, the deficit for the next year can be reduced to nominal proportions, especially as concessional imports of foodgrains have been suspended.

Thus, a difficult situation will arise only if gross aid is less than the aggregate amount of repayment against earlier foreign debts and it is necessary to use foreign exchange reserves. Happily,

these have been rising in the past three years and at the end of 1971 they stood at \$1.17 billion against \$718 million in 1968. This is a clear indication that net foreign aid was in excess of immediate requirements particularly as the improvement in reserves has taken place after repaying \$450 million to the International Monetary Fund.

The latest indications suggest that there may be an inflow of foreign aid for humanitarian purposes from the USA and committed aid also will be available to some extent. It has even been asserted that there is a possibility of larger assistance from Britain, West Germany, Japan and the Soviet Union and the absence of aid from USA may not be keenly felt. There will be some favourable developments later in the year if there are no fresh complications in the international situation. Even if there was no improvement in foreign aid prospects, foreign exchange reserves could be utilised to some extent to get over temporary difficulties.

It is necessary, however, to bear in mind that the dependence on foreign aid can be minimised only if there is an increase in industrial production by at least eight per cent as against less than two per cent in 1971 and the new efforts of the Planning Commission to boost output of raw cotton and oilseeds meet with success. Some of the new plans are, of course, long-term in character and it will not be justifiable to expect quick results from them. But there can be a larger output of raw cotton and oilseeds even with the existing acreage with the adoption of new techniques of cultivation and larger inputs. If the strenuous efforts now being made to improve the productivity of the public sector undertakings prove successful and the government also genuinely encourages the established industrial units in the private sector to raise their output, there is no reason why exports cannot pay nearly fully for imports in 1972-73.

Eastern Economist 25 Years Ago

FEBRUARY 14, 1947

The first number of the Reserve Bank of India Bulletin, received this week generally follows the Federal Reserve Bulletin of the USA in the planning of its features—monthly survey of financial and economic conditions, announcements and legislation, statistics, etc. There is an article mainly of historical interest, on the exchange value of the rupee during the inter-war period by Mr B. R. Shenoy, who concludes that notwithstanding the depreciation of the rupee in 1931 the case for devaluation did not disappear. The statement made by Mr J. V. Joshi, Executive Director for India at the International Monetary Fund, in connection with the application of France for an in-

crease in her quota (which was sanctioned) is reproduced. The point is made that just like France, India also felt at Bretton Woods that the quota allotted to her was too low; that India had no objection to an increase in France's quota as long as it did not disturb the relative positions of the different countries (India's quota is next to France's in size); and that if when exchange operations start India finds her quota inadequate and requests a revision of the quotas, she should be treated in the same manner and on the same principles as France. An interesting table gives figures of wartime industrial production.

Between the Devil and the Deep Sea

K. S. RAMANUJAM

"THE SIMPSON affair", as it has come to be widely known throughout the country during the last two months, is a glaring instance of 'state-level politics' having entered a large industrial complex employing over 15,000 persons, and thereby causing endless trouble to a management well-known for its abilities and assiduous interest in the overall well-being of its workers.

One of the managers in a Simpson unit wryly remarked to this correspondent: "It would be a tall order to record all the current manifestations of intolerance amongst workers of the rival unions. But a look at one day's goings on will give a pretty good idea of what is happening".

Mr P.S. Seshan, one of the well-known economic writers of Madras put it: "If this is not satisfactorily settled, it could well mark the beginning of the end of industrial peace in this state".

Political Interference

A close study of the dispute reveals how political interference in an industrial dispute can only make matters worse both for the management and the workers. "We have a clear conscience. Whatever we have done for our workers is an open book. Anyone interested can scrutinise it and see whether or not we have dealt with our workers' problems with care and consideration and in an absolutely fair and just manner," claimed one of the directors of the group and added remorsefully, "Not one of the political leaders of the various parties shows any patience to listen to the problems that are there; instead they seem to enjoy being able to meddle with the workers and issue public statements on their behalf!"

It is difficult to say just now whether any lasting solution is in sight, for relations between individual workers as well as groups to which they belong have become strained during the last few months to such an extent that the atmosphere in individual units of the company have become surcharged with suspicion, distrust, prejudice and a grudge. In the process, the worst sufferer is the national interest. Production of vital components necessary for trucks, jeeps and passenger cars in

several factories of the country has been so much disturbed and dislocated that these plants have run the risk of coming to a grinding halt. Indeed it was this aspect that prompted the union Labour Minister (on the implied intervention of the Prime Minister herself) to take personal interest in this issue. It is for the same reason that the chairman of the Simpson group, Mr A. Sivasailam, agreed to reopen many issues which had been fully and finally settled after over 50 sessions between representatives of the management and workers at the level of each individual unit paying due attention to every aspect of workers' interest vis-a-vis their contribution in terms of production.

Source of Conflict

It is difficult to pinpoint the source of conflict that has now become a disease. It is also difficult to say whether the major surgery now proposed, i.e. fresh elections by which a new set of office-bearers will be elected, will help cure the present chronic illness afflicting this group. Much would depend on the impartiality with which the six-member committee conducts itself and also on how much the aggrieved groups co-operate with such measures as may be adopted by the six-member committee to bring back a sense of discipline and order in the several units of the group which have become hot beds of inter-union rivalry.

But, one thing is very clear. The management cannot afford to let the present state of affairs continue. Their commitments on all sides are very heavy and loss of production exposes them to all kinds of financial and other difficulties.

For the state government, this is a sharp thorn in their flesh after having been returned to absolute power for five years early in 1971. If the communists (right and left) who are very active in this instance get the upper hand, they will not keep quiet. They will attempt to foster similar situations elsewhere in the state. For the workers in the group, it is an awkward predicament since they do not know which way to turn for their own present and future well-being.

A resume of events leading to the

present confusion and conflict will serve to inform and educate on the facts relating to this important matter.

The Simpson group is essentially a "light" engineering complex of manufacturing industries employing over 15,000 persons. The manufactures — most of them automobile ancillaries — include diesel engines for trucks and tractors, piston rings for all kinds of motor vehicles, industrial bearings, paints and lacquers, cycle rims, engineering tools, batteries and Ferguson tractors. The group also consists of a large-sized passenger and goods transport organisation, a daily newspaper, a book distributing firm with a network of railway book-stalls, a printing unit, a coffee plantation, a tyre-retreading plant etc. Acknowledgedly, it is one of the best-managed industrial groups in the country.

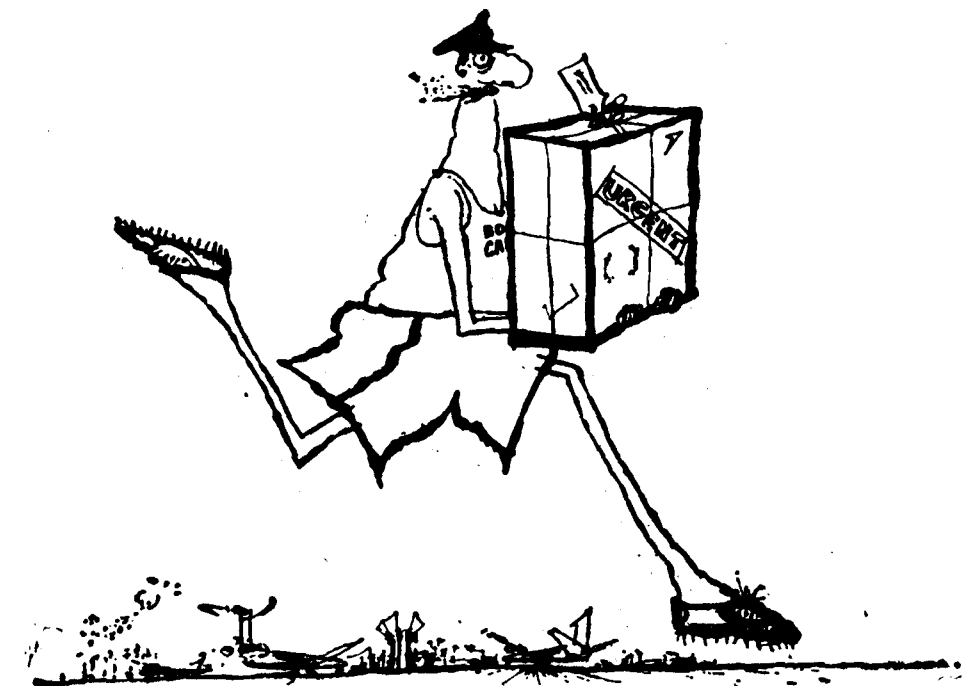
A Prosperous Complex

The late Anantaramakrishnan took over the nucleus of this vast, prosperous group during the second world war when he was secretary of this company. It used to be said of him early in the fifties that whatever he touched turned into gold. His grasp of financial control and management was the bedrock on which unit after unit was founded, expanded and developed. His group's accounts were always claimed to be faultless and flawless. Though the group developed into a mighty industrial complex in a short span of twenty years after he got control of it, he remained — until his death in 1964 — a very simple and straight-forward businessman easily accessible to one and all, including his workers. His unfortunate death at the age of 59, burdened his two young sons then in their late twenties, with the task of managing a vast industrial enterprise.

They had, however, the good fortune of the guidance of Mr M.V. Venkataraman who was their father's life-long colleague and co-worker fully conversant with every little detail concerning the working of the group. He became chairman of the group when Mr Anantaramakrishnan died and he guided it for about three years before handing over the control to the eldest son Mr A. Sivasailam who is its present chairman. Both Mr Sivasailam and his brother Mr Krishnamurthy have undergone intensive management training in the UK and as such are knowledgeable, well informed and keenly alive to their responsibilities and responsive to the interests of their workers.

Even as the late Anantaramakrishnan was wholly devoting his energies and

Air today there tomorrow!



Air Cargo is fast. BOAC Air Cargo is faster. BOAC gives you 43 services out of India every week. And a worldwide network that means just about anywhere in the world is no more than 24 hours away!

You have a faster turnover of goods and business.

Your cargo agent will tell you how BOAC flies your cargo faster to anywhere in the world. Ask him about it — soon.

Fastest off the ground.



For Vijaya Bank

every year is a record year

**Growth of deposits
during the last three
record years.**



Vijaya Bank Ltd.

Regd. Office: Light House Hill Road, MANGALORE-3
Admn. Office: Race Course Road, Bangalore-1

Chairman: **M. SUNDER RAM SHETTY**

attention to the "growth" of his group, enlarging the scope of his units in as many ways as possible, the workers, ever increasing in number due to such rapid and well-organised growth, rallied round as one man under a single union founded and fostered with fatherly care by Mr R. Venkataraman, then an active labour leader of Tamil Nadu. When the INTUC was formed on an all-India basis, Mr Venkataraman declined to tie up the Simpson union with it and he thereby maintained its independent identity.

Inter-Union Rivalry

When Mr Venkataraman became Minister for Industries and Labour in the state government in 1954, his nominee, Mr S. Gurumurthy, was unanimously chosen leader of the union in his place. In 1967, Mr Gurumurthy was the candidate, on behalf of the then united Congress party of Tamil Nadu, for the Lok Sabha from the Madras City South Parliamentary constituency against the founder-leader of the DMK party, the late C.N. Annadurai. This was the first time Mr Gurumurthy was directly involving himself in the politics of the state. He was defeated by Anna by a big margin. But the scars of his biting criticism of Anna and DMK party remained green in the memory of many of the DMK workers belonging to the Simpson group. This inspired them to organise a DMK labour union. This union had the blessings of the DMK government. This enabled it to spread itself amongst all the units of the group, though only to a limited extent. Inter-union rivalry and its consequences followed.

The management was placed in a very delicate and difficult situation as a result. There was the big union led by Mr Gurumurthy but with no sympathy from the state government and there was a DMK union which enjoyed the goodwill of the government. It was undoubtedly tight-rope walking for the management on many occasions. The management tried very hard to avoid any moves which could irritate one or the other. This, however, was misunderstood by the parent union as the management utilising the changed political set-up in the state government to break its hold over the workers.

In 1968, despite the fact that there was a recession for the engineering industries in the country, the management was willing to pay a substantial bonus to the workers of the group. Mr Gurumurthy, however, demanded a much higher payment. Mr Sivasailam felt that it would be improper for him to commit the company in the same old way as his father used to do since re-

cession had hit its financial resources. Mr Sivasailam's unbending attitude was resented by some workers who retaliated with acts of violence against managerial staff of some units. The management had no alternative except to declare a lock-out. For the first time in more than two decades, this had happened in this group. The DMK government intervened, helped to resolve the difficulties and an agreement was arrived at which increased the quantum of bonus only marginally. As a result of over three weeks of lock-out, the workers lost wages. But in the negotiations that followed, the management agreed to give adequate opportunities for the workers to work over-time and earn back their lost wages. In 1969 and 1970, there was smooth functioning of the relationship between the workers and management since Mr Gurumurthy himself was a rather subdued person as a result of the earlier incident and the overall political atmosphere, although there were numerous instances of go-slow and tension inside many of the units; luckily nothing serious happened.

DMK Benefits

Meanwhile more and more workers began to feel that if they supported the DMK-led union, they might have greater bargaining power over the management. The management could not be a party to either side although, admittedly, they were not unduly worried over the waning influence of Mr Gurumurthy who had time and again embarrassed them on the strength of his commanding the staunch loyalty of the workers, almost en bloc, for 20 years!

Thus the monolithic character of the Simpson union, which benefited both the management and workers in numerous ways over a period of 20 years, got altered. Mr Gurumurthy's unquestioned leadership and absolute control having received a jolt, he was unable to control violent incidents inside the units nor was he able to assure the management of the disciplined behaviour of workers with which alone productivity could be maintained at a high level. After the DMK was returned to power in the state with greater strength early in 1971, his position was further weakened. Fully aware that neither the state government nor the management had any special regard for him, Mr Gurumurthy felt that he would only be undermining his own prestige and compromising his position as president if he allowed himself to continue as an important witness to the harassment many of his followers were subjected to from time to time at the hands of DMK workers hostile to his leader-

ship. Inter-union rivalry raised its ugly head in a manner never witnessed before.

There is no doubt Mr Gurumurthy had contributed immensely to the smooth and efficient functioning of the group by his firm grasp of the many-sided activities of the group. Himself a worker, he had intimate knowledge of all aspects of production. He was always able to carry conviction to the workers that unless productivity was maintained at a high level, his bargaining power with the management would be jeopardised. There is no denying the fact that all this was contributing to the health of the group. This being so, his quitting the presidentship all of a sudden created a vacuum. It had to be filled. With the consent of group leaders as also the management, the Chief Minister Mr Karunanidhi, nominated Kattur Gopal as the president. Workers of the group, by and large, seemed to feel at that time that with the DMK party having been returned to power for the next five years in a secure manner, it would be playing safe with their own interests to co-operate with the Chief Minister's nominee and see how he served their interests. This happened in the month of May, 1971.

Parting Gesture

Meanwhile, as a parting gesture, Mr Gurumurthy distributed to all the workers the union funds which had swelled to many lakhs of rupees during his presidentship. Mr Kattur Gopal and his team together with representatives of the management, held as many as fifty sessions in various units, meeting group leaders and other representatives of workers to know at first hand their problems, proposals and claims. According to a responsible officer of the company, who has an excellent record of service and who is also popular amongst the workers, the agreement entered into by Mr Kattur Gopal had the overall acceptance of the workers as evidenced by their quiet and willing approval of the same after it was signed in the month of August, 1971. Who-soever wanted to go through the various clauses of the agreement had the opportunity to do so as every one of the group leaders in the several units of the company had the opportunity to do so as they had been circulated cyclo-styled copy of it immediately after it was finalised. Moreover, according to this officer, the agreement was signed by the management and representatives in the presence of the state's Labour Commissioner who could not be termed a party favouring the management. He further asserted that it was wrong and insidious propaganda to say that the chairman of the group, Mr A. Sivasai-

lam had tricked the labour into the new agreement.

According to the agreement Rs 25 lakhs was committed to be paid by the management as additional DA. A senior director of the company claimed in a talk with this correspondent that it was open to comparison with any firm of repute in the country whether the DA paid by the Simpson group was not more than almost every one of the leading firms including Ashok Leyland, Binny and TVS groups in Madras itself. The management also conceded Rs 10 lakhs of wage revision which had been considered generous. Moreover, many other benefits have been conferred on the workers by way of social welfare facilities by this agreement.

Bonus Settlement

On the bonus issue, however, it was settled at around Rs 50 lakhs whereas it was more than Rs one crore for the earlier financial year. It is explained that this was because the profits of the group had dwindled to fifty per cent of the earlier financial year. According to the management, production had suffered in the group when workers under the leadership of M. Gurusamy had resorted to go-slow methods during the latter half of 1970. It is claimed for the management that production targets, quantum of incentives and cash bonus for achieving targets are all settled in consultation with groups and that there is nothing which the management can do to increase the earnings of the workers unless productivity is maintained at the optimum levels. This is well-known and fully realised by the workers themselves, he asserted and added, most of these had been formulated during Mr Gurusamy's time and absolute control over the workers.

One of the sore points — and it is on this the union minister, Mr Mohan Kumaramangalam, had commented rather angrily during his visit to Madras early in January — is the clause relating to "compensatory working by the workers for the period under lock-out on single wages". According to the management, it had been amended subsequently as "double wages on overtime basis". This is, therefore, not a disputed point any more. A senior director claimed, "There was nothing concealed or underhand about any clause in the agreement... in fact most of them now questioned were reproduced in the union journal itself and as such the workers were aware of everything. Unfortunately now, every little detail is being given a wrong twist and interpretation thus making everything more difficult and complicated."

He wondered how even responsible union ministers were acting with prejudice.

Another point at dispute is the clause relating to reorganisation of industry, rationalisation of manpower, and optimum level of production. The contention of Mr Kuchelar, a trade union leader with sizeable following in many of the city's industrial establishments, was that the management had introduced it according to their convenience so that they may have the whip hand over the workers always. On this, again, the management's version is that the concerned clauses may be examined by any knowledgeable person in any organised industry, in any part of the country and that, when this is done, it would be clearly seen that Mr Kuchelar's allegations are baseless. It is also asserted that Mr Gurusamy himself had been a party to many such clauses in the past.

Interference by State Govt

It may then be asked how all the all-India trade unions and all the political parties have united on this occasion to demand the resignation of the present office-bearers of the Simpson union and especially its president Mr Kattur Gopal. Their contention is that here was a glaring instance of imposition and interference by the state government and the ruling party which hampered the orderly growth and functioning of the trade union movement in the state. This was the purpose of the joint action committee. It was also their contention that it was the duty of a state government to contain and control violence and not be a party to misconduct by those who supported the ruling party. To the extent they have won their points hands down it is a healthy and welcome development. As for the overall feeling amongst the workers, instigated by labour leaders of the all-India bodies, that their interests had been betrayed in the agreement, which incidentally snowballed into the present agitation demanding revoking of the disputed clauses and a fresh review, this should not be difficult with the present conciliatory attitude of the management who have pledged their co-operation to the six-member all-party committee for the conduct of fresh elections in the union.

On the issue of retrenchment, it is contended by the management that clauses relating to it were agreed upon after due and prolonged discussions between group leaders concerned and that they have not been tricked to accept them. The group has had an exceptionally good record as employers

and all retrenched persons would be absorbed when new vacancies arose in any of their units due to expansion.

One wonders why the workers did not raise any objection to the agreement during August, September and even until late October, 1971 and how they suddenly woke up one day in late October to find so many 'defects' in the agreement, especially after receiving all that was due to them under the new agreement. The management is justified in feeling that external forces antagonistic to it are at work to create difficulties for them. No wonder they feel that they are being held to ransom by the leaders of the AITUC, HMS and CITU who have all entered the fray. By their joint action, they have been able to successfully paralyse work in the group units no doubt. And, on account of the pressure from the centre, the state government has also bowed down. Mr Kattur Gopal has paved the way for a better atmosphere by resigning his presidency. It is to be hoped that elections will be held early enough so that normal conditions may return to the group if this is at all possible after all that has happened in recent weeks.

Communist Strategy

It is obvious to any one who cares to see that the communists, (left and right) are anxious to exploit the present situation to feather their own nests. It is difficult to say at present whether the end of trouble in the Simpson group is in sight; for, first of all the election of office-bearers to the Simpson union has to be smooth. The elected president and office-bearers must be able to obtain the loyalty of the workers, respect of the management and goodwill of the state government.

Otherwise, the vicious circle in which the "Simpson affair" is caught today will continue, jeopardising vital production. If it does, it will have far-reaching effects on all fronts including the production of vital components, centre/state relations and industrial peace in Tamil Nadu, as the Simpson group is largest industrial group in the south. It has today a turnover of about Rs 70 crores and their annual disbursement of wages exceeds Rs seven crores excluding bonus which is settled on an annual basis. The group has many units which have been consistently losing over the past many years and yet they have not been liquidated or sold away on account of the group's overall financial strength and its confidence in its ability to straighten out difficulties and make the sick units viable propositions in the future.

International Sub-contracting for Export Development

O. P. JAIN

THE LION'S share of export trade in manufactured goods is in the hands of industrialised countries endowed with capital equipment and managerial skills to design, produce and market industrial products. The less developed countries export only a small fraction of manufactured goods in the world trade — about \$5.5 billion of the \$112.3 billion total in 1967. Over one-third (35 per cent) of their exports is among themselves. They obviously need to develop their export capabilities in the appropriate fields and through the unconventional means for having a much larger share in the world trade in manufactured goods.

The best prospects for the expansion of manufactured exports from the less developed countries are in the direction of standardised goods, requiring less technical and managerial skills, incorporating low-wage labour, and utilising raw materials with low opportunity costs. It is also recognised that these countries will need to develop their indigenous capabilities to adapt and absorb transferred technology through international partnerships and other international transfer arrangements, including international sub-contracting on an individual or consortium basis.

Potential Gaps

Trade in manufactured goods reveals a tendency to occur between "Technologically Compatible" economies, that is, those with similar capacities to absorb technology and to adapt products or techniques to changes in supply and demand. Second, there is a growing importance in 'research-intensive' goods, that is, products derived from industrial activities with a high input of research and development and technically skilled labour and management. Such a trade pattern produces certain gaps, offering prospects for the less developed countries. These gaps represent the labour-intensive products or components which can be manufactured at comparatively less cost in the less developed countries than the developed countries.

The UN Committee for Development Planning has observed in its report on the seventh session on the subject in the following words:

"It (intra-branch specialisation) offers

possibilities for a more economic pattern of production—whether between developed and developing countries or among the developing countries themselves. But under present industrial and trade policies it is unlikely to come about spontaneously in the near future. The committee believes that the co-ordination of industrial planning and of the design of trade policies, needed for fuller intra-branch specialisation deserves increasing attention.

Sub-contracting Favoured

Many American, European and Japanese corporations are already taking advantage of the skilled, easily trainable and productive labour in the less-developed countries. They have organised their production facilities so that capital-intensive operations are performed in their home base and labour-intensive operations are organised in the latter countries, notably Hong Kong, South Korea, Singapore, and certain Latin American countries. The products are then sent back to the home base for final processing and marketing.

Existing tariff legislations in the United States and Japan, in particular, encourage such development. Under Schedule 8 of the US Tariff Code, goods can be exported from the US for assembly or processing abroad and then sent back to the US at highly favourable tariffs. Duties are levied, in effect, only

on the value added by foreign labour and not on the full value of the returning goods. This arrangement provides a kind of preferential access to the US market. Japan introduced a similar regulation in April 1969 for the import of components for certain electric goods and refrigerators. The regulation requires that the items be made from raw materials and intermediates which have been imported from Japan for processing in a foreign country under a consignment sale basis. It enables the Japanese firms to import those components and parts that would be costly to procure in the Japanese economy because certain "firm-specific" or "system-specific" technical or industrial knowledge is deficient.

Latin American Example

Certain Latin American countries have since long had the experience of international sub-contracting as a means of promoting industrial activity there. The International General Electric Company has since early 1920s been developing Brazilian firms as suppliers of materials, components and sub-assemblies. A major part of these firms' supplies is undoubtedly consumed by the former's Brazilian subsidiary, but some part is exported outside as well. Sears, leading United States chain-store and mail order house, has through its 'Basic Buying Programme', nurtured large numbers of small efficient factories, located over the length and breadth of Latin America. It buys their goods mostly for local sales and, to some extent, for export sales too.

Automobile industry has produced ample opportunities for international sub-contracting for export purposes, not only between the developed and the less developed countries but among the developed countries as well. Two years ago, Mexico negotiated an agreement



He came, he saw, he was conquered.

with Massey-Ferguson, the leading world manufacturer of farm tractors, providing for investment in Mexican plant facilities which included the manufacture of tractor parts for export to other Massey-Ferguson assembly plants. It has negotiated similar agreements with European automotive vehicle manufacturers. Under the US-Canadian Automotive Agreement, signed in early 1965, Canadian facilities have been expanded considerably for export to US assembly plants. Similar arrangements have recently been negotiated between Fiat of Italy and its manufacturing affiliate in Yugoslavia.

Yugoslavia provides a lucid instance of trade specialisation in the form of barter arrangements between enterprises. The enterprise in a developed country supplies technical assistance training, know-how, or more intricate parts and finished products; the enterprise in Yugoslavia pays for this input with parts and components. A US producer of electric shavers supplies production and marketing assistance against payment from its Yugoslav counterpart in the form of parts and components; a Yugoslav firm supplies heaters to an Italian manufacturer of washing machines for the counter-value; a UK producer of razor blades supplies equipment, know-how and technical training against one-third of the annual output of its Yugoslav partner. At the end of 1966, roughly 300 of such corporation agreements between Yugoslav and foreign companies were in force, 80 with the Federal Republic of Germany alone. The Yugoslav firms obviously get benefits of the acquisition of know-how and export earnings and the firms in the industrially advanced countries get the advantage of being able to purchase cheaper parts and components and to gain a foothold in a developing market.

Beginnings S-E Asia

A beginning on these lines has been made in the south-east Asian region also. Shinjin Motors—one of the "big three" assemblers in South Korea—has made an arrangement with Poyota for engine foundry and to supply certain components to the latter. Poongsung Electric Company produces, under technical agreement with four Japanese firms (Nippon Denkyo, Osaki Denki, Mikuni, Kogyo and Nakano Tsushinki) ten types of automobile components, a part of which is exported to the collaborator-companies. International sub-contracting for export has also developed in the fields of electrical equipment and electronics there. It has come up in a big way for manufacturing computer components in Hong Kong.

The Trade Development Authority (TDA)—formed in 1970 as an action-

oriented body—has brought to India a plastics and chemical goods mission from Japan and a delegation of sewing machine manufacturers from the same country for investigating the possibilities of sub-contracting of parts and components in this country. Some trial orders have resulted and long-term sub-contracting of parts and components are being pursued. Plans and programmes have also been formulated to invite Macy's of New York, the British automobile and electronics industry, the Japanese automobile, electronics, and ferrous castings and forging industries to India for promoting sub-contracting arrangements. TDA is also sponsoring in conjunction with a government-recognised export house, a medium sector manufacturer together with a few small-scale manufacturers, a 100 per cent export-oriented facility in customs bond for an annual export turnover of \$5 million gross—net \$3.5 million—in certain identified electronic components and equipment.

Pregnant with Potentialities

The TDA's programme of encouraging international sub-contracting for export is in the desired direction. It is pregnant with immense potentialities of success, as is warranted by positive results of such experiences already made in Hong Kong, Singapore, South Korea and Taiwan in the south-east Asian region. It is the most dependable medium of boosting manufactured exports from the small and medium sectors of industry. Certain small-scale units have amply proved their capabilities to export even 100 per cent of their production. Nearly 1,200 exporting

enterprises were declared eligible for special assistance in the matter of imported raw materials and preferred sources thereof on the basis of their exporting 10 per cent or more of their production in 1969. Of these, 447 were small enterprises, accounting for about 34 per cent of total exports with eligibility for such special assistance. In case medium enterprises too are included, the share of small and medium sector will rise still further. There is need to evolve and implement an export promotional policy for fully tapping the export potential of this sector.

Experience in France

It is very instructive to note that R. Holtz, Secretary General of the International Federation of Small and Medium-sized Industrial Enterprises, France, has emphasised that (i) with certain exceptions SME (small and medium-scale enterprises) exports depend on co-operation; and (ii) SME exports will derive more and more from technical co-operation activities. He draws special attention to the exchange of technology and resources between SME counterparts in France and abroad, leading to a satisfactory increase in exports. He explains this form of horizontal co-operation in the following words:

The foreign enterprise would fabricate or assemble the articles manufactured under French patents, outlets in the country concerned being provided by the partner's distribution network. Conversely, the French firm could offer the same source in

February 11, 1972

France and Europe. Thus there is bound to be a move towards specialisation and complementarity between the two firms, indirectly entailing an increase in earnings from productivity.

Referring to the policy of technical co-operation, based on intellectual investment, he cites as example the implementation by French consultants of a policy of local SME development in the developing countries. Such an activity is undertaken at the request of governments or of private or semi-public bodies of national scope (chambers of industry or commerce, the national development centres, etc.) The establishment of a network of sub-contracting exchanges is an important form of French technical co-operation.

Future Perspective in India

Viewed in the Indian context, international sub-contracting as a medium of boosting SME exports can be conceived in the two forms of mutual co-operation and technical assistance programmes. The first form has got relevance to small and medium enterprises manufacturing parts and components for assembly by their counterparts in the developed countries. Its possibilities are being explored and can be visualised to increase further as the results of earlier attempts prove successful. Manufacturers and exporters in the developed countries have already come out to assess and locate the possibilities of such a form of co-operation in the developing countries, under the compulsion of production conditions in their own countries. The encouraging functioning of sub-contracting exchanges*—already established in India for promoting interfirm relationships within the country—should pave the way for sub-contracting on international level. Once the sub-contracting business is located and fully developed, foreign businessmen are bound to be attracted to these enterprises for manufacture of labour-intensive parts, components and sub-assemblies.

The second form of international co-operation, that is, provision of technical assistance is relevant to such small and medium enterprises in India as can provide technical assistance, on a selective basis, to their counterparts in the lesser/least developed countries and thereby assessing the equipment requirements of the

*During the period, June-Dec. 1970, the Exchange at Madras received 206 and processed 131 enquiries and that at Bombay processed about 250 enquiries.

latter as a basis of exporting products to them. It is sub-contracting in the sense that the enterprises in India manufacture equipment and supply technical know-how as components of production process and those in other countries apply the same for productive use of their own materials and labour. Both the forms stipulate intensive use of relatively abundant resources available in the co-operating countries and give rise to export development in the SME sector. The second form has ample development opportunities under the Indian Technical and Economic Co-operation Programme, sponsoring Indian experts for identifying development potential and rendering technical advice to the inviting countries for exploiting the same. It can be streamlined and intensified in view of our experience gained so far.

More important than identification of sub-contracting possibilities abroad is the building of manufacturing and merchandising capabilities of our own small and medium enterprises in the export field especially. There is need to broaden and intensify general assistance and training measures at enterprise level, in groups or individually. The small and medium enterprises sector in India is comparatively large sized

and complex and needs multi-pronged assistance for production development and exporting. This sector can be satisfactorily developed for international sub-contracting, through co-ordinated activities of such promotional agencies as the Trade Development Authority, the State Trading Corporation, the Small Scale Industries Development Organisation, the National Small Industries Corporation and the State Bank of India and other commercial banks. Production aspects of international sub-contracting as a medium of export promotion in the SME sector are as important as merchandising aspects. The first aspects can be taken care of by the Small Scale Industries Development Organisation as a camp-follower of the Trade Development Authority, in the field of small industries sector. Since this organisation has already built up the necessary technical expertise and is expected to further strengthen the same in modern sectors of manufacturing, it shall be befitting to extend the scope of its operations to the medium enterprises also. Thus, the TDA can look after merchandising and the Small Industries Development Organisation after production aspects of international sub-contracting in the small and medium enterprises sector.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

OFFICE OF THE CUSTODIAN OF ENEMY PROPERTY FOR INDIA

INDIAN CLAIMS AGAINST PAKISTAN

Notice is hereby given that Indian nationals having claims against Pakistani nationals and firms as well as in respect of properties moveable and immoveable taken over by the Government of Pakistan during the present emergency (including bank balances, negotiable instruments etc.) should send in their claims to the Custodian of Enemy Property for India.

The claims, which are to be addressed to the Custodian of Enemy Property for India, Kaiser-I-Hind Building, Currimbhoy Road, Ballard Estate, Post Box No. 689, Bombay-1, should reach him within three months from the date of issue of this notice. Claims received after this period will not be considered.

This notice does not constitute an acknowledgement by the Custodian of the right of any party to recover from him any moneys or property due from Pakistan.

Bombay,
Dated: 15th January, 1972.

M.K. Rangachari,
Custodian of Enemy Property for India.

WINDOW ON THE WORLD

The West African Coast

JOSSLEYN HENNESSY

LONDON.

THE WEST African coastal region, from Senegal to Dahomey, has as much diversity of geography as it has national divisions. Rain forest covers much of the lowland plains, but all of the states included in this report, except The Gambia, have extensive highland areas supporting vegetation that varies with altitude. Cool trade winds influence the north-west, while the southern coast is subject to the tropical convergence of air masses with rainfall from April to September and high mean temperatures. A 'white man's grave', but not much better for Africans!

The slow evolution from a nomadic to an agricultural society was suddenly jolted by the arrival of the Europeans. The established social structure is undergoing rapid change with inevitable stresses building up, as emphasis on the expansion of the 'modern' sector is too often at the expense of the 'traditional' sector rather than in harness with it. Before industrialisation can succeed the agricultural community, which usually comprises more than three-quarters of the population, must expand output sufficiently to form a base from which savings can flow. Foreign capital also helps, but more of these funds could be funnelled into the improvement of rural production. The inherent dangers of assessing growth rates from statistics dominated by the 'modern' sector are now recognised as a potential drawback in evaluating total capital accumulation, which may be of greater significance to real growth when concentrated into the 'traditional' sector.

Fast Modernisation

It is difficult to generalise about the pace of west African development with such statistical reservations in mind, but it can be seen that some states are modernising faster than others. The Ivory Coast and Liberia appear to have made significant advances, whereas in Guinea and Sierra Leone similar growth has not been achieved. These four countries all have viable mineral wealth, but political stability has, in fact, been a greater asset than natural resources. Dahomey unhappily has neither exploited its minerals nor overcome administrative difficulties, but

Togo and The Gambia, although both relatively small, have achieved much over the last decade, mainly by concentrating on the development of agriculture.

I
DAHOMÉY

For Dahomey, one of the poorest of the former French colonies in Africa, the decade following independence in 1960 has been marred by continuous instability. There have been five *coups d'état*, all bloodless, backed by various factions in the army, and an attempt in 1970 to elect a president nearly ended in civil war. The impasse was resolved, however, by the formation of a presidential council, comprising the three election candidates, with M. Maga as Chairman (who, as the first President, was deposed in 1963). The tripartite rule is an attempt to compromise among regional conflict and rivalries: each council member, who will occupy the chair for two years, draws his support from one particular area.

The economy is overwhelmingly agricultural, although substantial mineral deposits are known to exist. Farming accounts for around half of GNP and employs over 75 per cent of the working population. Almost 50 per cent of exports are palm products, while cotton and groundnuts are the other main exports. Manufacturing and internal trade also depend strongly on farm output and the most important industries are those of primary processing, mainly oil milling and cotton ginning. However, in recent years there has been some diversification: the manufacture of shoes, printed cotton cloth and bicycles is now established while plans for a cement factory, to produce mainly for the Nigerian market, are in hand. In 1968, a factory to process kenaf fibres was established but local production is insufficient for its capacity and raw material is imported to keep the plant going.

In the second Development Plan (1966-70) an annual growth rate of four per cent was envisaged, with eight per cent growth in manufacturing—modest enough aims with a population increasing at 2.9 per cent a year. Even the achievement of these ends, however, depends on the continued in-

flow of overseas aid and on the development of the border trade with Nigeria—a vast market in comparison to Dahomey.

Trade with Nigeria, much of which is illicit, is highly important to the economy. In recent years this has flourished because of the inadequacy of the port of Lagos and because restrictive import quotas imposed by the Nigerian government have encouraged smuggling. Much of the trade is barter for Nigerian cocoa: in 1970 some 8,000 tons were shipped through Cotonou, despite Dahomey's mineral domestic production. The development of legal trade between the two countries is likely to be a major objective of the Dahomeyan government; the size of the potential Nigerian market is one major incentive for industrial expansion in Dahomey, and such industrialisation is vital to reduce the high rate of urban unemployment. The majority of the population is in the southern towns.

Before independence, many Dahomeyans were able to find employment in other French colonies but this is no longer possible, and the labour force has increased both with the return of migrant workers and with natural population growth. One aim favoured in some Dahomeyan political circles is closer economic ties between Nigeria and the members of the *Conseil d'Entente* (Dahomey, Ivory Coast, Niger, Togo and Upper Volta) in a larger west African free trade area.

The trade gap remains substantial, although it has fallen in recent years. Dahomey's balance of payments is brought into approximate equilibrium by foreign grants, especially from France, to cover persistent budget deficits and the cost of technical assistance. Private foreign investment rose during 1968 and 1969 when offshore oil exploration increased. However, with a resumption of exploration and production in Nigeria after the civil war, such investment is now likely to tail off.

Uncertain outlook

The outlook for Dahomey is uncertain. Although the present system of government appears to be working well, there are countervailing influences acting against each other, so that the threat of instability is still present. The best hope for the immediate future would seem to be rapid economic progress in Nigeria as a means of boosting trade. However, the budget deficit is likely to remain high, as few new taxes were imposed in the budget for 1971 and, indeed, a 20 per cent tax on wages and salaries had been eliminated in

August, 1970. The need for continuing aid is therefore high.

II
THE GAMBIA

The Gambia is Africa's smallest independent country but, despite lack of natural resources, progress is being made towards faster economic growth and greater independence of UK assistance. The present financial year is likely to be the fourth in succession for which no budgetary aid has been sought.

Output of the main crop, groundnuts, was, at 115,000 tons, slightly higher in 1970-71 than in the previous year, although still considerably below the 1968-69 figure. The Produce Marketing Board, which organises the sale of groundnuts, is also to be given responsibility for marketing rice, the main alternative crop in the government's farming diversification programme. Technical assistance for rice growing, in which the aim is to achieve self-sufficiency as soon as possible, is being provided by Taiwan. Production, still small, is increasing at an annual rate of some four per cent, but World Bank finance may be sought for a more rapid expansion programme.

Fishery development is being undertaken by Japanese and Ghanaian companies, which are establishing cold storage facilities in Bathurst; it is hoped that the Japanese will set up a cannery. Loans totalling some £ one million have been extended by the World Bank and the UK government for seaport and airport modernisation. Tourism is expanding (Scandinavia is the main source of visitors) and, despite its highly seasonal nature, is an increasing source of government revenue; three new hotels are being built by Swedish companies.

Close Relations

Relations with Senegal appear to be closer than at any time in the past, despite an increase in border smuggling, which provides much unofficial income for The Gambia. The UN is to provide some 60 per cent of \$500,000 finance for a study, which may last till 1973, of The Gambia river basin.

The differences in linguistic and cultural backgrounds between the British-colonised Gambia and French-colonised Senegal have in the past impeded co-operation. Even the pattern of their trade has been totally different; Gambian groundnuts are sold through the London market and the Senegalese product sold, under a subsidy agreement with the EEC, to France. The prospect of enlargement of the European

Common Market may help to bring the two closer together if, as seems likely, the Gambia gains association with the wider EEC; in the meantime the existing signs of closer co-operation between the two give cause for hope.

III
GUINEA

The era since independence from the French in 1958 has been one of turmoil for the Republic of Guinea. Although the Presidency has not changed hands, several attempts have been made to overthrow the government; the most recent was in November, 1970, when an unidentified force of some 200 men invaded the capital, Conakry. After releasing a number of political prisoners and over-running the headquarters of an anti-Portuguese guerrilla organisation, they were repulsed by government troops, but since then the sympathy gained as a result of the invasion has evaporated following the execution of political prisoners in January, 1971, and the harsh line taken towards any opposition.

Hasty withdrawal

Much of Guinea's instability springs from the hasty withdrawal of the French following President Touré's refusal to join the French Community. The United States is now the chief source of aid and investment, while relations with neighbouring states vary from open hostility, as with Portuguese Guinea, to close collaboration, as with Sierra Leone. To the north, relations with Senegal have been unsettled, and a refusal by President Touré to attend a summit meeting of the Organisation of Senegal River States may result in Guinea's expulsion.

The country can ill-afford to lose any benefits derived from membership of OSRS. The economy has shown little real growth since independence, because of stagnation of agricultural exports and the slow expansion of rural output generally. An annual growth of 4½ per cent was recorded, but this was only two per cent per capita because of the rising population.

The economy is basically agricultural although the principal exports come from mining. The republic possesses the world's third largest reserves of bauxite, which may be further developed by 1973 to yield some six million tons of ore annually. This would give a much needed boost to the balance of payments by bringing export growth more in line with that of imports. External debt is now such that a third of total exports are needed to service it; dependence on aid is as great as ever.

IV
LIBERIA

The recent death of William Tubman, President of Liberia since 1943, may give rise to a period of political uncertainty, but should not result in any significant upheaval of the economy. In contrast to its neighbours, the republic has a long history of political stability based on over a century of self-government. The state was founded in 1822 after American philanthropic societies had organised the settlement of former slaves along this stretch of the west African coast. However, of 4,500 immigrants, who arrived during the 20 years after 1822, only half remained by 1843; the rest had died or returned to America. Although descendants of these settlers account only for two per cent of the total population, their influence in political affairs has been paramount, and in the past this has provoked some discontent among other sections of society. The late President's policy achieved a considerable integration of the different ethnic groups; he extended the franchise to those living in the hinterland and, for the first time, to women.

President Tubman's government also encouraged trade and investment with an 'open door policy' aimed at minimising restrictions. At the same time, however, he introduced a labour code, incorporating a minimum wage and the right to a pension, to prevent exploitation of the growing number of employees moving from a traditional subsistence way of life to the urban and mining societies. The former President was not always popular, but showed great resilience in surviving assassination attempts, in 1955 and 1963, six elections and much criticism of his lavish expenditure, especially on a gorgeous presidential yacht. The President was not abroad when the ship, worth £2½ million, made its maiden voyage and foundered on the rocks in Cape Palmas harbour!

Despite these extravagances, the past two years have been reasonably healthy

for the economy. The balance of trade, although still heavily dependent on one commodity, iron ore, reached \$81 million in 1967; exports rose by 15 per cent and imports by only six per cent. Exports of iron ore for the 12 months to August 1970, increased further with the added advantage of rising prices. The expansion of production may continue following further exploration which will enhance the republic's position as Africa's foremost producer of iron ore and the world's third largest exporter. There is also potential in other minerals. Some three quarters of a million carats of diamonds were found in 1968-69, while off-shore drilling for oil is expected to begin early next year.

The mining wealth, however, so far provides employment for only some two per cent of the population; 75 per cent make their living from agriculture. Staple crops are rice and manioc, with cocoa, coffee, palm nuts and rubber as cash crops. Rubber used once to be the chief source of exchange earnings, but was worth only about \$30 million in 1969, less than a quarter of the value of iron ore. Timber reserves are extensive and may be further developed in the future, but the real need is for growth in secondary industry. The infrastructure, which has been built up to serve the mining concessions, should provide an impetus to introduce heavier industries than exist at present.

An Investment Incentives Code was established in 1966 but, so far, only some small-scale manufacturing firms have taken advantage of it. The limited size of the market is the major drawback, not as in some neighbouring states, the political imponderables, although these may become significant if the moderation and stability that President Tubman achieved during his 27 years of leadership are replaced by more exuberant policies. The former Vice-President, William Tolbert, who has become President in accordance with the Constitution, is expected to continue the present modernisation and integration programme while serving the remainder of President Tubman's term of office, which was due to expire this month.

V SIERRA LEONE

In April 1971 Sierra Leone was declared a republic and Dr Stevens installed as President. The move came shortly after an attempted military coup had been suppressed with the help of Guinean troops, which, at the time of writing, were still in Freetown. It is unlikely that the change of status will add to the stability of the country; the declaration itself, has been questioned

on constitutional grounds, and fears have been expressed that a dictatorship may emerge.

The economy has been stagnant since 1970 and inflation has been rife. One of the main reasons for the lack of growth was a decline in the sales of diamonds, which have provided between 60 and 70 per cent of total exports in the past. The mining industry faces many problems. The state now holds 51 per cent shares of a new company founded in 1970 to control mining operations of all types. This, however, is still in an early stage of development. Furthermore, although the government's aim is to reduce the volume of unlicensed mining and diamond smuggling, which has for years been big business, it faces the problem that although such activity reduces government revenue, it does increase total demand and cash flow within the economy. In addition, the longer term prospect is not encouraging as the main reserves of diamonds could be exhausted within only 15 years, while the Alluvial Mining Scheme by which African diggers are allowed to undertake smaller scale production, may last only five years.

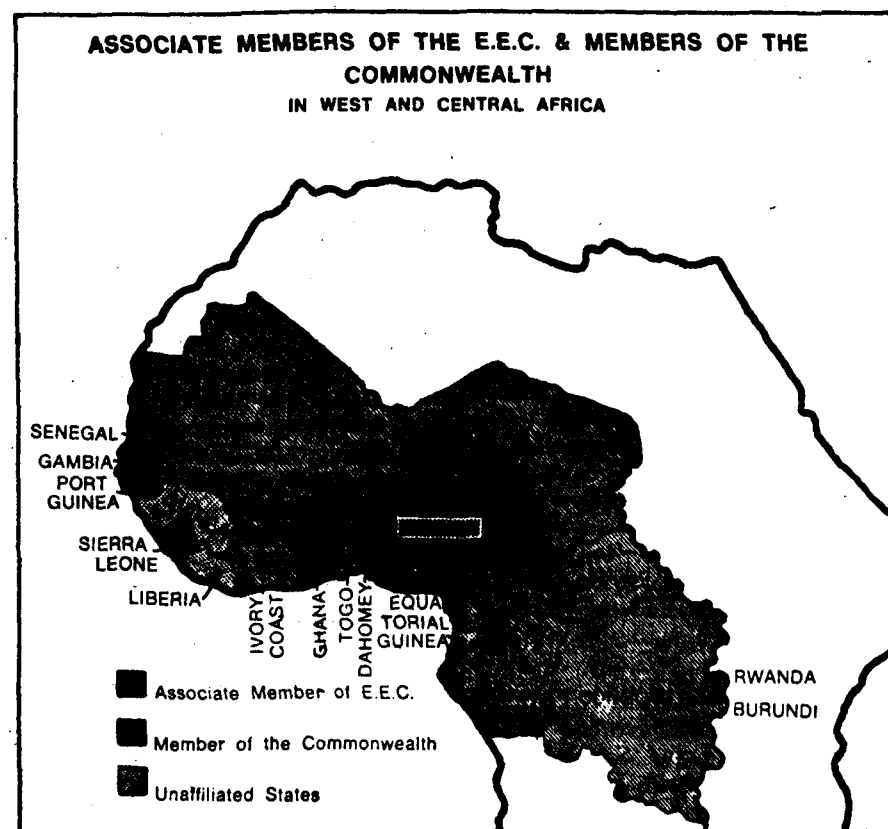
Move for Africanisation

Moves taken in early 1970 to Africanise the distribution sector, which is largely in the hands of foreign-owned

trading companies, have contributed to the poor economic situation by causing the closure of many upcountry branches, thus increasing shortages and raising retail prices. Recently, to relieve the hardship caused, the range of commodities in which foreign residents may trade has once again been extended. Although one stated aim of the Non-Citizens (Trade and Business) Act is to expand opportunities for citizens to participate in a wide range of industries and to transfer foreign interest from trade to manufacturing, such a negative policy is inadequate and its success may be limited.

Development of Farming

The current development programme is concentrated on agriculture, particularly food crops and livestock for local consumption. Sierra Leone has in recent years had to import up to 40,000 tons of rice a year. In a five-year programme started in 1970, large scale, low yield, highly mechanised rice cultivation is being introduced initially in hopes of overcoming the basic deficit, and will be followed by a switch to the production of high yielding varieties in small-holder plots. This development has been given much practical aid by Taiwan with the introduction of irrigated 'miracle' rice. In 1970, production of coffee, palm kernels and cocoa all rose substantially, coffee by 32 per cent. However, this merely resulted in



The lowest ever fares to New York—on Pan Am's 747.

Daily
from Delhi!



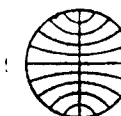
Return tickets that cost
less than one-way fares!

Delhi — New York — Delhi Rs. 4125 (\$ 550)
Bombay — New York — Bombay Rs. 4125 (\$ 550)
(via Delhi both ways)
Calcutta — New York — Calcutta Rs. 4875 (\$ 650)
(via Delhi both ways)

Excursion Economy 14/120 days fare.

Call your Pan Am Travel Agent or call us.

• New Delhi: Chandralok, 36, Janpath, Tel: 43571
• Bombay: Taj Mahal Hotel, Tel: 255448, 255454
• Calcutta: 42, Chowringhee Road, Tel: 44-3251
• Madras: 8/9, Thambu Chetty Street, Tel: 29301, 23242
• Kathmandu: Hotel Soaltze-Oberoi, Tel: 11211
• Colombo (Ceylon): Kottapitiya, Tel: 78271



Pan Am.

Pan Am, first with daily 747 service round the world.

an increase of coffee stocks because of international export quota restrictions.

With lower tax receipts, a government surplus of about 3½ million Leones in the financial year 1969-70 moved to a deficit of three million Leones in 1970 and government borrowing was undertaken for the first time since 1968. Statutory ceilings on government borrowing have almost been reached already and the administration must now either curb expenditure or find ways of increasing tax revenue. However, despite the heavier 1970 trading deficit, total reserves had risen to \$38.5 million by the end of April, 1971, an increase of \$100,000 compared to a year earlier. The reserves were boosted, however, by the allocation of \$2.7 million of SDRs granted in January 1971.

The outlook is still uncertain, but much depends on whether President Stevens' government can maintain stability for any substantial time. Closer links are being promoted with both Guinea and Liberia and it may be that wider economic co-operation will help the diversification of the economy.

VI

WEST AFRICA AND EUROPE

The independence gained over the last two decades by all but one of the west African states has resulted in fundamental changes of political outlook and in international relations, but

Hot Money Snowballing

E.B. BROOK

VIENNA.

THE FIRST month of 1972 has not been a period of reassured calm following the latest resettlement of international currency values which was the Group of Ten's Christmas gift to world banking and to the world's small savers. Although the four candidates, with Britain forcing way, have come well within sight of their Common Market membership beginning next year, the world, so far from being reassured by the Ten of the big money world and the prospective Ten of west Europe, continued uncertain and afraid for the value of its money.

The "hot money" element of some 20 billion dollars continues to flow from one currency to another, accumulating growth and interest profits en route. The latest currency to be threatened is the quietly stable Austrian schilling which has seen foreign money coming to it for well over six months in in-

creasing quantities, raising the monetary liquidity of this small central European neutral republic by nearly 40 per cent. As a result, at home the Austrian is suddenly, for this and other causes, faced with quickly rising prices and the government begins to worry about the international value of the schilling.

Dimensions of Movement

The dimensions of money movement are illustrated by the fact that some 20,000 million worth of US dollars found their way into the Eurodollar market and into non-American reserves — some of which did not welcome them — during the period of anti-dollar speculation between May and December last year. This large sum of money, so far from beginning to move back to the USA, is being joined in Europe by more sizeable outflows of dollars, so that the official exchange rate of the dollar continues, despite its nine per cent devalua-

tion, to weaken against Europe currencies and against the Japanese yen.

The weakening of interest rates in the USA has, it is true, helped to deter dollars from going home but the main cause of their remaining abroad and of their being joined by more expatriate dollars is that interest rates are better abroad, that there is better prospect of a quick capital profit and because the European countries may be reluctant to act to prevent their currencies going through their new ceilings 2½ per cent above their new middle rates against the dollar. One reason for this reluctance is that so far no satisfactory transitional arrangements have been made to use officially-held dollars in transactions either of the International Monetary Fund or between central banks. Since the IMF already holds dollars worth more than 75 per cent of the United States' quota with the IMF, dollars cannot be used to repay IMF debts.

Urgent Situation

This situation has been fairly urgently discussed during January between all west European treasuries, the IMF and the Group of Ten and it seems to be agreed that an announcement of limited dollar transferability between monetary authorities and of a restoration of normal IMF operations may be necessary to calm the foreign exchange markets and to help treasuries unwind the dollar accumulations they have, very often unwillingly, acquired.

To some extent, the Europeans, particularly the bigger operators, need to show some willingness to share the burden of these "unwinding" arrangements with the USA which, left to itself, would be tempted to revive the US economy by further depreciating the market price of the dollar and thus avoiding increasing America's already heavy short-term external liabilities. If the Europeans really wish neither to hold so many dollars nor to see their price decline to what would probably be a less artificial level they will need to help the process by using gold, Special Drawing Rights and other non-dollar assets to share the strain of readjusting international payments and currency flows.

Something to this effect was said recently by the West German Economics and Finance Minister, Dr Schiller, who indicated the Common Market as a suitable organisation to take part in resettling the evenness of currency values and flow. He is the first European financial leader to admit that the USA cannot be expected always to subordinate its own economic problems to the well-being of general international finance. Other currencies—

the pound, the French franc, the mark — are now strong enough to take a share in special responsibilities and to help more constructively in guiding the multinational financial system. The Common Market shortly to be the home of the London Stock Exchange as well as of the Paris and Frankfurt bourses, is big enough to take as prominent a part in international finance as the United States itself and cannot any longer reconcile its growth and prosperity with the attitude of a helpless recipient of US excess dollar flows. Europe can help by insisting on a more international role being accorded to Special Drawing Rights in international liquidity, an element of immense value since SDRs are independent of all national currencies.

The Common Market's leading monetary expert, M. Raymond Barre, has expressed similar ideas. M. Barre insisted in his annual report on the Common Market's economy that there must be a return to limited dollar convertibility, agreement in financing the US balance-of-payments deficit and stronger international controls over capital movements. But while Barre, an executive, emphasised the policing nature of international controls, Schiller was alone in calling for a constructive European initiative and has, so far, found no echo.

The Europeans have been confirmed in their nervously critical and unco-operative attitude by fears that President Nixon's decision to plan for a United States' federal budget deficit of \$25,500 million next year may hasten

Protein Crisis in Developing Countries

THE CREATION of a special fund under the auspices of the United Nations Development Programme to fight the protein crisis in developing countries has been urged by a panel of experts under the chairmanship of Mr C. Subramaniam, Minister of Planning in the government of India, who recently examined the problem.

Such a fund, receiving donations mostly from developed nations and geared to supplement the efforts of developing countries themselves, would be mainly for long-range projects and important areas which are receiving little or no support at the time. These areas include research into cereal protein improvement, development of legumes for human consumption, village-level food processing and consumer education, according to the report submitted by the panel to the UN Secretary-General.

Other members of the panel were:

the arrival of a new dollar crisis. The size of the projected US budget deficit has frankly shocked European capitals. A Swiss banker sarcastically spoke of America's "benign neglect" of the dollar's international standing. There has been a distinct tendency in the markets to get out of dollars, with prices of dollar stocks revealing the fall in confidence. The US Administration is regarded as almost deliberately refraining from taking action to stem inflation or to give the December dollar devaluation a chance to work.

As a result, the small remnants of confidence that emerged from the Washington conference in mid-December have all disappeared within the seven weeks that have followed it. If speculators get the idea that the new currency parities are really in danger a new crisis could come quickly and further revaluation of the German mark and the Japanese yen are already being discussed.

The first American annual trade deficit for 84 years has further depressed sentiment; distrust of Nixon in economic and politics is matched by uncertainty for all currencies' futures. It is worth noting that, though Britain is joining the Market, no one yet thinks of the pound as reliable future bet owing to its continuing support of the dollars. The mark and the yen are seen as the best, if not the only, indicators in an unpleasantly foggy world, with Special Drawing Rights — revalued by 8 per cent upwards against the dollar by the IMF early in January — as a hopeful but still uncertain standby.

Dr Norman Borlaug, the Nobel Prize winner; Mr Sumitro Djojohadikusumo, the Indonesian Minister of Trade; Mr F. Herrera of Chile; Mr D. Hopper of Canada; Prof. G. Ohlin of Sweden; Mr F.T. Sai of Ghana and Prof. J. Senez of France.

In most developing countries, 25 to 30 per cent of the children die before their fifth birthday. Children under five years of age account for two-thirds to four-fifths of all deaths in developing countries although they only constitute one-fifth of the population.

Protein malnutrition is an important cause of infant and young child mortality, stunted physical growth, low work output, premature aging and reduced span of life in the developing world. The UN panel observes: "Recent research has also revealed a link between malnutrition and infancy and early childhood and impaired learning and

behaviour in later life. The widespread occurrence of protein malnutrition, especially among infants, pre-school children, and expectant and nursing mothers in many developing countries spells grave danger to the full expression of the genetic potential of the population of large sections of the world community.

Stressing that the largest amount of resources to tackle the problem must continue to come from the governments of the developing countries themselves the panel suggests a levy of "a protein development tax" at national level on such items as soft drinks, alcoholic beverages, entertainment, sources of energy and luxury travel. If this is not feasible, funds can be raised by voluntary efforts or regular budgetary processes.

The Real Crisis

Says Mr Subramaniam: "The panel hopes, the Secretary-General would wish to explore ways in which its recommendations may be transmitted to the governments, agencies and all relevant organisations within the shortest time possible and that the necessary consultations may begin so that effective action along the lines proposed may be undertaken to tackle what is now a real crisis and not an impending one".

The President of the World Bank, Mr Robert McNamara, in his address to the UN Economic and Social Council, pointed out that malnutrition "strangles development of human beings and of societies". He indicated that nutrition is one subject to which "the Bank now intends to sharpen its approach considerably". In the recent weeks, the World Bank has joined World Health Organisation (WHO), Food and Agriculture Organisation (FAO) and the United Nations Children's Emergency Fund (UNICEF) as a sponsor of and financial contributor to the technical work of the Protein Advisory Group as means of improving access to scientific knowledge and increasing the chance of putting that knowledge to work in the Bank's operations.

The complexity of nutrition problems and their inter-relationships with all other social and economic aspects put a number of specific demands on the governments of developing countries, says the report. It adds: "The developing countries should make a clear and forceful statement of national nutrition policy to serve as an expression of their potential will and guide to their administration. The development plan should contain a section dealing explicitly with protein and nutrition problems translating general

policy into specific action. Projects and programme in the field of food and nutrition including nutrition education should receive a high enough priority in requests for external assistance.

It is necessary for the developed countries to share with the developing countries their technological and financial resources in a concerted effort to find long-term solutions to the problems of protein deficiency. "If the 1970s are to see a surge towards further growth in the less developed countries consistent with the goals of the second Development Decade," says the Panel, "the nutritional programmes will have to be an important and integral part of the overall development efforts, especially with a view to the establishment of adequate production capacities in the developing countries themselves."

Avoid Irreversible Damage

The panel says action is necessary on many fronts through research, increased production and education. The strategy has also to be built on clear priorities. The group of persons exposed to irreversible damage need immediate attention. The most vulnerable group are infants and pre-school children and pregnant and nursing mothers. Concentration should be on these groups to avoid the serious and often irreversible damage to the physical status and mental capacity of the emerging generation.

In the past, much attention has been paid to feeding programmes based on foods from external donors. For emergency situations, these have been useful and will continue to be employed. It must however be realised that these programmes are unlikely in themselves to be a lasting solution to any country's nutrition problems.

The Green Revolution has had both positive and negative effects from the standpoint of protein nutrition, remarks the panel. It has resulted in a great increase in the production of both total calories and total cereal protein. However, on the negative side, there has been a reduction in the area sown to both winter pulses crop — gram and pigeon pea — and winter oilseeds (mustard and rape) as these crops are being replaced by high-yielding wheat varieties. Similarly, in other countries, the high-yielding rice varieties are replacing the summer pulses — cow-peas, soyabeans, groundnuts — as well as cotton, a source of edible oil and protein meal. The pulses and oilseeds are very important for use in conjunction with wheat and rice diets to increase the total level of protein intake and especially to improve the balance

of essential amino acids in these cereal diets.

The panel has urged expanded research programmes at national and international levels in high-yielding pulse legume and oilseed crops.

The panel has also recommended reconstitution of the Protein Advisory Group which has not been fully utilised by the whole United Nations system although it has the technical

competence. It is desired that its contributing membership should be increased to include other relevant agencies and organisations in addition to FAO, WHO and UNICEF. The PAG should provide guidelines for the formulation of broad programmes of the UN system of organisations involved in various aspects of the protein problem. It should also advise any political body constituted by the UN to mobilise opinion and stimulate action towards the protein problem.

EARN

7 1/4%

ON 5-YEAR POST OFFICE TIME DEPOSITS

3 YEAR DEPOSITS 7% 1 YEAR DEPOSITS 6%

Interest up to Rs. 3000 in a year including interest on other taxable securities and deposits is **FREE OF INCOME-TAX.**

ASK YOUR POST OFFICE FOR DETAILS

NATIONAL SAVINGS ORGANIZATION

ENP 71/291

Trade Winds

MITHAPUR FERTILISER

TATA CHEMICALS has begun taking active steps for the implementation of the fertiliser project which has been cleared by the government. The project is estimated to cost Rs 44 crores. The foreign exchange component might be about 50 per cent of the overall project outlay. It is stated that the government has accepted the company's view that the manufacture of phosphatic fertiliser could be deferred till the company is able to evolve and develop the technology to manufacture phosphoric acid without imported sulphur. In terms of the modified version of the project, the company will be producing, in the first stage, 210,000 tons of ammonia, 200,000 tons of urea and 180,000 tons of ammonium chloride per year.

PRINTING MACHINES SCHEME

In response to the press notes issued earlier to invite manufacturing schemes for the production of various types of printing machinery in the country, several proposals were received from various entrepreneurs. While some approved schemes are progressing satisfactorily, some are not. The earlier schemes approved do not also cover full range of printing equipment. The most important equipment which is not yet covered by the previous schemes is the composing machine/equipment such as, linotype composing and casting machine, inter-type composing and casting machine, mono-type composing and casting machine. Besides, the capacity covered by the earlier schemes will also not meet the full demand of other types of printing machinery/equipment such as, cylinder type printing machines, rotary machines, offset printing machines, binding, box-making machines, etc. Proposals have accordingly been invited from prospective entrepreneurs for establishment of capacity for manufacture of items of printing machinery, as mentioned above. Applications should be addressed to the Secretary, Ministry of Industrial Development (Department of Industrial Development) HM-1 Section, New Delhi, so as to reach on or before March 15, 1972.

ENGINEERING GOODS' EXPORTS

The Chairman of the Engineering Export Promotion Council, Mr Raunaq Singh, revealed at a news conference in New Delhi recently that contrary

to the revised target of exporting engineering goods worth Rs 175 crores during the current financial year, actual exports may not exceed Rs 135 crores. Although this will mean an increase of about Rs 18 crores over these exports last year, the shortfall in relation to the revised target for this year will be of the order of Rs 40 crores and in respect of the year's original target to the tune of nearly Rs 30 crores. These exports during the eight months to November, 1971, aggregated to Rs 82.29 crores, as against Rs 66.39 crores during the corresponding period in the previous year.

The yawning gap between the revised target and the expected actual exports was attributed by Mr Raunaq Singh to such factors as shortages of indigenous steel, blockage of huge funds with the joint plant committee and drawback authorities, virtual stoppage of exports to the United Arab Republic because of the delay in the finalisation of the trade plan with this country, dislocation caused by the non-availability of ships during the Indo-Pakistan conflict in December and increases in ocean freight rates. There were virtually no exports in December. Although shipments since last month have been stepped up, the loss suffered in December particularly and in the earlier months is not expected to be made up.

VIZAG OUTER HARBOUR

The Prime Minister, Mrs Indira Gandhi, laid the foundation-stone of the Rs 49-crores outer harbour project on February 2, 1972. She called Visakhapatnam the city of destiny. She also took formal delivery of the new marine navy training ship 'Rajendra' built by the Hindustan Shipyard. This ship will replace the Dufferin cadet training ship, anchored in Bcm bay harbour. Mrs Indira Gandhi commended Japanese credit assistance and expressed her faith in Visakhapatnam port's future contribution to the country's economy. The Shipping and Transport Minister, Mr Raj Bahadur stated that the port would have one of the deepest harbours in the world by May 1974.

NO U. S. AID IMPORTS

Authorisations under US aid have been suspended until further notice. This has been done following stoppage of non-projects assistance to this country by the USA. The facilities provided

to importers to avail of the credit offered by the US suppliers has also been withdrawn. The government would permit importers holding valid import licences issued under US aid non-project loans to effect imports from alternative sources.

DIRECT TAXATION REPORT

The Direct Taxation Inquiry Committee, headed by Mr K.N. Wanchoo, former Chief Justice of India, submitted its report to the union government recently. The committee has made a series of recommendations aimed at checking the circulation of black money and ensuring against tax avoidance and evasion. The committee had submitted an interim report in May last and the government accepted the recommendation on steps to discourage benami holdings of property.

TARIFF VALUE OF SUGAR

The union government has decided to revise the tariff value of crystal sugar produced in vacuum pan factories from Rs 150 to Rs 165 per quintal with effect from the midnight of the January 31 and February 1, 1972. The new tariff value will apply only to sugar which is sold in the free market. The sugar delivered to and lifted by government for distribution to domestic consumers at fair prices or for meeting other emergent needs will continue to be assessed on the basis of the tariff value of Rs 135 per quintal.

IMPORT OF TV STOPPED

Since TV sets of good quality are now being manufactured in the country in sufficient quantity, the union government has decided that the facility to bring a TV set from abroad in relaxation of Import Trade Control restrictions on payment of duty will no longer be allowed to passengers who have not stayed abroad in one country for over three months. However, the facility which was earlier allowed to passengers residing in places covered by the Delhi television station will also be extended immediately to passengers residing in places covered by the television stations likely to be opened in September/October, 1972 at Bcm bay, Poona and Srinagar.

TWO VENTURES ABROAD

Two more Indian firms are setting up joint ventures abroad. The ventures, which have already been approved, are a steel pipes unit in Indonesia and a woollen garments unit in Mauritius. The steel pipes unit is to be set up by Zenith Steel Pipes. The unit will have a production capacity of 12,000 tonnes of pipes. The woollen garments units will be set up by Raymond Woollen

Mills. It will be in a free-trade zone in Mauritius. Equity participation in these ventures will be by way of export of machinery and equipment.

AIRLINES BOARDS

The boards of directors of Air-India and Indian Airlines have been reconstituted for a period of two years from February 1. Air-India's board will comprise Mr J.R.D. Tata as Chairman and ten other Directors: Air Marshal M.S. Chaturvedi, Managing Director, Air-India; Mr N.P. Sen, Chairman, Indian Airlines; Air-Vice Marshal S.A. Hussain, Managing Director, Indian Airlines; Mr N. Khosla, Joint Secretary, Ministry of Tourism and Civil Aviation; Mr Ravi J. Mathai; Mr K.N. Mookerji; Mr M.S. Sundara, Chairman-cum-Managing Director, ITDC; Mr S.K. Kooka, Commercial Director, Air-India; Mr K.K. Unni, Assistant General Manager, Air-India and Mr K.G. Appuswamy, Director of Engineering, Air-India. The Indian Airlines board will comprise Mr N. P. Sen, Chairman and ten other Directors: Air-Vice Marshal S.A. Hussain, Managing Director, Indian Airlines; Mr J.R.D. Tata, Chairman, Air-India; Air Marshal M.S. Chaturvedi, Managing Director, Air-India; Mr N. Khosla, Joint Secretary, Ministry of Tourism and Civil Aviation; Mr Ravi J. Mathai; Mr K.N. Mookerji; Mr M.S. Sundara, Chairman-cum-Managing Director, ITDC; Mr V. Satyamurti, Financial Controller, Indian Airlines; Mr C.J. Lisely, Commercial Directors, Indian Airlines and Air Marshal O.P. Mehra, Chairman, Hindustan Aeronautic Limited.

AIRPORTS AUTHORITY

The International Airports Authority of India, has been constituted recently to manage the four international airports at Delhi, Calcutta, Bombay and Madras. It will shortly take over these airports from the Department of Civil Aviation which at present operates all the civil airports in India. Mr B. Israni, Assistant General Manager of Indian Airlines has been appointed a full time Chairman of the Authority. The other members of the Authority will be: Cap. G.C. Arya, Director General of Civil Aviation, Mr S. Ramanathan, Joint Secretary, Ministry of Tourism and Civil Aviation, Mr S. Dutt, Additional Secretary, Ministry of Finance, Air-Marshal M.S. Chaturvedi, General Manager, Air-India, Air Vice Marshal S.A. Hussain, General Manager, Indian Airlines and Mr B.N. Raman, Additional Director General of Tourism. The International Airports Authority will be an autonomous statutory

authority. It will own and manage the four international airports, following the enactment of the legislation by Parliament for the purpose.

I.O.C.'s NEW DEALERSHIPS

The Indian Oil Corporation has embarked upon a fairly ambitious programme to rehabilitate war widows and disabled servicemen. It hopes to provide rehabilitation to at least 500 such families this year through appointing them as its dealers. Appointment letters for the rehabilitation of 19 families were released by the Prime Minister, Mrs Indira Gandhi, recently. The Defence Ministry and the Ministry of Home Affairs have been requested to forward the names of those who ought to be rehabilitated under this scheme. The Defence Ministry will suggest the names of the disabled servicemen or the dependents of those who laid down their lives during the Indo-Pakistan conflict in December. The Ministry of Home Affairs will do the same in respect of the personnel of the Border Security Force. The scheme covers all parts of the country.

TELEPHONE EQUIPMENT

Mr H.N. Bahuguna, union Minister for Communications, told the Consultative Committee of Parliament for his ministry that the production of telephone equipment at the Indian Telephone Industries, Bangalore, had been more than doubled during the last eight months. The production at the factory has gone up from 40,000 lines a year to 90,000 without installing additional equipment. The target of 100,000 lines equipment is expected to be achieved within a few months.

DRAFT PATENTS RULES

The union government has extended the time for receipt of objections and suggestions on the Draft Patents Rules from January 25, 1972 to February 14, 1972.

PROVIDENT FUND INTEREST

The Central Board of Trustees of Employees' Provident Fund, which met recently under the Chairmanship of Mr P.M. Nayak, Secretary, Ministry of Labour and Employment, has recommended increase in the rate of interest on the provident fund accumulation from 5.80 per cent to six per cent per year. The total amount in the statutory fund at the end of the financial year is expected to be Rs 780 crores. In case the proposal is accepted, the subscribers would get about Rs 1.5 crores

more. The trustees also urged the union government to liberalise the pattern of investment of the provident funds so as to give more returns to the hard earned savings of the labour force in the country.

AKBAR HOTEL

Akbar, the capital's newest luxury hotel, was opened recently by Dr Karan Singh, Minister for Tourism and Civil Aviation. Situated in Chankyapuri, the diplomatic enclave of New Delhi, Akbar has 326 beds on nine floors. This will be the eighth hotel to be run by the India Tourism Development Corporation. The architecture of the building is contemporary and bold in design, while the interiors bring all the richness and colour of Mughal era in a hotel which is uncompromisingly modern. The facilities at Akbar conform to the highest international standards of hotels. It has conference and reception rooms, two restaurants and a bar, banquet facilities, a swimming pool, shopping arcade and transport and travel counters. The hotel is centrally air-conditioned with room temperature control. The hotel has 163 rooms comprising 12 suites, 91 double rooms, 50 studio rooms and 10 double bedded rooms, besides the public areas.

SCINDIA'S NEW VESSEL

The new vessel of Scindia Steam Navigation Co Ltd, M.V. JALAMORARI was launched on January 28, 1972 at the Warnemunde Yard of Messrs VEB Warnowwerft by Mr J. C. Ajamani, Consul General of India in Berlin. The vessel belongs to second series of GDR ships ordered by Scindia all of which have modern innovations like bulbous bow to increase speed and hydraulically operated hatch covers to save ship's time in port. The ships under this series have also twin hatch opening and a pair of 30-ton derricks each for handling heavy lifts. The ship has also space for 21,900 cu. ft. of refrigerated cargo and about 1497 tons of liquid cargo in deep tanks.

NAMES IN THE NEWS

The union government has appointed Mr. G.U. Menon, Managing Director, Hindustan Teleprinters Limited, Madras, as chairman and managing director of the company. Mr Menon was responsible for formulating and processing the project for setting up of a teleprinter factory in India and was also a member of the committee for formulating the expansion programme of Hindustan Cables Limited, and its second unit.

Company Affairs

SUDARSAN TRADING

Mr S. Chhinnakaruppa Thevar, Chairman, Sudarsan Trading Company Ltd, told the shareholders that the subscribed capital of the company was increased to Rs 30 lakhs by means of a private issue in the wake of the last public issue of shares which met with good success. He was addressing the annual general meeting of the company held recently. The gross fixed assets of the company after being depreciated were valued at Rs 136.82 lakhs, he added. The net profit for the year before taxation but after provision for depreciation was Rs 11.55 lakhs. The provision for taxation has been increased to Rs 7.25 lakhs as against Rs 2.40 lakhs during the previous year. The dividend for the year ended July 31, 1971, was also increased to 10 per cent as against nine per cent last year and the provision for dividend increased substantially due to the increase in the number of shares qualifying for dividend.

Mr Thevar pointed out that Sudarsan's chit fund business increased to Rs 40 crores during the year which was 100 per cent expansion over the previous year. The company had proved what could be achieved by sound business sense and hard work. He added that chit fund provided useful finance for commercial and trading entrepreneurs who were not looked after by banking and institutional finance. He pointed out that the manufacture of terracotta had been resumed at the Feroke Tile Works and progress had been made in converting the terracotta breakages into puzzolona cement. Similarly additional stoneware pipe unit at Rajahmundry was nearing completion. The Standard Furniture Company had improved in performance in spite of handicap in procuring adequate quantity of suitable timber. The company increased its sales and other income from Rs 11.47 lakhs to Rs 37.03 lakhs, which was substantial progress.

STATE BANK OF BIKANER

The State Bank of Bikaner and Jaipur has made a net profit of Rs 7.50 lakhs for the year ended December 31, 1971 as against Rs 7.48 lakhs last year which together with a sum of Rs 3,000 being the amount brought forward, amounts to Rs 7.53 lakhs. The board of directors have decided to appropriate this sum by transfer to reserve fund

of Rs 1.5 lakhs and transfer to staff welfare fund of Rs 40,000. Dividend at the rate of seven per cent, subject to tax, will absorb Rs 5.60 lakhs.

RECKITT & COLMAN

The board of directors of Reckitt & Colman of India Ltd, at their meeting held to consider the accounts for the year ended 31st October 1971, have recommended a dividend of 11 per cent subject to deduction of tax. The total dividend distribution for the year would amount to Rs 27.5 lakhs as compared with Rs 27.12 lakhs distributed for the previous year. Sales (for the year at Rs 6.31 crores compared with Rs 6.59 crores for the previous year. Decrease in sales occurred, largely in the eastern region, notably due to the disturbed conditions in the first half year, followed by dislocation in trade and movement of goods arising out of floods and cyclones. Inflationary cost increases together with the decrease in sales, adversely affected net profit for the year, which after providing for taxation (Rs 50.18 lakhs) and development rebate reserve (Rs 56,000) amounted to Rs 27.66 lakhs as compared with Rs 39.87 lakhs for the previous year. To this was added a transfer of Rs 27,500 from development rebate reserve making a total of Rs 27.93 lakhs available for appropriation which has been transferred to general reserve. Capital expenditure amounting to nearly Rs 66 lakhs was incurred during the year, a substantial part of which pertains to expansion, modernisation and diversification projects most of which are due for completion in 1972.

VYSYA BANK

The working results of the Vysva Bank Limited for the year ended December 31, 1971, have revealed that total deposits of the bank at the close of the year stood around at Rs 11.49 crores as against Rs 9.11 crores as on December 31, 1970, showing an increase of 26.1 per cent. The advances including bills purchased and discounted have also improved from Rs 6.27 crores at the beginning of the year to Rs 7.81 crores at the end of the year, showing an increase of Rs 1.54 crores. Advances made to priority sectors like agriculture and small-scale industries amount to Rs 190 lakhs and constitute 24.35 per cent of the total advances of the bank. The net profit of the bank for the

year amounted to Rs 7.13 lakhs after providing for taxation and making the usual and necessary provisions. A sum of Rs four lakhs has been appropriated and transferred to reserve fund thereby increasing the same from Rs 14.50 lakhs Rs 18.50 lakhs. The bank has opened seven offices during the year 1971 and at present is having 47 offices including central office at Bangalore.

ORIENT BEVERAGES

Orient Beverages Ltd, propose to enter the capital market on February 9 to offer for public subscription 100,000 equity shares of Rs 10 each. The company's proposed plant for the manufacture of soft drinks is expected to be completed at Patna by April, 1972, and the production will start soon thereafter. The plant has the capacity to manufacture 10 million bottles per year with provision to increase the same to 20 million bottles per annum. The company has entered into technical collaboration agreement with M/s Parle Bottling Company Private Ltd, for the manufacture of soft drinks. The Bihar State Financial Corporation has agreed in principle to sanction a loan of Rs 12 lakhs to the company.

CAPITAL AND BONUS ISSUES

Consent has been accorded to 18 companies to raise a capital of over Rs. 32.49 crores. Nine of them are to issue bonus shares totalling over Rs 7.55 crores. The amount of bonus shares ranges between Rs 200,000 and Rs 2,31,82,650.

Jiyajeerao Cotton Mills Limited, Gwalior, has been accorded consent to capitalise Rs 2,31,82,650 out of its general reserves and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Mansinghka Industries Private Ltd, Bombay, has been accorded consent to capitalise Rs 16,25,000 out of its



With faith in Chairman Mao's thought even a skeleton can be restored to life.

general reserves and issue fully-paid equity shares of Rs 1,000 each as bonus shares in the ratio of 13 bonus shares for every 19 equity shares held.

Shri Ramakrishna Mills (Coimbatore) Ltd., Coimbatore, has been accorded consent to capitalise Rs 9,22,160 out of its general reserve and issue fully-paid equity shares as bonus shares in the ratio of three bonus shares for every five equity shares held.

The State Trading Corporation of India Ltd., Delhi, has been accorded consent to capitalise Rs 1,00,00,000 out of its general reserves and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one share for every seven equity shares held.

Asian Dehydrates Limited, has communicated to the government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, as indicated hereunder—Rs 28 lakhs in the form of equity shares as right shares to manufacture dehydrated onions.

Swastik Rubber Products Limited, Poona, having a paid-up capital of Rs 1,33,47,000 has been accorded consent for issue of Rs 2,11,92,110 as to 90,82,110 in equity shares of Rs 10 each, and Rs 1,21,10,000 in eight per cent convertible debentures of Rs 10 each at par, to the shareholders of the Bank of Maharashtra Limited, in terms of the scheme of amalgamation approved by the High Court of Judicature of Bombay on September 27, 1971. The consent order is valid for 12 months only.

American Universal Electric (India) Limited, Delhi, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issue (Exemption) Order, 1969, as indicated hereunder—Rs 35,00,000 as to (A) Rs 23,00,000 in equity shares of Rs 10 each for cash at par and (B) 12,000—9.5 per cent (free of company's tax but subject to deduction of tax at source at the prescribed rates) redeemable cumulative preference shares of Rs 100 each for cash at par.

Golden Tobacco Company Limited has been accorded consent to capitalise Rs 70,00,000 out of its general

reserves and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one for four equity shares held and therefore to make a cash issue at par of Rs 1,50,00,000 to the public by prospectus. The proceeds of the cash issue will be utilised for financing its new factory at Baroda. The consent for the bonus issue is valid for 3 months and that of the cash issue is for 12 months.

Tata Engineering and Locomotive Company has been granted consent to the issue of Rs 14,63 00,000 comprising 77,000 equity shares of Rs 100 each (Rs 77 lakhs), 2,81,000—9 per cent (free of company's taxes but subject to deduction of taxes at source at the prescribed rates) cumulative redeemable preference shares of Rs 100 each (Rs 231 lakhs) and 3,11,55,000 7-3/4 per cent convertible debentures of Rs 100 each (Rs 1,155 lakhs).

All equity shares, preference shares and debentures will be allotted to the shareholders of the Central Bank of India Ltd as a result of a scheme of merger approved by the Bombay High Court.

Hindustan Aluminium Corporation has been accorded consent to capitalise Rs 2,00,732.50 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every four held. (The balance of Rs 2.50 to be utilised for issue of fractional coupon).

Straw Products Limited has been accorded consent to capitalise Rs 113 lakhs out of its general reserve and issue fully-paid equity shares of Rs 10 each, as bonus shares in the ratio of one bonus share for every two held.

Amrit Banaspati Company Limited has been accorded consent to capitalise Rs 13,56,250 out of its share premium accounts and general reserves and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every four shares held.

Excel Process (Private) Limited has been accorded consent to capitalise Rs two lakhs out of its general reserves and issue fully-paid equity shares of Rs 100 each as bonus shares

in the ratio of two bonus shares for every five shares held.

Indian Cork Mills Private Limited has been accorded consent to capitalise Rs 1,09,950 out of its general reserves for making 43,998 partly-paid equity shares of Rs 100 each as fully paid up.

Bihar Alloy Steels Limited having a paid up capital of Rs 439.59 lakhs, has been granted consent for issue of further capital of Rs 250 lakhs in the form of debentures of Rs 1,000 each, carrying at the rate of 8.5 per cent per annum, to be issued privately, for cash at par, as to Rs 100 lakhs to the Unit Trust of India and Rs 150 lakhs to the Life Insurance Corporation of India.

The proceeds will be utilised for financing the company's project for manufacture of alloy, tool and special steels at Paratu near Ranchi in Bihar. The consent is valid for 12 months only.

Hararyana Breweries Limited has communicated to the government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, as indicated hereunder—Rs 80 lakhs in equity and preference shares for setting up a Brewery project.

Somani Steel Ltd Kanpur has communicated to the government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 as indicated hereunder—Rs 50,00,000 in 5,00,000 equity shares of Rs 10 each for financing the company's project for the manufacture of steel ingots by installing an electric arc furnace at Sonik.

Varun Shipping Company Private Limited (proposed to be converted into Section 43A deemed public company), Bombay, has been accorded consent for the issue of capital of Rs 24 lakhs (including Rs 200 already subscribed) divided into 24,000 equity shares of Rs 100 each, for cash at par. The proceeds will be utilised for carrying on shipping business. The consent order is valid for 12 months only.

CORRECTION

In the article 'Industrialisation of Arunachal' on page 163 of our issue dated January 28, please read "union territories" for "states" in the first line of the article.

Reader's Roundtable

NIGERIA TODAY

Sir—, My attention has been drawn to V.B.'s reference in *Eastern Economist* dated January 21 (p. 103) to my article on Nigeria in *The Hindustan Times*. I am deeply pained that his forceful pen has singled me out for such severe, and if I may humbly submit, rather unfair criticism. I would not have taken notice of this but for the fact that your esteemed paper has a very wide circulation and you enjoy undisputed prestige. I would not therefore like my integrity to be smeared and I am taking the first opportunity to place my point of view for your kind consideration.

First and foremost I would like to assure you that I have not lifted anything from *Time* magazine. Neither the Council nor I subscribe to the weekly. I am enclosing a copy of our monthly Documentation List from which you can see *Time* magazine is not included in the list of journals we scan. I am also enclosing copies of the Quarterly Chronicle to substantiate my point.

Regarding my insensitivity to the Biafrans, you will be surprised to know that I personally supported Mr Syl-

vester G. Onyemunwa whose family was affected by the civil war till the Council could raise funds to educate him. He stayed with me till we found hostel accommodation for him in Delhi College. From the enclosures you will see how rewarding the experience was. We are still supporting Bagan students, despite the Council's desperate financial position, as their scholarships were arbitrarily terminated by the Obote regime. We cannot, as you will understand, give publicity to this programme of ours. But my home is always open to the boys and they drop in freely. The Council also donated money to the Nigerian High Commission for relief work after the cessation of the civil war.

My desire to write is not solely motivated by "earning an honest rupee" and by what you write the implication is an attempt on my part to do so "dishonestly". I wrote on Nigeria because I was impressed by the genuine efforts being made by the present regime—and you may like to check this up with Dr Kalelkar who led a delegation to Nigeria — to heal the wounds inflicted by the gruesome civil war.

We receive a great deal of material, including daily newspapers, from Nigeria and UN Reports, and going through them I did gain the impression, rightly or wrongly, that, unlike in the case of Sudan and Uganda, Gen. Gowon has succeeded to some extent in rectifying regional imbalances and giving a chance to the Ibos to preserve their ethnic identity. I may be wrong in my assessment but my motives should not be considered base.

In our own country thousands of Nagas have perished, but this has not prevented us from praising government projects and programmes to assimilate our own secessionists.

In view of the above I fervently hope you will be good enough to give some space in your column to my explanation. It is not just a question of my own personal integrity being at stake, though I attach great importance to it. That this may cast a reflection on the reputation of our Council with which I am so actively and closely associated worries me even more. As a struggling voluntary agency we face enough difficulties to which I would not like to inflict another. If further assurance is needed you could check up my credentials with Mr Asoka Mehta or any of our present office bearers.

New Delhi. (Mrs Shanti Sadiqali)

Executive Secretary

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to :

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

CHAIRMAN'S STATEMENT

Voltas Limited

Sales cross the Rs. 100-crore mark—A year of vital growth

Statement of Mr. M. R. Bhide, Executive Chairman, VOLTAS LIMITED, circulated to the Members of the Company with the Annual Report for the year 1970-71.

To the Members,

This is my first statement as Chairman of your Company. I wish Mr. R.F.S. Talyarkhan were alive today to present this statement and personally tell you about the Company's performance during the year under report and particularly the fact that the total turnover for the year had crossed the Rs. 100 crore mark.

2. The Company suffered a grievous loss in the untimely demise of Mr. R.F.S. Talyarkhan who served as Chairman of your Company for many years and Mr. S. K. Handoo who was at one time the Managing Director and later on continued as a Director of your Company.

3. Mr. Talyarkhan joined Tatas in 1935 and after working for nineteen years in various positions, joined Voltas on its formation in 1954 as Director and Deputy General Manager and served the Company with a sense of dedication right up to his death on 8th August, 1971. He became Managing Director in 1963 and Chairman and Chief Executive in 1966. He was also the Chairman of Tata-Merlin & Gerin Ltd. and Western Insulated Cables Ltd. and was on the Boards of Tata Industries Private Ltd. and a number of other Companies.

4. As Chairman and Chief Executive, Mr. Talyarkhan provided vigorous leadership and made an outstanding contribution to the growth and success of your Company. He always strove to maintain the high traditions of Tatas and Volkarts. He successfully steered the Company through many difficult situations and was, in a great measure, responsible for bringing the Company to its present position. His death leaves a void which it will be difficult to fill. I mourn his death as a great leader and also as a personal friend.

5. Mr. S. K. Handoo joined the



Mr. M. R. Bhide

Company in 1957 as Joint Managing Director and was appointed Managing Director in 1959. After his retirement in December, 1962, he continued to serve as a Director on the Board of your Company. He was also the Chairman of Scottish Indian Machine Tools Ltd. and was on the Boards of several other Companies. In the five years that Mr. Handoo served as Managing Director, he made his mark as a dynamic leader and a man of action, and made a valuable contribution to the growth and success of the Company.

6. I am sure you will be pleased to note that the overall results achieved this year are the best ever. The factors contributing to the improvement in the overall results achieved this year and other matters have already been dealt with in detail in the Directors' Report and I shall, therefore, not dwell on them again. I would, however, like to touch upon certain significant aspects concerning the operations of the Company.

7. For the last few years, the margins earned by the Company have continuously been on the decline. The overall percentage of gross margin to sales

which worked out to 16.7% in 1965-66 had gradually gone down to 12.7% in 1969-70. This has had an adverse impact on the profitability of the Company. Although we have been able to arrest this adverse trend in as much as the overall rate of gross margin to sales has slightly improved this year, there are still certain operations where our margins are directly or indirectly affected, either as a result of Government regulations or adverse market conditions. While on the one hand, we have to reckon with lower margins on such operations, we have, on the other hand, to absorb rising distribution costs. The Divisions particularly affected are Pharmaceuticals & Consumer Products, Agro-Industrial Products and Electrical. It is mainly because of the inbuilt resilience of your Company, as a result of its multifarious activities, that it is possible to withstand the resultant stresses and strains without causing any serious adverse impact on the overall profitability of the Company.

8. During the year, the Management took various steps to streamline the manufacturing operations at the Company's Works at Thana. Further, most of the teething troubles experienced in the manufacture of certain products were overcome. With planned procurement of essential raw materials and components, the existing bottlenecks were largely removed. Consequently, it was possible for the Works to step up their production by as much as 47% over the previous year.

9. This year, greater emphasis was placed on careful planning of Divisional/Branch operations and frequent review of their performance and timely corrective action was taken, wherever called for. Steps were also taken to ensure optimum utilisation of manpower and financial resources. These include organisational planning, proper selection and training of staff, redeployment of surplus staff, wherever necessary

February 11, 1972

etc. Concentrated efforts were made to realise customers' outstandings. Special steps were also taken to dispose of slow moving/non-moving inventories of machinery and spares. These measures enabled the Company to bring down its borrowings despite the increase in the volume of production and sales.

10. With a view to achieving a wider coverage and deeper penetration of both urban and rural markets, three new Branches were opened and the network of dealership organisation was strengthened further. The Divisional, Branch and Regional set-ups were kept under constant review and necessary organisational changes were made from time to time so as to ensure optimum market coverage and better operational efficiency. It has been the Management's constant endeavour to provide the best possible marketing services, both to the Company's Principals as well as the consumers.

11. In the context of the changing socio-economic environment, it is essential for a marketing organisation like Voltas to discern in advance the emerging trends and adapt its marketing plans and strategies accordingly. The Management Services consisting of Organisation and Methods Department and Electronic Data Processing Department have been rendering active assistance to General Management and Divisional Managements in the areas of planning, organisational and personnel analysis, performance review, cost reduction and application of modern management techniques. The Internal Audit Department has also contributed, in a good measure, to the Management's efforts at achieving cost reduction.

12. As the shareholders are aware, Voltas is a growth company. With humble beginnings in 1954, the Company has rapidly grown to its present position. It will be the Company's policy to continue to expand and diversify its activities to the maximum possible extent. In 1970-71, our sales exceeded Rs. 103 crores and we can justifiably take pride in this fact. We, however, must not rest on our laurels and must look ahead and plan for the future. We have set for ourselves two main long-term objectives—firstly, to increase our turnover at a progressively higher rate from year to year with commensurate increase in profits and secondly, to ensure that our own production is increased in the next 5 years to at least twice the present level. This is, of course, in the hope that Government will adopt a pragmatic approach so far as its licensing policy is concerned and undue impediments will not be placed in the way of our expansion and diversification.

13. With the planned increase in pro-

EASTERN ECONOMIST

duction, the licensed capacity in the case of most of the items of manufacture will be reached very shortly. It is, therefore, the Company's intention to go in for further expansion, wherever possible and also diversify into new fields of manufacture. It will also be the Company's policy to lend maximum support to the joint ventures and associated Companies. In our plans of expansion and diversification, we shall, consistent with quality and prices, encourage the small-scale sector to the maximum. That will help in substantially increasing employment, particularly in industrially backward areas.

14. The importance of research and development has been well recognised and more so for developing countries like India. This subject has also assumed great significance, particularly in the context of Government's present policy of encouraging more and more reliance on indigenous know-how. If the Company is to follow its policy of expansion and diversification successfully, it is essential that the manufacturing activities are effectively backed by its own research and development efforts. Very great emphasis was, therefore, placed on this subject this year. A separate Research and Development Division was set up and a substantial amount was allocated towards this activity. Apart from developing new products, this Division will also help in achieving import substitution.

15. Research and development necessarily entail a substantial capital outlay and it normally takes quite a long time before tangible benefits can be derived from such capital outlay. The tax incentives at present being given by Government are substantial and encourage manufacturing organisations to undertake research and development activities. A major difficulty, however, is the Government's present licensing policy, particularly towards the large houses. Business organisations, particularly large organisations, would like to be assured in advance that they would be allowed to reap the benefits of their research and development efforts. This can be achieved only if Government adopts a growth-oriented licensing policy, irrespective of the size of the business organisation.

16. Export billings in 1970-71 amounted to approximately Rs. 27 lakhs. Exports would have been still higher but for the total suspension of the Indo-U.A.R. trade. The continuity of our operations in the U.A.R. market will depend largely on the funds available under the new Trade Agreement concluded recently. Apart from

243

our own manufactured products, we have exported textile machinery manufactured by our Principals, Lakshmi Machine Works Ltd., Coimbatore, amounting to approximately Rs. 1.24 crores, for which billings have been made by the Principals. Here again, the business is concentrated solely in the U.A.R. and fresh contracts will depend upon the availability of funds with the U.A.R. New outlets in Indonesia, Malaysia and Thailand are being explored, but it will take time to develop these markets, especially as international competition in these regions is intensive.

17. We are searching for new markets, particularly in Eastern Europe, South-East Asia, Australia and New Zealand and it is hoped that our newly developed and expanded range of drilling and mining equipment will find outlets in these areas.

18. Except for one, all our other associated companies continued to make good progress and reported satisfactory results during the year under report. Scottish Indian Machine Tools Ltd., did better this year both in production and sales as compared to last year. Despite this improvement, the Company continued to make losses, although at a somewhat lower rate. Chronic shortages of steel plates and other raw materials and imported items on the one hand and rising costs of production on the other, were mainly responsible for this. The Board of Directors of the Company, in consultation with outside consultants, Voltas and financial institutions, is examining the problem of the economic viability of the Company.

19. Earlier, I have made mention of the two long-term objectives that we have set for ourselves. I firmly believe that for a business organisation to be successful, it is necessary to devote considerable time and effort in looking ahead and planning for the future. This is particularly so in a growth company like Voltas. Long range planning is now accepted as an indispensable part of business in most of the developed countries. It has been argued that in view of the uncertain political and economic conditions prevailing in the country and the frequent changes in the fiscal laws, there is not much point in carrying out any long range planning worth the name. I do not agree with this view and feel that the greater the uncertainties the greater is the need for long range planning. The plans made should, however, be periodically reviewed in the light of the changing situation.

20. Long range planning is a conti-

nuous process, covering many aspects such as identification of areas of strength and weaknesses in the organisation, the possibilities of new business opportunities, the evaluation of alternative courses of action, setting up corporate and divisional objectives in the light of available resources and so on. The real value of long range planning is that it gives a clear indication as to the direction in which the Company wants to move.

21. We have been doing long range planning to a limited extent, but the time has now come for a more integrated and organised approach to this subject. The Management has initiated the necessary action this year and has set up a separate corporate planning cell. The cell will carry out the necessary detailed work in conjunction with the operating divisions. It is hoped that this will lead to a planned growth of your Company.

22. The Company has continued to maintain good progress during 1971-72. Sales and gross margins for the first three months ended 30th November, 1971 are higher as compared with the corresponding period of the previous year. The recent Indo-Pak conflict and the suspension of aid by U.S.A. and Japan will, however, have some adverse impact on the operations of the Company. I earnestly hope that the situation will very quickly be restored to normal.

23. Since our last meeting, there have been several doses of additional direct and indirect taxation. This has imposed considerable burden on individuals as well as the corporate sector. This was necessary on account of the burden of refugee relief and the cost of war operations. You will agree with me that this additional burden has, in the national interest, to be borne with a grin.

24. The present industrial slack is causing great concern both to Government and to Industry. The average rate of growth in industrial production in the first half of 1971-72 has been estimated at less than 2% as against the plan target of 9% for the whole year 1971-72. The situation is serious and

calls for very strenuous efforts on the part of all concerned in achieving the desired growth in industrial production. I fully appreciate Government's anxiety to achieve social justice through equitable distribution of income and wealth. It should, however, be realised that the policies followed should not, in any way, stifle industrial growth. It is, therefore, necessary that licensing, fiscal and monetary policies should be reviewed with a view to making them more growth-oriented. This is a subject on which a lot has been said by Industry and Government, causing a great deal of confusion and controversy. I do not wish to add to it.

25. Your Company has been making its humble contribution to the economic development of the country. It has also been making a substantial contribution towards the public exchequer in the form of various taxes and duties. This contribution for the year under review was of the order of Rs. 9 crores. Given opportunities, your Company can play a much bigger role in promoting industrial growth in the country.

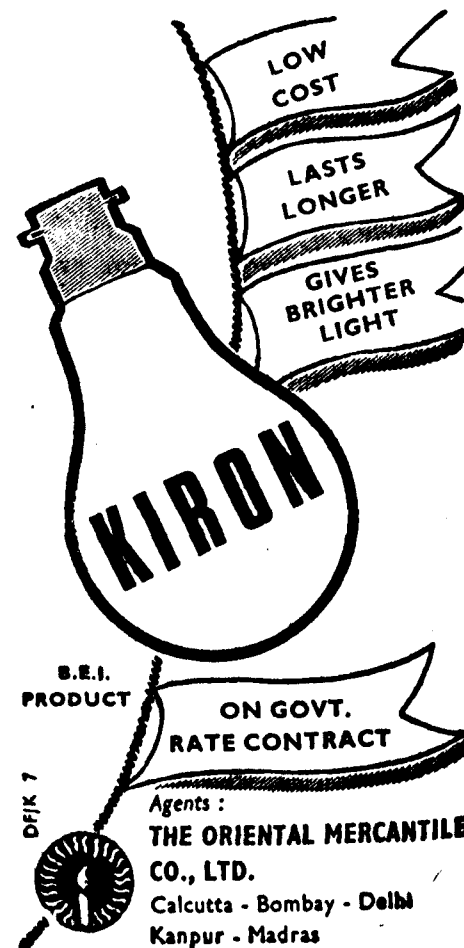
26. Social justice in the context of the Indian situation is a must and so is rapid economic growth. However, without substantial increase in production, social justice only through distribution is just not possible. It is, therefore, necessary that these two are brought together in any programme of economic action. Your Company fully realises its responsibilities in this connection and has done whatever was possible.

27. The Directors' Report shows that industrial relations have improved substantially. Efforts to restore normalcy have been made by the Management and general staff and we have been able to restore the tempo of work and ensure co-operation and goodwill. For maintenance of satisfactory industrial relations, it is necessary to have sympathy and due consideration for each other's points of view. Whatever difficulties there may be should be settled by discussion, without resort to rancour and agitation.

28. I took over as Chairman of the Company only a few months ago. Dur-

ing this short period, I have received wise counsel and all possible assistance from our Board of Directors and the fullest co-operation from the entire staff. My colleague, Mr. P.C. Cheryan, to whom the Directors have already paid a tribute, has been of the greatest possible assistance to me. With his vast knowledge of the Company and its work, he has helped me in every possible way and for this I am most grateful. His retirement will not only be a great loss to the Company, but a personal loss to me. It is proposed that Mr. Cheryan should, even after his retirement, continue on the Board as a Director of the Company. I would also like to place on record my special appreciation of the members of the managerial as well as the general staff for their excellent efforts and co-operation, without which we would not have been able to achieve record operational results.

N. B. This does not purport to be a record of the proceedings of the Annual General Meeting held on February 7, 1972.



CHAIRMAN'S STATEMENT

INDIAN OXYGEN LIMITED

The following is the Statement of Mr. N. Dandekar, Chairman, Indian Oxygen Limited, which has been circulated to the shareholders along with the Company's Annual Report for the year ended 30 September 1971.

Despite several favourable developments in the economy, the year under review saw considerable slackening in the tempo of industrial growth. Food-grains production was satisfactory for another year; and although several parts of the country were affected by severe floods during the recent monsoons, the future outlook for food-grains remains hopeful. The growing prosperity in the rural sector opened up unprecedented scope for marketing of industrial products. Unfortunately, however, the rate of industrial growth was much lower than the target set by the Fourth Plan. There were sizeable shortfalls, both in overall investment and industrial output. Industrial growth was inhibited, *inter alia*, by shortage of materials, particularly of raw cotton and steel, and the Government inspired restraints on credit. Entrepreneurial initiative in the private sector was significantly thwarted by the negative industrial licensing policy and restrictions imposed on industrial expansion and diversification by existing industrial units under the Monopolies & Restrictive Trade Practices Act, 1969. Inevitably, therefore, prices continued to rise; and the massive deficit financing resorted to by the Union and State Governments posed a threat of unbridled inflation. The only encouraging feature was the country's performance in the export of industrial products.

Political instability persisted in West Bengal, where a substantial part of the Company's capital is invested. The coalition government formed after the mid-term elections to the State Assembly in March 1971 resigned at the end June 1971, and the State was again placed under President's Rule. Conditions in West Bengal continued to be unsettled and the law and order situation unsatisfactory, although towards the end of the year under review there was some improvement. Unlike in many other parts of the country, there was no entrepreneurial interest for revival of industrial activity, notwithstanding certain measures initiated by the Government to promote investment and create employment opportunities in the State. The crux of the problem of industrial revival in West Bengal still remains the law and order situa-

tion, on the one hand, and the stranglehold of militant trade unions, on the other.

The results of the mid-term elections to the Lok Sabha in March 1971 dispelled the atmosphere of political instability at the Centre. Unfortunately from almost the very beginning, the new Government was faced with several problems of gigantic proportions caused by the influx of millions of refugees fleeing from a nightmare of horror in Bangla Desh. This has created serious political and social tensions in the country and put security in the Eastern Region under severe strain, apart from imposing an intolerable financial burden on the nation. These unforeseen developments have put the country's resources under further pressure and imperilled the resilience of our economy. Added to this is the threat of imminent war. It is a grim prospect that lies ahead of us; and in meeting it with courage and fortitude, the Government and people of our country can count upon full and unstinted support from this Company.

It is against this background that the performance of the Company during the year under review has to be considered.

SALES

Despite the acute shortage of steel and several other raw materials the Company's turnover for the year, at Rs 20.52 crores, exceeded the previous year's turnover (Rs 17.37 crores) by 18.1%. Exclusive of excise duty, which was imposed on industrial oxygen and welding electrodes in May 1971, the increase was of the order of 16.6%.

Higher sales were achieved at all branches, and of nearly all products, with significant increases in the sales of arc welding consumables and equipment. With the better availability of cylinders, sales of medical gases and equipment showed appreciable improvement. But it was unfortunate that demands for certain industrial gases could not be fully met at some of our branches despite spare manufacturing capacities due to the constraints imposed by government under the res-

pective industrial licences. Again as a result of government policies, — or the lack of them, — sales of dissolved acetylene suffered seriously during the second half of the year when a shortage of calcium carbide necessitated restrictions on production, much to the inconvenience of our customers. The shortfall in the availability of indigenous calcium carbide was anticipated by the Company as far back as 1969; and the need for substantial imports by December 1969 was urged upon the Government of India. Nevertheless, it was not until recently that steps were taken by the Government to import calcium carbide through the State Trading Corporation; and at the year end we were yet to receive our first allotment!

Our export sales suffered a set back, mainly due to delay in the renewal of the bilateral trade agreement between India and Egypt. However, we continued to export nitrous oxide, argon, other industrial gases and electrodes to a number of countries in Asia and Africa.

PROFIT, TAXATION AND DIVIDEND

The profit for the year, before taxation but after providing depreciation of Rs 82,13,000 (previous year Rs 83,98,000), amounted to Rs 2,01,58,480 as against Rs 1,90,21,031 last year. Bearing in mind the rising costs and the fact that the accounts for the year have been burdened with an additional charge of Rs 46.51 lakhs in respect of bonus for the previous year arising out of a settlement reached with the Company's trade unions during the year under review, the increase in profit may be regarded as satisfactory.

Tax provision for the year amounted to Rs 1,29,00,000 (previous year Rs 1,14,00,000) leaving a net profit of Rs 72,58,480 as against Rs 76,21,031 last year. After transferring Rs 3,50,000 (previous year Rs 3,50,000) to Development Rebate Reserve and writing back from this account Rs 6,50,000 (previous year Rs 13,00,000) now released, the amount available for appropriation was Rs 75,58,480 which has been

transferred to General Reserve. The corresponding figure of profit at Rs 1,21,71,031 last year was particularly high because of the higher write-back from Development Rebate Reserve and also because of the excess tax provision of Rs 36,00,000 of preceding years written back.

After careful consideration of the Company's present and future resources position and all other relevant circumstances, your directors have decided to recommend that the dividend rate should be maintained at 14% subject to deduction of tax. If this recommendation is accepted, the dividend will be paid out of General Reserve.

FINANCE AND SHARE CAPITAL

During the year under review the Company made a further repayment of Rs 39,00,000 against the Medium Term Loan granted by Punjab National Bank. An amount of Rs 4,50,466 was repaid to The British Oxygen Company Limited against the loan granted by them.

As shareholders were informed in August 1971, the Controller of Capital Issues declined to accord consent to the Company's proposal to issue 15,40,000 new Ordinary Shares of Rs 10 each as bonus shares on the ground that the proposal failed to satisfy one of the additional guidelines covering issues of bonus shares which were announced after the Company's application for consent had been made.

DEVELOPMENT AND EXPANSION

In my Statement last year I mentioned that the Company had been granted an industrial licence for the manufacture of open arc continuous electrodes at Ambattur factory. The production of these electrodes was established during the year. The Government of India approved the Company's proposal for the production, in technical collaboration with an Australian company, of certain tubular hard facing welding rods and electrodes: the agreement was signed in July 1971 and steps for its implementation have recently been initiated.

As I indicated at the last Annual General Meeting, the Company's comprehensive expansion plan for the next few years was submitted to the Government of India in February 1971. The plan envisages substantial additional investment of capital and major diversification of the Company's activities, several of these in areas not directly related to our existing manufacturing facilities and products, and in which there is no indigenous technical know-how available. The plan, which

will also significantly increase employment opportunities, is currently under discussion with the officials at New Delhi. In the interest of expediting Government clearances, it was considered advisable to group the projects covered by the plan into separate phases for their implementation. I earnestly hope that favourable decisions in respect of the projects included in the first phase will be arrived at before very long.

In this connection I would like to inform shareholders that one of the major issues in these negotiations is the Government's requirement that the proportion of the shareholding in the Company by The British Oxygen Company Limited (at present 66.06%) should be reduced, not by disinvestment, but by fresh issue of equity capital to Indian nationals. I am glad to be able to say that British Oxygen appreciate the purpose underlying Government policy in this regard; and for the sake of the Company's future prospects they are agreeable to forego their rights in respect of a further issue of shares by the Company so that the proportion of their shareholding can be reduced to an acceptable level. While we appreciate greatly the understanding shown by British Oxygen, it is important, in the interests of all our shareholders, that further issues of share capital are in conformity with the generally accepted principles of prudent financial management, so that shareholders can be assured a fair return on their investment. Moreover capitalisation of the Company at the risk of having to scale down the rate of dividend can serve no useful purpose. I sincerely hope that this important consideration will not be lost sight of by the Government, not only in regard to this Company's proposals, but more generally in connection with the many facets of its policies relating to capital issues, including conversion into equity of loans advanced by financial institutions.

MANAGEMENT AND PERSONNEL

The unsettled conditions in West Bengal during the year under review were accentuated by rivalry, often hostile, between political parties which had their repercussions on the labour front. Absenteeism on an unprecedented scale, especially of shift workers, created serious operational difficulties at factories. Frequent calls of 'bandhs', — state-wide or local, — by various political parties and trade unions caused further disruption in production. Despite this background, industrial relations in the Company's establishments in West Bengal, as elsewhere in the country, were by and large not unsatisfactory, except for isolated cases of

stoppages of work for short periods at some units. I am glad to state that the bipartite discussions with the employees' representatives for the revision of service conditions, which had led to satisfactory settlements at several units during the preceding year, were successfully completed for the remaining units during the year under review.

Discussions on bonus for the year 1969/70 were held with accredited representatives of the Company's employees throughout the country at Bombay in February 1971. As a result, a settlement on bonus for three years beginning 1969/70 was signed under Section 34(3) of The Payment of Bonus Act, 1965.

I would like to record my appreciation of these achievements, towards which significant contributions were made by representatives of the employees' unions, thus proving the practicability of securing industrial harmony in a climate of mutual goodwill, trust and confidence. The future progress of the Company will depend more and more on the proper utilisation of its human resources.

The management development plan, introduced in 1967, is now showing results. Individual appraisals have identified aptitudes which have been useful in managerial manpower planning. The training aspects of the plan need special mention. All the officers of the Company have now completed the Unit Management Training Course which seeks to ensure a continued improvement in the performance of officers in their present jobs. During the year under review a residential Management Training Course was held for selected senior officers of the Company. In addition, several training courses were organised to meet the specific needs of individuals and special needs of the Company.

The present Company organisation was introduced in 1961 and has served the Company well over the past decade. However, with the growth of the Company in the sixties and in the light of its ambitious programmes for the seventies, certain changes in the Company organisation have recently been decided upon to gear it to the challenges lying ahead. The new organisation, to be introduced during the current year, aims at greater participation in profit responsibility and accountability and will, I feel sure, encourage the management and supervisory staff to surpass their existing high standard of competence, loyal service and devotion to duty.

PROSPECTS

The Company's present licensed capacities for industrial gases are already

almost fully utilised and those for electrodes are expected to be fully utilised within the next year or two. Hence, although prospects in the immediate future continue to be satisfactory, it is plain that without further increases in our licensed capacities we are unlikely to benefit substantially from the additional demands for our products materialising in the country.

The future of the Company depends, therefore, upon the diversification and development of its manufacturing activities. As mentioned earlier, the Company is anxious to launch upon such an endeavour and is fully prepared to harness its undoubted financial, technical and managerial resources in the services of the growing Indian industry. I hope that notwithstanding the in-built constraints of the Government's economic and industrial policies, the Company will be allowed to play its due role in the nation's struggle for rapid economic development. There is fortunately some awareness in New Delhi now of a considerable slowing down in the tempo of the country's industrial activities. There is also some degree of unanimity, at last, in endorsing the

view that increased production is the prime need of the moment. One hopefully expects that the Government will approach the problem with pragmatism and realism within the broad framework of the Fourth Plan's socio-economic objectives without making a fetish of the mechanism for their attainment.

Notice must be taken, however, of the massive influx of refugees and the consequent growing tension between India and Pakistan over the Bangla Desh issue. There is increasingly threatening belligerency on the part of Pakistan. Much against its will, the country may thus get involved in hostilities with Pakistan. Any such development will have far reaching effects on the economy and consequently upon the affairs of Indian Oxygen, the full extent of which it is difficult to assess at the moment.

PERSONAL

For some time now I have been reducing my responsibilities and commitments under medical advice; and soon after I sign this Statement I shall be relinquishing office as director and

Chairman of the Company's Board of Directors. It is for me personally a sad moment, for over the years I have developed an almost personal attachment for the Company. My only source of some comfort will be that I shall be handing over my responsibilities to a very worthy successor, Mr A.K. Sen, the Company's former Managing Director. I feel confident the shareholders will, as I do, extend a warm welcome to him to pilot the Company's affairs in the challenging tasks that lie ahead during the current decade.

I take this opportunity of expressing my deep appreciation of the unfailing support extended to me by my colleagues on the Board and also of the invaluable and indispensable "backing" provided by a strong and competent executive management during the entire period of my association with the Company.

28 November 1971

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

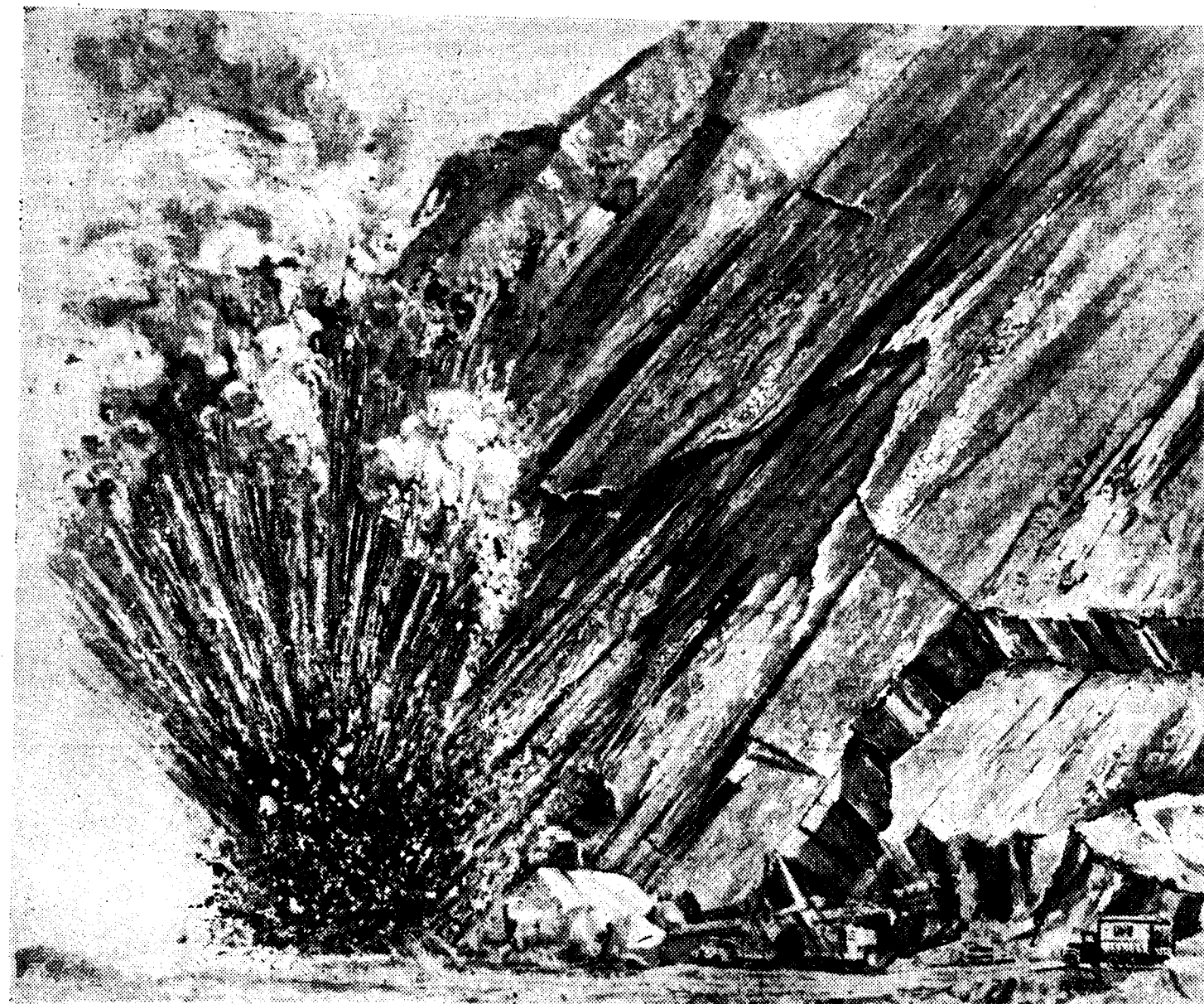


Centre of East/West Trade Leipzig Trade Fair German Democratic Republic

12/21 March 1972

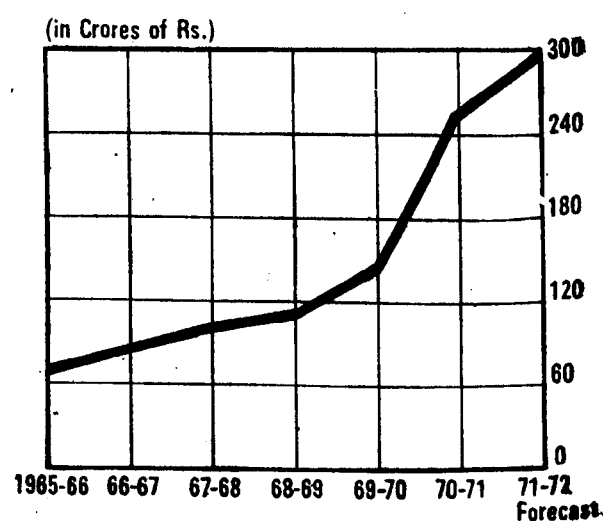
Men who know their business know Leipzig Fair. At Leipzig you can keep abreast of the latest trends in technology, meet new partners, and establish links with the stable, long-term market of the socialist countries. Leipzig offers unique opportunities to generate new business in the setting of an unequalled international display of products.

Fair cards and further information from
Leipzig Fair Agency in India.
P.O.B. No. 1993, Bombay-1.
D-7, Nizamuddin East, New Delhi 13.
34-A, Brabourne Road, Calcutta-1
99, Peters Road, Royapettah, Madras-14,
or at the GDR State frontier



A BIG BLAST

MMTC is exporting one tonne of Iron Ore every alternate second. With the mechanization in ore handling and transport, the MMTC has effected a record performance during 1970-71. The total turnover is well above Rs. 250 crores.



THE MINERALS & METALS TRADING CORPORATION OF INDIA LTD.

EXPRESS BUILDING, BAHADUR SHAH ZAFAR MARG, NEW DELHI

MMTC/G4

RECORDS AND STATISTICS

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March 1962=100) recorded a fall of 1.1 per cent to 186.0 in December, 1971 as against 188.0 for the earlier month. The index for December, 1971 was higher by 2.8 per cent when compared to 180.9 for December, 1970. During the month under review 'food articles' receded by 2.2 per cent to 204.3, 'liquor & tobacco' by 0.4 per cent to 198.6 and 'industrial raw materials' by 1.4 per cent to 184.8, while 'fuel, power, light and lubricants' advanced by 0.3 per cent to 174.6, 'machinery and transport equipment' by 0.4 per cent to 161.7 and 'manufactures' by 0.2 per cent to 168.1. The index for 'chemicals' remained unchanged at its previous month's level of 201.5.

Food Articles

The index for 'cereals' sub-group registered a fall of 2.0 per cent to 199.6 due to lower prices of rice, bajra, maize and barley although the prices of wheat, jowar and ragi moved up. Lower prices of all the pulses (except arhar) brought down the sub-group index for 'pulses' sub-group by 1.6 per cent to 285.8. The sub-group index for 'foodgrains' declined by 1.9 per cent to 215.3. At this level, the index for 'foodgrains' was, however, higher by 7.5 per cent when compared to the corresponding month of last year. The sub-group index for 'fruits and vegetables' declined by 2.6 per cent to 170.4 due to a fall in the prices of potatoes, oranges and cashewnuts. The prices of onions and bananas, however, moved up. The index for 'milk and milk products' sub-group recorded a fall of 2.9 per cent to 211.0 on account of a fall in the prices of milk and ghee. Lower prices of all the edible oils brought down the sub-group index for 'edible oils' by 1.7 per cent to 196.1. The index for 'fish, eggs and meat' advanced by 3.7 per cent to 247.2. A fall of 4.3 per cent to 207.0 in the sub-group index for 'sugar and allied products' was caused by lower prices of gur while the prices of khandsari moved up. Among 'other food articles' the prices of black pepper, turmeric, cummin, cardamoms, tea, coffee, and betelnuts declined while those of chillies, and salt advanced, consequently the index for this sub-group declined by 3.1 per cent to 156.2.

Liquor & Tobacco

The index for 'liquor & tobacco' registered a fall of 0.4 per cent to 198.6

due to lower prices of tobacco raw.

Fuel, Power, Light & Lubricants

The index for the group rose by 0.3 per cent to 174.6 on account of higher

prices of coal. The prices of castor oil, however, receded.

Industrial Raw Materials

The sub-group index for 'fibres' declined by 2.5 per cent to 171.0 due to a fall in the prices of cotton raw and wool raw. The prices of jute raw and mesta, hemp raw and silk raw, however went up. The sub-group index for 'oilseeds' receded by 1.5 per cent

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS & SUB-GROUPS OF COMMODITIES

(Base: 1961-62=100)

Groups and sub-groups	Dec 1971	Nov 1971	Dec 1970	Percentage change	
				Dec 1971 over Nov 1971	Dec 1971 over Dec 1970
Food Articles	204.3	209.0	199.8	-2.2	+ 2.3
Food grains	215.3	219.5	200.2	-1.9	+ 7.5
Cereals	199.6	203.7	189.7	-2.0	+ 5.2
Pulses	285.8	290.4	247.6	-1.6	+15.4
Fruits & vegetables	170.4	183.1	181.1	-2.6	- 1.5
Milk & milk products	211.0	217.2	209.8	-2.9	+ 0.6
Edible oils	196.1	199.5	231.9	-1.7	+15.4
Fish, eggs and meat	247.2	288.4	209.5	+3.7	+18.0
Sugar, & allied products	207.0	216.2	178.8	-4.3	+15.8
Others	156.2	161.2	181.0	3.1	-13.7
Liquor & Tobacco	198.6	199.8	185.0	-0.4	+ 7.4
Fuel, Power Light & Lubricants	174.6	174.0	162.5	+0.3	+ 7.4
Industrial Raw Materials	184.8	187.5	202.8	-1.4	- 8.9
Fibres	171.0	175.4	190.0	-2.5	-10.0
Oilseeds	203.4	206.4	233.0	-1.5	12.7
Minerals	141.1	141.1	132.8	—	+ 6.3
Others	174.0	173.8	168.9	+0.1	+ 3.0
Chemicals	201.5	201.5	188.7	—	+ 6.8
Machinery & Transport Equipment	161.7	161.0	149.2	+0.4	+ 8.4
Electrical machinery	168.8	166.8	149.0	—	+ 9.3
Non-electrical machinery	169.7	168.9	156.1	+0.5	+ 8.7
Transport equipment	146.1	145.2	136.9	+0.6	+ 6.7
Manufactures	168.1	167.7	157.3	+0.2	+ 6.9
Intermediate Products	195.6	196.2	180.8	-0.3	+ 8.2
Finished Products	161.5	160.8	151.7	+0.4	+ 6.5
Textiles	168.0	168.5	154.6	-0.3	+ 8.7
Cotton manufactures	162.9	162.8	149.6	+0.1	+ 8.9
Jute manufactures	194.2	197.1	179.2	-1.5	+ 8.4
Silk & rayon manufactures	128.5	128.5	118.7	Nil	+ 8.3
Woollen manufactures	194.1	194.1	182.0	Nil	+ 6.6
Coir mats & matings	175.8	175.8	167.9	Nil	+ 4.7
Metal products	178.0	173.9	165.8	+2.4	+ 7.4
Non-metallic products	152.0	152.4	144.1	-0.3	+ 5.5
Chemical products	150.1	150.1	146.7	Nil	+ 2.3
Leather products	98.0	98.0	92.1	Nil	+ 6.4
Rubber products	157.3	157.1	155.4	+0.1	+ 1.2
Paper products	135.7	129.9	121.3	+4.5	+11.9
Oilcakes	185.1	184.8	197.1	+0.2	- 6.1
Misc. products	123.8	123.7	122.7	+0.1	+ 0.9
All Commodities	186.0	188.0	180.9	-1.1	+2.8

Source: Economic Adviser to the Govt of India.

to 203.4 owing to a fall in the prices of linseed, castor seed, rapeseed and copra. The prices of gingelly seed, however, moved up. The sub-group index for 'minerals' remained unchanged at its last month's level of 141.1. The sub-group index for 'other industrial raw materials' stood at 174.0 as against 173.8 for the previous month. The prices of skins raw, tanning materials and lac rose while those of hides raw declined.

Chemicals

The index for 'chemicals' stood stationary at its earlier month's level of 201.5.

Machinery and Transport Equipment

The sub-group index for 'electrical machinery' remained unchanged at its earlier month's level of 162.8. The sub-group index for 'non-electrical

machinery' advanced by 0.5 per cent to 169.7. The index for 'transport equipment' went up by 0.6 per cent to 146.1 due to rise in the prices of vehicles.

Intermediate Products

The index for 'intermediate products' declined by 0.3 per cent to 195.6 due to a fall in the prices of cotton yarn, rayon yarn, leather, brass sheets, copper sheets and linseed oil. The prices of semis (billets) zinc, tin and lead however, advanced.

Finished Products

Lower prices of jute manufactures (—1.5 per cent to 194.2) brought down the sub-group index for 'textiles' by 0.3 per cent to 168.0. The index for 'cotton manufactures' stood at 162.9 as against 162.8 for the earlier month. Enhanced prices of iron & steel manufactures and cutlery & hardware

pushed up the sub-group index for 'metal products' by 2.4 per cent to 178.0. The sub-group index for 'non-metallic products' registered a fall of 0.3 per cent to 152.0 due to lower prices of bricks and tiles. The prices of glass manufactures, however, moved up. The indices for 'chemical products' and 'leather products' remained unchanged at their last month's levels of 150.1 and 98.0 respectively. The sub-group index for 'rubber products' stood at 157.3 as against 157.1 for the earlier months. The prices of other rubber products moved up slightly. The sub-group index for 'paper products' stepped up by 4.5 per cent to 135.7. The index for 'oil cakes' sub-group recorded a rise of 0.2 per cent to 185.1. The sub-group index for 'misc. products' worked out to 123.8 as compared to 123.7 for the earlier month. On the whole the index for 'finished products' rose by 0.4 per cent to 161.5 during the current month.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base 1960=100)

Items	1970			1971		
	April			May		
General Index						
Seasonally adjusted	180.8	188.2	181.8	188.4		
Crude	180.8	183.7	177.7	185.0		
Mining and quarrying	149.0	156.4	155.1	150.4		
Manufacturing	174.7	175.5	168.9	178.0		
Food manufacturing industries	157.5	153.5	136.0	159.8		
Sugar factories and refineries	165.3	198.0	65.2	17.3		
Tea	128.4	81.8	128.9	194.1		
Vanaspati	154.4	167.4	167.4	164.5		
Coffee curing	129.3	319.0	283.4	202.1		
Beverage and tobacco industries	170.1	187.1	190.1	190.6		
Cigarette manufacturing	168.0	178.2	178.5	188.2		
Manufacturing of textiles	109.7	106.3	103.9	106.9		
Spinning, weaving and finishing of cotton textiles	111.8	103.9	102.9	NA		
Spinning of woollen textiles	161.6	166.3	147.0	NA		
Jute manufactures	85.1	99.0	92.1	94.2		
Manufacture of paper and paper products	216.2	220.9	182.3	211.8		
Manufacture of paper	217.4	223.3	184.5	214.2		
Paper board	223.9	221.9	NA	NA		
Manufacture of leather and fur products	65.3	63.6	49.9	63.8		
Manufacture of rubber products	215.7	211.5	190.4	216.3		
Tyres and tubes	258.3	267.1	242.6	266.7		
Manufacture of chemicals and chemical products	236.5	242.4	240.2	249.2		
Basic industrial chemicals, including fertilisers	332.2	349.1	362.1	389.1		
Heavy organic chemicals	287.7	318.3	320.5	300.1		
Heavy inorganic chemicals	337.4	333.7	344.1	354.0		
Synthetic resins and plastics	194.4	248.5	231.6	221.0		
Synthetic fibres	230.7	248.0	256.1	260.6		
Dyestuff and dyes	195.6	188.4	193.7	173.9		
Manufacture of fertilisers	668.7	656.8	644.2	796.4		
Manufacturing of paints, varnishes and lacquers	115.2	117.4	120.5	117.5		
Fine pharmaceutical chemicals	156.6	156.8	156.8	156.7		
Fine chemicals	132.3	184.4	200.7	168.4		
Petroleum refinery products	297.3	281.3	337.4	310.7		
Manufacture of non-metallic mineral products except products of petroleum and coal	189.1	213.0	213.2	203.5		
Manufacture of cement (Hydraulic)	177.9	193.5	187.6	169.7		
Basic metal industries	205.5	216.0	199.5	192.4		
Iron and steel basic industries	187.8	194.3	177.5	168.4		
Non-ferrous basic metal industries	301.2	333.3	318.7	322.3		
Aluminium manufacturing	508.7	554.4	557.4	558.1		
Manufacture of metal products (except machinery and transport equipment)	219.0	255.1	269.7	298.2		
Manufacture of machinery (except electrical machinery)	369.5	343.7	301.6	335.3		
Manufacture of industrial machinery	120.6	87.1	87.0	95.5		
Manufacture of electrical machinery	362.7	384.0	398.1	424.0		
Manufacture of batteries	232.3	254.1	226.9	244.1		
Manufacture of transport equipment	132.0	110.3	107.5	120.2		
Manufacture of motor vehicles	157.8	137.9	149.4	157.0		
Motor cycles and bicycles	266.5	278.1	273.7	275.4		
Manufacture of motor cycles and scooters	603.2	702.2	628.5	645.6		
Manufacture of Bicycles and tricycles	194.9	187.9	198.3	196.7		
Electricity generated	334.0	363.7@	357.9	357.9@		

@ Due to non-availability of production data, March 1971 figures have been repeated.

RESERVE BANK OF INDIA

(Rs crores)

	January 21, 1972	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	17.75	4.82	23.89	11.93
Notes in circulation	4552.53	4574.57	4407.83	4114.95
Total notes issued	4570.28	4579.39	4431.72	4126.88
Gold coins and billion	182.53	182.53	182.53	183.53
Foreign securities	225.92	220.92	170.92	261.42
Rupee coin	41.28	40.38	42.72	56.23
Government of India rupee securities	4120.55	4135.56	4035.55	3626.69
Banking Department				
Deposits of central government	229.01	200.43	228.59	279.94
Deposits of state governments	6.29	2.82	3.51	5.34
Deposits of banks	256.18	244.22	256.69	212.19
Other deposits	93.75	95.01	92.75	84.64
Other liabilities	906.31	906.46	839.26	632.29
Total liabilities or assets	1491.53	1448.93	1420.80	1214.41
Notes and coins	17.82	4.90	23.95	12.00
Balances held abroad	203.39	194.59	237.58	109.27
Loans and Advances				
State governments	510.65	491.39	461.98	229.74
Scheduled commercial banks	131.24	165.31	110.16	355.65
State co-operative banks	348.36	349.85	336.42	318.75
Other loans and advances	79.71	80.11	79.25	30.12
Bills purchased and discounted	70.69	44.02	55.72	13.38
Investments	88.49	77.63	75.89	107.41
Other assets	41.18	41.14	39.86	38.08

SCHEDULED COMMERCIAL BANKS

(Rs crores)

	Jan. 21 1972	A week ago	A month ago	A year ago
1. Demand deposits*	2909.75	2896.56	2887.89	2518.56
2. Time deposits*	3907.94	3942.20	3886.70	3246.74
3. Aggregate deposits*	6817.69	6838.76	6774.59	5765.30
4. Cash	162.84	163.32	161.82	162.34
5. Balances with Reserve Bank	231.75	238.37	234.14	183.96
6. Cash and balances with Reserve Bank	394.59	401.69	395.96	346.29
7. Borrowing from Reserve Bank	131.24	165.31	110.16	355.65
8. Investment in government securities	1651.34	1655.85	1625.15	1359.11
9. Advances	4087.28	4081.50	3998.58	3625.67
10. Bills purchased and discounted	943.06	947.37	874.11	939.83
Inland bills	727.48	734.74	669.17	129.74
Foreign bills	215.58	212.63	204.94	210.09
11. Total bank credit	5030.34	5028.87	4872.69	4565.50
12. Percentage of				
(6) to (3)	5.79	5.87	5.84	6.01
(8) to (3)	24.22	24.21	23.99	23.57
(11) to (3)	73.78	73.53	71.93	79.19

*Excluding inter-bank borrowings.

Source: Reserve Bank of India.

INDEX NUMBERS OF SECURITY PRICES

(Base : 1961-62=100)

Week ended	1971			1972		
	Jan. 23	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22
Government and Semi-Government Securities—All-India—						
Total	98.3	97.6	97.6	97.6	97.6	97.6
Government of India	97.8	96.9	96.9	96.9	96.9	96.9
State governments	100.5	100.3	100.3	100.3	100.3	100.3
Semi-government institutions	100.7	100.9	100.9	100.9	101.1	101.2
Debentures—All-India	93.3	92.7	92.7	92.7	92.7	92.7
Preference Shares—All-India	86.0	82.0	82.1	82.3	82.6	82.7
Variable Dividend Industrial Securities—All-India—Total	102.1	91.5	92.2	94.7	94.6	95.2
Agriculture and allied activities	91.0	85.5	85.7	86.8	87.0	87.1
Mining and quarrying	53.5	46.4	46.4	47.9	47.9	47.4
Processing and manufacturing : Total	99.3	89.0	89.8	92.5	92.3	93.0
Foodstuffs, textiles	84.4	74.6	75.0	77.6	77.5	78.1
Metals, chemicals	105.7	93.9	94.9	97.5	97.3	98.2
Others	125.5	118.5	119.2	122.5	122.3	123.0
Other industries	124.9	111.1	111.4	113.7	113.5	114.6
Financial	126.9	111.1	111.3	112.6	112.9	110.3
Variable Dividend Industrial Securities—Regional						
Bombay	115.1	100.7	@	104.0	103.4	104.2
Calcutta	97.1	90.2	91.5	93.6	93.7	94.9
Madras	89.2	@	@	83.2	84.1	83.7
Ahmedabad	82.1	68.7	@	71.3	70.7	70.7
Delhi	120.3	102.4	104.7	106.1	105.7	106.2

@ Stock Exchange remained closed during the week.

Source : Reserve Bank of India.

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1970			1971*			
							Oct.	May	June	July	Aug.	Sep.	Oct.
(Base : 1949=100)													
All-India	169	191	213	212	215	226	230	224	227	231	236	238	238
(Base : 1960=100)													
All-India	—	—	—	174**	177	186	189	184	187	190	194	196	196
Ahmedabad	130	148	168	165*	169	176	181	173	176	178	181	183	182
Alwaye	145	148	183	198	197	198	200	190	200	200	203	204	204
Asansol	140	145	168	176	178	189	195	186	189	192	196	198	199
Bangalore	144	159	172	180	183	186	188	190	191	192	193	197	197
Bhavnagar	132	152	173	176	178	186	188	187	186	188	193	195	196
Bombay	130	147	162	167	175	182	183	186	188	189	190	192	193
Calcutta	131	148	163	170	172	182	190	176	179	184	189	194	198
Coimbatore	132	144	151	147	154	164	160	169	172	174	178	178	177
Delhi	136	152	172	178	185	199	204	202	208	211	216	215	213
Dighboi	138	160	198	185	180	189	194	184	184	186	191	192	191
Gwalior	139	160	191	179	184	191	195	188	193	197	200	201	201
Howrah	137	154	178	181	176	186	194	182	184	187	189	194	200
Hyderabad	140	158	167	173	185	189	193	186	191	192	195	199	200
Jamshedpur	136	158	183	171	170	183	189	189	185	188	191	191	191
Madras	134	144	151	150	160	170	174	171	174	180	182	183	185
Madurai	128	142	146	148	160	177	184	181	186	190	193	200	194
Monghyr	151	187	215	185	188	205	208	192	196	204	211	211	213
Mundakayam	138	152	173	186	191	197	196	188	198	194	202	204	200
Nagpur	138	148	164	166	176	187	190	184	187	189	193	194	194
Saharanpur	141	163	188	176	181	186	187	189	190	192	193	195	194
Sholapur	128	150	165	167	176	185	188	185	191	197	203	206	204

*Provisional

**Average for eight months for August 1968 to March 1969.

Source : Labour Bureau

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

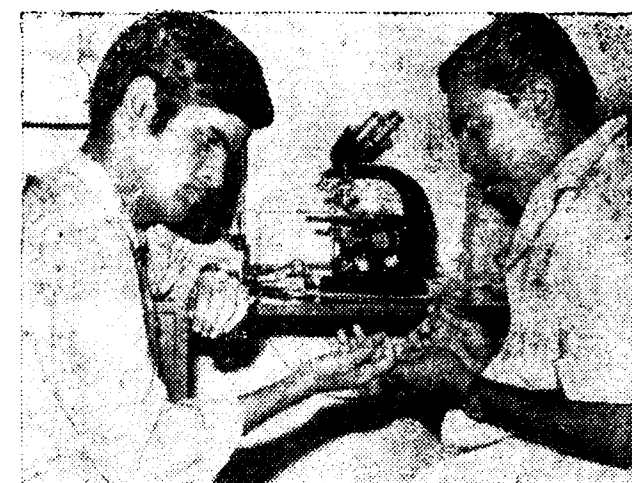
(Base : 1960=100)														
Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1970		1971*					
							Oct.	May	June	July	Aug.	Sept.	Oct.	
All-India	132	146	159	161	167	174	177	175	176	178	181	183	183	
Bombay	132	142	153	156	162	168	171	170	172	173	173	174	174	
Delhi-New Delhi	131	142	154	162	168	174	176	175	176	179	182	182	181	
Calcutta	126	139	152	156	162	170	175	168	172	174	177	179	179	
Madras	133	147	154	154	161	175	178	181	181	183	186	187	189	
Hyderabad-Secunderabad	133	147	155	159	167	174	176	173	175	176	179	181	181	
Bangalore	133	145	156	160	164	172	174	176	177	177	179	180	181	
Lucknow	132	146	159	156	161	166	170	166	169	171	175	177	177	
Ahmedabad	131	146	160	162	168	171	173	168	168	171	174	176	174	
Jaipur	133	150	162	168	176	183	185	180	182	186	189	189	189	
Patna	139	160	179	174	180	191	194	185	187	191	196	196	195	
Srinagar	134	143	160	167	174	184	185	188	187	187	188	191	191	
Trivandrum	131	146	165	168	172	178	180	178	179	180	183	184	184	
Cuttack-Bhubaneswar	142	154	164	167	169	176	178	175	178	181	183	188	185	
Bhopal	133	144	166	166	172	180	184	181	181	186	191	191	189	
Chandigarh	129	143	155	164	171	178	180	178	179	180	185	186	183	
Shillong	123	134	155	163	164	166	171	171	172	173	178	177	180	

*Provisional

Source : C.S.O.

Gopal works for Century Rayon 8 hours a day

Century Rayon looks after Gopal the other 16 hours



Gopal is one among 7000 workers at Century Rayon. He works an 8-hour shift. When he's off duty, Century Rayon strives to keep him off the everyday worries.

Like lunch-break, for example. He doesn't have to worry if his food has not arrived from home. He gets his at the subsidised canteen. A wholesome meal at a fraction of its cost.

After work hours, Gopal returns home—a subsidised house in the Century Rayon Colony, to have his family under a roof. The next-to-factory colony also saves him the bother of transportation.

Medical help is within a 'calling' distance. Leisure finds Gopal & his family playing indoor or outdoor games. Or, watching a movie with the family, once a week. Courtesy: his welfare club. So the next day, Gopal returns to work a happy man.

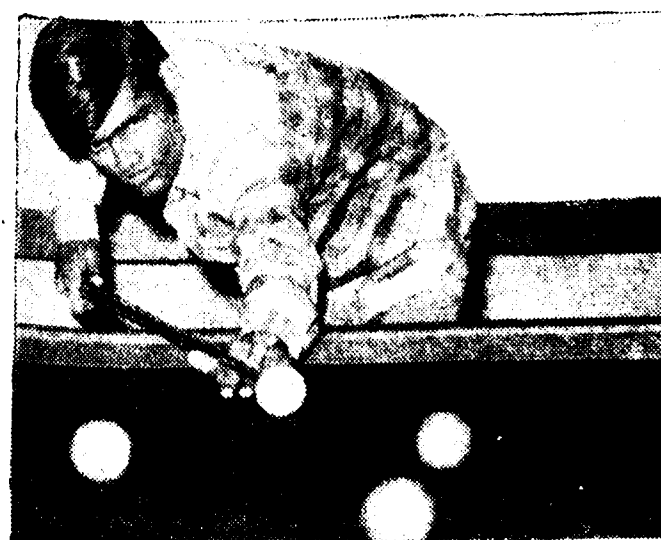
It takes a lot more to keep Gopal and his 6999 colleagues happy. During the 16 hours they aren't working.

Belief of Century.
a happy worker is a happy company.

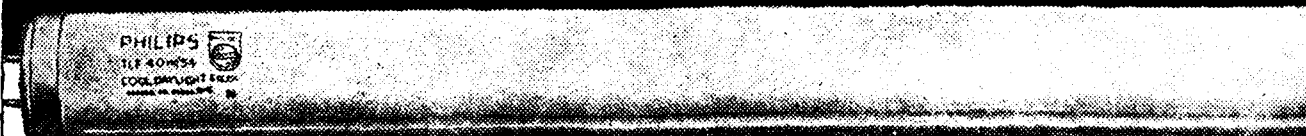


Century Rayon

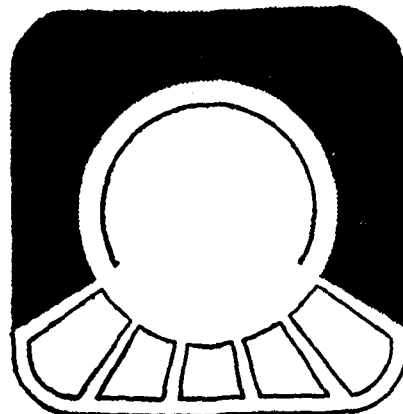
Industry House, 159, Churchgate Reclamation, Bombay-20.



PRESENTING THE LIGHT FANTASTIC



The PHILIPS *TLF* Reflectalite a tubelight with a built-in reflector.



A brilliant new concept.
 The TLF Reflectalite is a tubelight which has an inner reflector coating. This reflector coating may well be the greatest invention in fluorescent lighting. Because of its many benefits, the whole of the West has switched over to it.

It gives more light where you want it.
 The TLF Reflectalite's coating prevents light from escaping upwards. It reflects the light downwards. So you get more light where you want it.

It is India's first dust-proof lamp.
 When dust falls on an ordinary lamp, its light level goes down. Not so in the Philips TLF Reflectalite. Dust has no effect on it. Because of this you save a lot on maintenance.

It outshines all other tubelights.
 Tests prove that the Reflectalite maintains lumen output twice as long as that of any other tubelight.

Better value for your money. Philips TLF Reflectalite is the ideal tubelight for your factory, office, shop or home. It will give you better light. And it will save a lot of money for you.

**PHILIPS
TLF
Reflectalite**



PH-3397A

When a better lamp is needed, Philips make it.

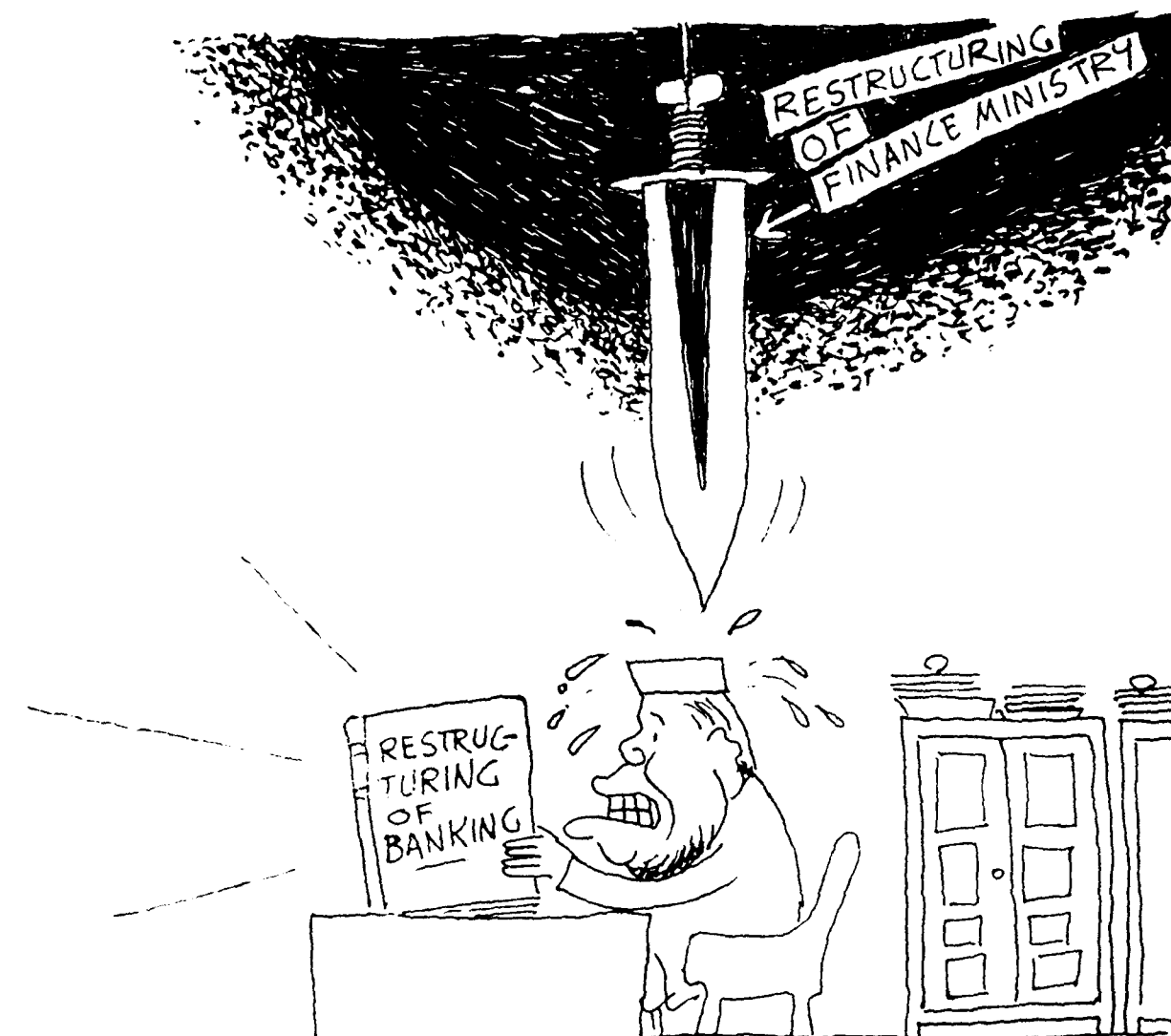
PHILIPS INDIA LIMITED

• Registered Trade Mark

EASTERN 7 ECONOMIS

UPEES 1.50 FEBRUARY 18, 1972 VOL. 58

Stimulating Savings for Investment
 Spendthrift States on the Leash
 Basic Research in Pharmaceuticals
 Taxation in Developing Countries



Saraiya Commission has submitted its report.

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

FEBRUARY 18, 1972

Stimulating Savings for Investment ..	257
Basic Research in Pharmaceuticals ..	258
Spendthrift States on the Leash ..	259
Self-Reliance in Oils : Problems and Prospects	260
Mark-Time in Credit Policy —Sagittarius	262
Investment in Research and Development —Kulbhushan Gupta	265
Taxation in Developing Countries —C. R. Thiagaraja Varma ..	267
WINDOW ON THE WORLD ..	269
Developing Countries' Trade with Communist World.	
TRADE WINDS	273
Closed Period for Issues; Saraiya Report; Generalised Preferences; Calcined Petroleum Coke; Self-Reliant Economy; Loans for Housing; UNIDO at Asian Trade Fair; External Assistance; Trade Union Accord; Wealth Tax Returns; Co-operation with Spain; Names in the News.	
COMPANY AFFAIRS	277
Voltas; Indian Oxygen; Indian Aluminium; Chemopulp Tissues; ICICI; Licences and Letters of Intent.	
RECORDS AND STATISTICS ..	284
Growth for Employment.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

Stimulating Savings for Investment

ADDRESSING THE Forum of Financial Writers in the capital recently, the union Finance Minister, Mr Y.B. Chavan, rightly said that no nation could grow without investible savings and a nation which deliberately embarked upon a policy of growth through self-reliance would need to have an even greater quantum of savings. He conceded that the recent slackening of growth in our economy could be directly attributed to the fall in the rate of savings. This point of view is endorsed by the mid-term appraisal of the fourth five-year Plan which has indicated that the rate of savings as a percentage of national income in 1970-71 was substantially lower as compared to the level reached in 1965-66. In the public sector, net savings as a percentage of net domestic product (NDP) at current market prices fell from 2.8 in 1965-66 to 1.1 in 1970-71 and in the private sector, the corresponding ratio dropped from 8.4 in 1965-66 to 7.2 in 1970-71.

The key to further growth lies in increased savings both in the public and private sectors. The mid-term appraisal of the fourth Plan envisages the raising of net public savings as a percentage of NDP at current prices from 1.4 in 1968-69 to 2.9 in 1973-74 while the corresponding increase in the private sector is envisaged to be from 7.0 in 1968-69 to 7.3 in 1973-74. Domestic savings are expected to be supplemented by the inflow of funds from abroad but their magnitude is not likely to be large. In 1968-69, the capital transfers to our country constituted 1.1 per cent of NDP at current prices. In 1971-72, i.e. the current year, this percentage was expected to rise to 1.4 but is likely to be rather subdued because of the changed US policy on foreign assistance. In 1973-74, capital inflows would be less than one per cent of NDP at current prices in line with the official policy of increased self-reliance and reduced dependence on the outside world.

These estimates of savings made by the Planning Commission would lack substance unless steps are taken to mobilise the surpluses in purchasing power in the hands of the people. The scope for tapping of additional savings has increased in the rural areas in the wake of the agricultural revolution while it has been sizeably diminished in the urban areas because of rising prices and high taxes. There is a tendency in rural areas to increase consumption along with a rise in income. Unless efficient and widespread measures are taken to attract rural savings, the hopes of obtaining additional investible funds are likely to collapse. The banks have tried to increase their deposits from rural centres by opening branches in rural areas. The Life Insurance Corporation of India has also made some attempts to make the rural folk insurance-minded but the success attained by it is limited in scope. The private sector companies have yet to make a beginning in attracting the rural families to industrial securities.

It is necessary now to attract the rural investor to corporate investment through well-trained teams of hard-working agents and salesmen who should explain the advantages accruing to shareholders in growing industries in relation to investments in banks and other financial institutions. But this will be possible if the corporate sector is able to show a good performance not only in regard to dividends declared at the end of every year but also in relation to appreciation in the value of these shares. Unfortunately recent trends in this regard are far from encouraging. A study prepared jointly by the Department of Statistics and the Economic Department of the Reserve Bank of India has estimated that the market value of ordinary shares appreciated in each of the last three years though the extent of appreciation continued to drop year after year. The study covered the ordinary shares of nearly 1500 companies. The appreciation in the prices of the shares was as much as 17.8 per cent in 1968-69 but it dropped to 10.3 per cent in 1969-70 and to only 5.5 per cent in 1970-71. In 1970-71 there was no appreciation in the value of preference shares; they, on the other hand, depreciated by 0.5 per cent.

The stock exchanges — barometers of the climate for investment in industrial securities — have received a severe jolt recently due to the reported decision of the government to acquire additional shares in companies held by big business houses. On the one hand, the industry is being encouraged to expand the productive capacities of a large number of industries through the liberalisation of the industrial licensing policy, while on the other, inspired reports are circulated through the press stating that the government is taking steps to acquire increased control over private sector companies through various devious means. This policy of "blow hot, blow cold", is hardly conducive to increased savings and investment which hold the key to increased production and enhanced self-reliance.

Basic Research in Pharmaceuticals

IT WAS to be expected that the union Minister of Petroleum and Chemicals, Mr H.R. Gokhale, would commend the imagination and initiative of Hoechst Pharmaceuticals Ltd when he went to Bombay the other day and took precious time off even when the election fever in connection with the Maharashtra assembly elections was on, to inaugurate the new Hoechst Basic Research Centre at Mulund. But no one, not even, the Hoechst people expected he would make any policy, let alone new policy announcements, for obvious reasons. For one thing, Mr Gokhale has taken charge of this portfolio only a few days ago and he has had hardly any time to study the problems of the pharmaceutical industry. Secondly, it is also not certain he will continue to hold this portfolio after the impending central cabinet reshuffle. The pragmatist that he is, he chose, therefore, just to reiterate the previous known stand of the government of India on the patents problem and not to make even a passing reference to such issues as government licensing particularly in respect of "larger houses", and its attitude towards monopolies, etc although these were raised in earlier speeches. But he fully justified the expectations of Mr Vittal Mallya, Chairman, Board of Directors of Hoechst Pharmaceuticals Ltd, in that he heard the viewpoint of the industry, frankly stated by both Dr W. Freiherr Von Poelnitz, Director of the parent company — Farbwerke Hoechst & Co. of West Germany — and Mr Mallya himself, with all cordiality. All this, however, need not be construed as minimising the importance of basic research as such and the still stray attempts of pharmaceutical companies such as Hoechst to enter the field and endeavour to find new drugs in India with a view to benefiting not only Indians but humanity at large. Any research is praiseworthy but particularly so is pharmaceutical research, what with its noble mission of saving human lives.

Mr Gokhale himself began his speech by saying that "any step taken towards strengthening the base of research is indeed a welcome one", because "the government has been placing considerable stress on the need to provide a self-sustaining base to the drug and pharmaceuticals industry for quite some time". Why is it then that, as yet, there are only very few pharmaceutical organisations in India engaged in basic research? Basic or innovative

research, as it is called, is still in its infancy, because expenditure on such pharmaceutical research is not only very high but it takes a long time for the investment thereon to yield returns. In order to illustrate the point, Dr Poelnitz made the following graphic observation in the course of the parent company's greetings to Hoechst in India:

"As per our present knowledge, one has to produce at least 5,000 to 7,000 chemical compounds in chemical laboratories before one could come out with a single safe and effective drug, and that too after 10 years of protracted and costly investigations. After the completion of the first chemical, pharmacological and toxicological tests, only 1,500 compounds remain out of the original 5,000 to 7,000. After the intensive experimental tests, one is left with only 30 compounds. Up to this stage, more than 100,000 rats and mice as well as many tens of thousands of bigger animals would have been experimented upon. Chronic toxicity tests on a single substance lasting for one year require more than 10,000 experiments on several hundreds of rats and 30 dogs. It costs approximately rupees two lakhs".

Furthermore, research today is no longer a one-man business as it used to be in the earlier days of drug research. Modern drug research has of necessity to be multi-disciplinary in its approach. Hence the concept of the research team. A research team today is a fairly large one too, consisting of scientists with expertise in different fields of the chemical, biological and medical sciences — medicinal chemists, organic, physical and analytical chemists, biochemists, microbiologists, pharmacologists, pathologists, and immunologists. For this reason, pharmaceutical research today is probably the most expensive and extensive field of scientific activity, leaving aside perhaps atomic or space research. Leading countries like West Germany literally spend fortunes on a single notable research project. Important pharmaceutical companies in the Federal Republic of Germany spend approximately 10 to 12 per cent of their turnover on research or anywhere between Rs 120 and Rs 140 crores. Farbwerke Hoechst alone spent Rs 24 crores on pharmaceutical research in 1971. As against this, as Mr Gokhale disclosed, the total investment of the pharmaceutical industry in India today is only four crores of rupees or less than two per cent of their total turnover,

Mere exhortations to the industry to accord a proper place to research and development and place sufficient funds at the disposal of research centres to play their rightful role, as Mr Gokhale did, won't do. These must be translated into concrete and helpful policy decisions.

Mr Mallya and Dr Poelnitz, between them, referred to three specific problems where pragmatic policy decisions are needed urgently—licensing procedures with particular reference to the proviso regarding "larger houses", attitude to monopolies, and patent protection. If the government's aim, as it professes, is to bring vital drugs within the means of the common man, as also to ensure their adequate supply, its licensing procedure and also import policy should be so reoriented as to prevent the frequent upsetting of production schedules of the industry. In a recent memorandum on "Industrial Development in the Context of Shrinking Foreign Aid", the AIMO has noted that at times, even minor parts like filters and neon lamps of negligible value and ovens of special types are not allowed or their import considerably delayed because of a ban, thereby hamstringing and hampering the whole research effort. The proviso regarding "larger houses", in so far as the drug industry is concerned at least, can have no relevance whatsoever.

In any case, this is not one of those industries reserved for the small scale entrepreneurs. Apart from the fact that only companies with sufficient resources and extensive experience in the field can embark on any worthwhile research, let alone basic research, the size of no pharmaceutical unit in India is such as to attract the appellation of "larger house". As regards that most misused term "monopoly", Mr Mallya's submission that "it would be in the national interest to have a second source of supply to guard against a possible break down in production" (which is conceivable where only one public sector unit is allowed to manufacture a given mass consumption pharmaceutical product or drug), especially when, as he added, the market is large enough to be shared by more than one unit and has potential to expand further, is worth serious consideration. The resulting healthy competition would undoubtedly be in the public interest.

If the government is really keen on seeing that pharmaceutical companies spend more on research, be it process research, product development research, or innovative research, it should not continue to stick to the five-year validity period of patents for medicines, when nearly everyone in the

pharmaceutical industry feels convinced that a much longer term is called for, considering the enormous expenditure that research entails. Mr Gokhale was categorical in his reference to this question when he said that the provision for protection had been enacted after careful consideration of all implications and that the five-year period was enough for any creative entrepreneur to reap full benefits out of his inventions. However, against this, it was the considered view of Dr Poelnitz that a continuous existence of effective protection such as would guarantee protection of intellectual property and permit economic profit for a certain period was absolutely necessary to ensure progress in research. According to him, one has to reckon with a period of at least 7 to 10 years for the development of a new medicine from the laboratory stage to the finished product stage. "But," said the eminent German doctor, "It becomes necessary to apply for a patent even at a very early stage of development in order to obtain patent protection, since, at a later date, the discovery cannot be kept secret any more".

In view of this, he did not regard the five-year validity of a medicine patent as a sufficient and effective protection. He also made the point that we should not forget that there is a lot to be achieved in India in the field of pharmaceutical research and that the results of this research will lead to important and valuable new products which will not only be sold through Indian companies in India but will also be exported and licensed to foreign companies against payment of royalty. It is not clear whether or not this aspect was taken into account by Mr Gokhale when he complained that the pharmaceutical industry's import bill amounted to Rs 25.87 crores, whereas its export earnings were no more than Rs 9.75 crores in 1970-71. Import of drugs is not on the same footing as other imports. Where human lives have to be saved and it becomes necessary to import new and more efficacious drugs not available in India, the foreign exchange involved, however precious it may be, as it is today, cannot be denied.

Apropos the validity period for patents, to revert to that question, if even the slightest risk is there that, over the prescribed five-year period of protection, the investment on a given patent cannot be made to yield a reasonably sufficient reward and the patentee unit has to look helplessly on third parties who have not spent even a farthing on the research of the patented product rushing in to exploit the situation, it is too much to expect human nature to take the risk. Is it prudent then that we should stick to the five-year patent validity period willy nilly and allow the

resultant stagnation to develop?

A word now about the Mulund Research Centre of Hoechst. Never did anyone dream some 12 to 15 years ago, as Mr D. Laengenfelder, Managing Director of Hoechst, remarked, that Hoechst would grow in stature and maturity from importing and selling drugs to processing pharmaceuticals, manufacturing basic chemicals, winning export awards and, finally, undertaking basic research. And, if all

Spendthrift States on the Leash

THE INDICATION by the union Planning Minister, Mr C. Subramaniam, that the government has finally taken a decision about the suspension of unauthorised overdrafts by the state governments from the Reserve Bank beginning from the new financial year has given rise to many problems. The state governments have been running up huge deficits and even with the substantial assistance given by the centre to them, the overdrafts with the Reserve Bank were as high as Rs 471.38 crores on January 28 against only Rs 82.39 crores on July 2, 1971. It was understood at the time when the adjustments were effected by the central government in the last week of June that the state government would have to make an effort to mobilise additional resources and avoid unauthorised overdrafts as far as possible.

However, with plan expenditure exceeding allocations in many states and also a higher level of non-plan expenditure, the deficits have continued to grow and it would now appear that the aggregate deficit of states may even be Rs 500 crores if the recent trends are any guide. The central government's deficit may not be of this order even with its heavy expenditure on defence services, on the maintenance of refugees, on extending credit to Bangla Desh and an unexpected shortfall in aid receipts. The state governments, however, may explain that a good part of the uncovered deficits is due to a higher level of plan outlay and there were also special problems for many states. Mysore, Kerala, Rajasthan and others have their own peculiar difficulties and there may legitimately be a feeling that a sudden freezing of overdraft limits will create complications besides making a nonsense of Plan schemes. The central government is understandably anxious that there should be no unbridled creation of currency. It will not otherwise be possible to prevent an undue increase in non-Plan expenditure and compel also the mobilisation of additional resources.

Mr C. Subramaniam has of course

this has happened during this brief period, who will deny praise to the pioneering spirit, the vision and the wisdom and, above all, the tireless efforts of the fine band of young and dedicated workers that Hoechst has had the good fortune to recruit? Also, regardless of whatever one may say about foreign collaboration, the role of foreign firms such as Farbwerke Hoechst AG in making this day possible cannot and must not be minimised or forgotten.

explained that the state government will be allowed to have reasonable overdrafts for ways and means purposes and that the objective is to avoid a build-up of uncovered deficits and encourage resource mobilisation through deficit financing. The centre however will have a special facility though it may well contend that it has exceeded its target for mobilising additional resources and its uncovered deficits are due to unexpected developments and larger transfers of revenues as the states share of taxes. It has therefore been emphasised by Mr Subramaniam that additional resources should be mobilised for implementing Plan schemes and efforts should also be made to reduce non-Plan expenditure. It has been added that plan outlay will have to be reduced suitably if there were no matching resources though this step is undesirable. The states are in a position to raise fresh resources by taxing agricultural incomes and making better use of the irrigation and power projects. The whole difficulty has arisen because of the lack of proper returns on the earlier investments and a big increase in non-Plan expenditure.

A definite understanding in regard to the mobilisation of resources for Plan and non-Plan purposes in the coming years has become imperative because there has latterly been a serious distortion of the budgetary position of the state governments in view of the unauthorised overdrafts. The malady has become serious in 1970-71 and 1971-72 though even in earlier years the centre has been giving special assistance to erring states for reducing overdrafts with the Reserve Bank through the grant of special assistance or short-term loans. Between 1965-66 and 1968-69 short-term loans were given to the states for as much as Rs 378 crores for clearing overdrafts. In 1969-70 the budgetary position was not uncomfortable as the states had even a small overall surplus of Rs 8.9 crores. But there were also overdrafts of Rs 91.7 crores.

In 1970-71, however, the position

has deteriorated seriously, and the revised estimates indicated an overall deficit of Rs 224.7 crores while the overdrafts were high at Rs 268.2 crores. In 1971-72 the situation has become unmanageable because, as stated earlier, the overdrafts with the Reserve Bank were as large as Rs 471.38 crores on January 28, 1972. There is usually a big increase under this head in the closing months of every financial year and it is now being speculated how the state governments will complete their year-end adjustments and whether there will be an increase in the total of overdrafts to even Rs 600 crores.

In the absence of details about how these overdrafts have come about in the past seven months and whether there are any special elements, it will not be correct to say that the overall deficit for 1971-72 will increase correspondingly with the increase in the overdrafts. But there is definitely a direct relationship between the two, especially if the centre is unwilling or unable to provide larger assistance to the states in trouble. Whatever may be the ultimate shape of the state budgets, there is no doubt that the uncovered actual deficit will be very big though it was actually hoped that there will be an overall surplus of Rs 39 crores, after taking into account the large transfer of revenues from the centre and special assistance of Rs 120 crores. There must obviously have been a big increase in non-Plan expenditure. Plan outlay also has been in excess of allocation. The centre is naturally anxious that there should not be a repetition of the happenings of 1970-72.

There will certainly be hard bargaining by the states with the centre as it may legitimately be contended that the centre itself is responsible for many difficulties and without some form of deficit financing in a transition period or fresh assistance from the centre there will be a big cut in Plan expenditure in the fourth year which will have undesirable repercussions in many directions. Mr Subramaniam has of course suggested that larger resources can be raised through an aggregation of agricultural and non-agricultural incomes for income-tax purposes. It is perhaps presumed that even if the wealthy farmers were brought into the tax net in this manner can be additionally Rs 200 crores in a year as the taxes in respect of agricultural incomes will have to be paid on a higher basis where the assesses are already in the income tax brackets.

The question is how the states will be in a position to find not only the resources required for maintaining the present level of expenditure without creating uncovered deficits but also secure additional resources for increasing the tempo of development expenditure.

If it is eventually determined that there was an overall deficit of about Rs 350 crores and if it was also considered imperative to raise Plan outlay by Rs 250 crores, the states will have the difficult task of finding an extra amount of Rs 600 crores in 1972-73.

It is quite likely that the additional tax effort of the centre and the natural growth in revenues of the state budgets will be able to account for about Rs. 300 crores of this gap and the balance of Rs 300 crores can be found only if there is taxing of agricultural incomes, and the subsidies incurred in the use of electricity for agricultural and other purposes are eliminated. It is too much to expect that the dialogues between the centre and states can be completed before the regular budgets for 1972-73 are presented to the new state assemblies by June next. The problem of funding existing overdrafts notionally with the centre taking over the liability of the states from the Reserve Bank on its own account may not be very difficult, solution though even here the repayment question may give rise to serious difficulties for some states.

Self-Reliance in oils : Problems and Prospects

ONCE A slogan is raised by the mighty and the high of this land, it is invariably and immediately picked up by all and sundry, regardless of whether or no it is applicable or at least feasible of application even remotely to their respective spheres of activity. The slogan of the day is self-reliance and, with apprehensions about aid from abroad, prospects of self-reliance, immediately or eventually, have come to be examined seriously by more than one industry in the country. One such industry is the oilseeds crushing industry which is suddenly faced with the problem of having to meet an estimated shortfall in total availability of some 2½ lakh tonnes of oils and fats during the current year (1972). The four main parties involved are the producers of oilseeds, the crushers of these oilseeds or the converters of oilseeds or oils into vanaspati, the exporters and the consumers, comprising domestic as well as industrial users. There are bound to be areas of conflict among these interests, but, given a reasonably complete or perfect understanding among them it seems, it should not be difficult to achieve self-sufficiency in this one important sector.

How or why is it that India, which once enjoyed the reputation of being a world exporter of oilseeds, has since become a net importer of oil? Since the past six years, despite two years of bumper harvests (1967-68 and 1970-71)

While these difficulties can be overcome with a correct understanding of the special needs of states, it will be a great achievement if as a result of the determined bid now being made to avoid deficit financing, there is a proper approach to the question of mobilisation of resources and creation of surpluses out of the huge investments already effected in many public sector undertakings. Any gap that may exist in central or state budgets for Plan purposes can be filled with the availability of credit from the banking system or term lending institutions as it is likely that the scheduled commercial banks particularly will have lendable resources for development purposes to the extent of Rs 200 crores in 1972. If the states can be disciplined to formulate financially viable schemes for utilising the surpluses, there need not be a contraction in Plan outlay or an unseemly effort for raising more revenues through fresh taxation which obviously will have to be in the form of higher taxes rather than new taxes. The challenge can be met if there is a pragmatic approach to the different issues and wasteful expenditure is avoided.

India has been importing soyabean oil at an annual rate of 1½ to two lakh tonnes, thanks to PL 480 and USAID. But this quantity does not represent the actual shortfall in the country's total needs of edible vegetable oils. (A scientific projection of such demand recently made places this at six lakh tonnes in 1975). Those who are planning for self-reliance are conscious of this apparently, as their proposals seem to indicate.

It has been India's misfortune that notwithstanding her extensive area under cultivation, her outturn of cash crops is among the lowest, if not the lowest, as, for example, in oilseeds and cotton. True there has been an increase in total production of oilseeds since the first five-year Plan—from 51 lakh tonnes in 1951 to 92 lakh tonnes in 1970-71—but the rate of growth in productivity over the two decades has been woefully low at just 2.5 per cent per annum.

Further, there has been an increase over this period in the area under oilseeds cultivation, which makes the progress even less flattering. Oilseeds production in India suffers from yet another phenomenon, namely the highly fluctuating outturn amounting to as much as 20 per cent at times. This is because oilseeds in India are grown mostly in rain-fed areas and are thus heavily subject to vagaries of the rain god. A cultivator of oilseeds may

easily lose a fortune, it is said, even if one rainfall is delayed unduly or happens to fail him. This is one of the factors that seems to discourage the oilseeds growers from resorting to chemical fertilisers and high-yielding varieties of seeds more readily than has been the case so far. It is here that the success of dry farming techniques will have the greatest impact.

India continues to be both an exporter and importer, of oilseeds, but she is a net importer today. It is interesting to note that one of the measures advocated for achieving self-sufficiency in oilseeds is a reorientation or rearrangement of our exports and imports. By exporting 20,000 tonnes more of castor seed oil, for instance, it is calculated 40,000 tonnes of tallow could be imported. Similarly, by exporting 50,000 tonnes of groundnut oil or 45,000 tonnes of handpicked groundnut oilseeds more, India could afford to import 90,000 tonnes and 55,000 tonnes respectively, of palm oil. The net addition to total availability of oils and fats in the country as a result of this rearrangement of some exports and imports is estimated at about 17,000 tonnes.

Apart from groundnut, rape, mustard, linseed and sesame, India also produces from her forest trees a number of minor oilseeds such as sal, neem karanja, pisa, kusum and mowra but the large potential of these oilseeds resources is yet to be fully tapped. Several problems are involved here, though, such as economic collection of these seeds, employment of the right crushing technique and the identification of the most profitable use to which oils extracted from these seeds could be put.

There has been a spate of suggestions lately, both in the Press and from public platforms, for achieving self-reliance in oils, and some of them, though inspired by blatant self-interest such as a series of incentives, are worth a careful examination by the powers-that-be. Here are the more important of such suggestions:

When any commodity is in short supply, the immediate suggestion of those who tend to adopt the line of least resistance is: "Let us ration the available supplies". This, however, is not practicable, nor is it easy, because it is not a simple task to identify and allot proper priorities to the several consumers.

The second suggestion is that we must put to the maximum economic use all the available resources. This implies complete understanding and co-ordination among the different

users of oils and oilseeds. Some of them must be prepared to use less of a given oilseed and more of a different seed, while others must be willing to replace indigenous oilseeds with imported oilseeds or vice-versa. Also some users of oilseeds like soap manufacturers must change over from soft or edible to hard or inedible oils and so on. It is difficult to see how this consummation can be achieved in the present highly unorganised state of the oil-crushing industry in the country.

Then there are the really feasible suggestions of increasing the per hectare yield of oilseeds, which is essentially a long-term measure, and putting to effective use the available large resources of some oil-bearing materials like cottonseed and rice-bran. At present, India's production of cottonseed is between 18 and 19 lakh tonnes, out of which only about 40 per cent is crushed, that is any where from 3.8 lakh tonnes (conservative) to six lakh tonnes (liberal). The corresponding estimates of oil are 70,000 tonnes to one lakh tonnes, and if this quantity could be doubled, our imports of edible oils at the present levels could be stopped. Similarly, although the potential availability of rice bran is estimated at 1.80 lakh tonnes, only 35,000 tonnes of this oil, and that of a poor quality, are being produced. The formidable problem here is that good rice-bran can be had only if we have modern rice mills.

A perusal of the possibilities and the problems connected with each of these suggestions points to the maximum economic utilisation of cotton seeds as the most practicable and promising way open to India to achieve self-reliance quickly and effectively. Here, again, the solution is not as simple as it sounds. All the world over, cottonseed is considered as a valuable oilseed although it is only a by-product of cotton. It is not that India does not regard cotton seed as a valuable oilseed, but cottonseed interests find it a lot easier to dispose it of as cottonseed which is in great demand as cattle feed than to sell it for being refined into edible oil or converted into vanaspati and, in the process, become subject to the whims and fancies of oilcrushers or vanaspati manufacturers who are able to dictate their own prices and also manage to get away that way.

Serious efforts to explore the potentiality of cottonseed oil are stated to have begun only lately—1957—but it is known that even as early as during the first world war, cottonseed ghee, as it used to be called then, was sold in provision shops. Be that as it may, the fact remains that the potentialities of

cottonseed have not yet been explored fully by India. Here, too, it is the tendency to adopt the line of least resistance that is responsible. To make good edible cottonseed oil, we need an expensive processing machinery and the right type of technique. This is because cottonseed oil must be fully refined or transformed into hydrogenated oil or vanaspati to become edible. Historically it has been known to be a good cattle-feed, and is said to be responsible for causing the hard or solid type of butter that people in Punjab and Haryana particularly prize so much. Of all the states, it is Maharashtra that has made the greatest progress in producing cottonseed oil. Even Gujarat has been lagging behind in this field.

That it is relatively more profitable economically to convert cottonseed into oil cannot be disputed, even as it cannot be questioned that national interests demand their use in this way. But a bald statement such as this, whoever may make it, will not lead to the desired results. Nor, for that matter, one of the several proposals made by the concerned interests, namely to enforce the compulsory conversion of all cottonseed into cottonseed oil, if need be by invoking the Essential Commodities Act.

This is certainly not feasible today, what with the assembly elections in the offing. Surely not even the ruling political party would think of alienating the formidable farm lobby of Punjab and Haryana which is interested in using cottonseed as cattle-feed. However, it should be possible slowly and gradually to wean these interests from their age-long practice, provided the oil-crushing section of the oilseeds interests adopt a really imaginative approach and convert the farmers and milch cattle owners to use an alternative cattle feed, instead of being content to cry from house-tops that cottonseed oil-cake is a relatively more nutritious food than plain cottonseed. They have effectively to demonstrate that this is so and go even further. They have to start a cattle-feed industry as a subsidiary and add to cottonseed oil cake other ingredients that would enrich the quality of milk and milk products.

If other countries have succeeded in making the cattle-feed a distinct industry with plenty of money in it, as, for instance, the USA and Canada with their vast ranches of beef and milch cattle, there is no reason why India should not make an earnest effort. Self-reliance in oils and fats must be construed both as an opportunity and a challenge and tackled accordingly if any such effort is to be meaningful and productive of results.

Mark-Time in Credit Policy

SAGITTARIUS

IN THE light of actual developments in the money market in 1971 and the demand for funds in the current busy season so far, the monetary authorities could have easily decided to liberalise credit restrictions and enabled banks to make more effective use of available resources. The Governor of the Reserve Bank however has indicated after having discussions with the Chief Executives of major banks on February 7, 1972, that there would be no change in the credit policy for the current busy season and that the scheduled commercial banks might even think of reducing their borrowings from the central banking institution to below the level of Rs 191 crores that was touched at the end of April 1971.

What is really significant to note is the fact that in the 12 months ended January 1, 1972, deposits rose by as much as Rs 1171 crores against Rs 808 crores in the 12 months ended December 31, 1970. But aggregate bank credit increased by only Rs 514 crores against Rs 837 crores of which procurement credit accounted for Rs 151 crores against Rs 113 crores. The expansion of net bank credit in 1971 was thus only 50 per cent of the growth in 1970, the actual amount being Rs 362 crores against Rs 724 crores. What are exactly the reasons for this sharp decline in the growth in advances when banks had lendable resources and it has been urged all the time by the union Finance Minister, Mr Y.B. Chavan, and others that liberal credit should be extended to the small farmers, small entrepreneurs and others besides meeting genuine needs of industry and trade?

Decline in Advances

There has of course been a sharp decline in advances against sugar on account of a drop in stocks by over eight lakh tonnes. But there has also been an increase in procurement credit by Rs 39 crores which could be said to offset at least to the extent of 40 per cent, the decline in advances against sugar stocks. The fact of the matter is that there should have been a net decline in farm credit during 1971. The details for the whole year are not available but those furnished by the Reserve Bank up to August 1971 indicate that the outstanding advances under this head were Rs 383 crores against Rs 400 crores at the end of

1970 and Rs 258 crores at the end of 1969. This clearly indicates that in the first eight months of 1971, there was a contraction in farm credit by Rs 17 crores against an expansion in 1970 of as much as Rs 142 crores. Does this mean that a contraction was due to excessive caution or that repayments against earlier credit was more than fresh advances, for agricultural purposes?

Whatever may be the factors that were responsible for the slower growth in advances in 1971, it has become abundantly clear that the earlier fears of unrelieved pressure on the banking system were unfounded. With the prospect of additions to deposits in the current year being even over Rs 1400 crores, there would be additions to investible resources by Rs 700 crores even assuming that 50 per cent of fresh deposits can be used for expanding credit. This would mean an addition to advances by Rs 700 crores, which can come about only if there is a higher level of economic activity and there is also a more liberal lending policy.

Rise in Govt. Holdings

The smaller growth in advances has naturally been helpful in effecting substantial additions to the investment portfolios of member banks and the net rise in holdings of government and approved securities was very impressive at Rs 420 crores against only Rs 214 crores in 1970. Fresh investments in central and state government loans alone were Rs 287 crores against Rs 122 crores, and in approved securities Rs 133 crores against Rs 92 crores, even after reducing borrowings by Rs 131 crores. On the other hand, these rose by Rs 210 crores in 1970. It is not surprising therefore that there has been a decline in credit-deposit ratio to 72.4 per cent from 78.3 per cent.

The happenings in the first three months of the current busy season also indicate that the growth in deposits continued to be impressive, the additions during the period between October 30, 1971 and January 28, 1972 being higher at Rs 291 crores against Rs 232 crores in the corresponding period 1970-71. As there has been smaller expansion of credit for procurement purposes, Rs 59 crores against Rs 101 crores, the growth in advances

has been only Rs 622 crores against Rs 309 crores. There has even been a slightly reduced growth in advances excluding procurement credit of Rs 204 crores against Rs 208 crores. Investments have therefore risen by Rs 151 crores against Rs 96 crores.

There was only a small drop in cash balances by Rs 5.70 crores against a marginal rise of Rs 1.04 crores. It was therefore necessary for the scheduled commercial banks to borrow from the central banking institution additionally Rs 129 crores against Rs 198 crores in the first three months of 1970-71. In the light of these changes it can be expected that additions to deposits during the whole of the current busy season may be even Rs 550 crores while advances may not increase by even Rs 394 crores which was the expansion achieved in the last season.

Lower Borrowings

As the Food Corporation of India has turned out to be a seller of wheat in order to bring down prices in the open market and supplies to Bangla Desh are being made at the rate of 40,000 tonnes every month, the net expansion of credit may even be less than in 1970-71 and borrowings of member banks from the central banking institution at the end of April may be much lower as compared to the figure for the corresponding month last year, especially as the additions to sugar stocks will be on a smaller scale as a result of a lower level of production and larger releases for current consumption. The busy season requirements may not therefore present any problems for the scheduled commercial banks and it may well happen that extremely easy conditions in the money market will prevail in the forthcoming slack season even after completing large-scale procurement operations.

The monetary authorities may feel happy over the absence of any big increase in bank credit for commercial purposes and the opportunity available for extending large support to the borrowing programmes of the central and state governments and public bodies. The indirect neutralisation of the adverse effects of an undue expansion of bank credit to government with caution in respect of lending for commercial purposes, is certainly desirable but this cannot be overdone as there would be an undesirable diversion of funds to the public sector while imposing needless restrictions on the activities of the private sector.

If there can be activation of the

customer confidence— the hallmark of English Electric products

And that's why ENGLISH ELECTRIC equipment is right now controlling and protecting most of the major power installations throughout India. ENGLISH ELECTRIC's guarantee of quality means 100% safety and reliability.

How? By rigid compliance with international standards, ensured by continuous investigations in the test and development laboratories at the Madras Works.

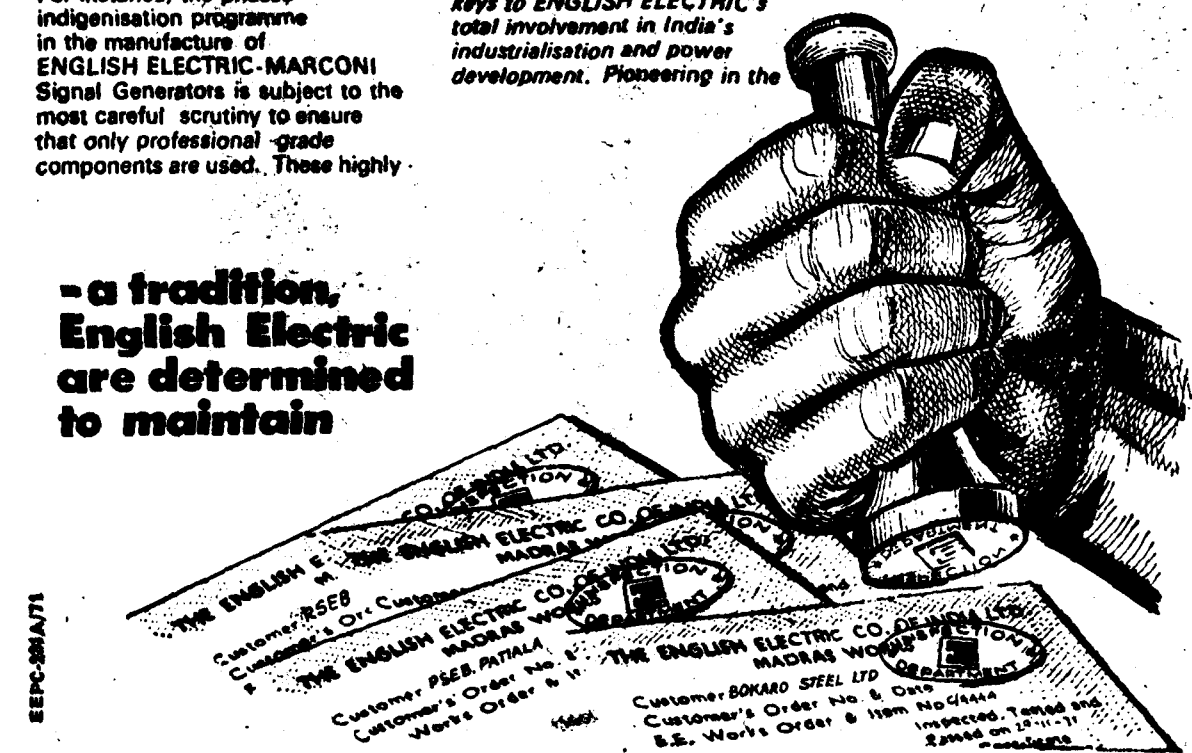
For instance, the phased indigenisation programme in the manufacture of ENGLISH ELECTRIC-MARCONI Signal Generators is subject to the most careful scrutiny to ensure that only professional-grade components are used. These highly

sophisticated instruments must work under varying conditions over long periods, and maintain a high degree of accuracy at all times. More than 700 of these Signal Generators are operating successfully all over India, from the snow-bound Himalayas of the North to the tropics of the South; from the arid deserts of the West to the humid North-East Frontier Area.

Control and Protection are the keys to ENGLISH ELECTRIC's total involvement in India's industrialisation and power development. Pioneering in the

indigenous manufacture of control and protection equipment, planned import substitution, sustained export drive and dedicated research and product development make ENGLISH ELECTRIC what they are today — trusted for quality and performance the world over.

- a tradition,
English Electric
are determined
to maintain

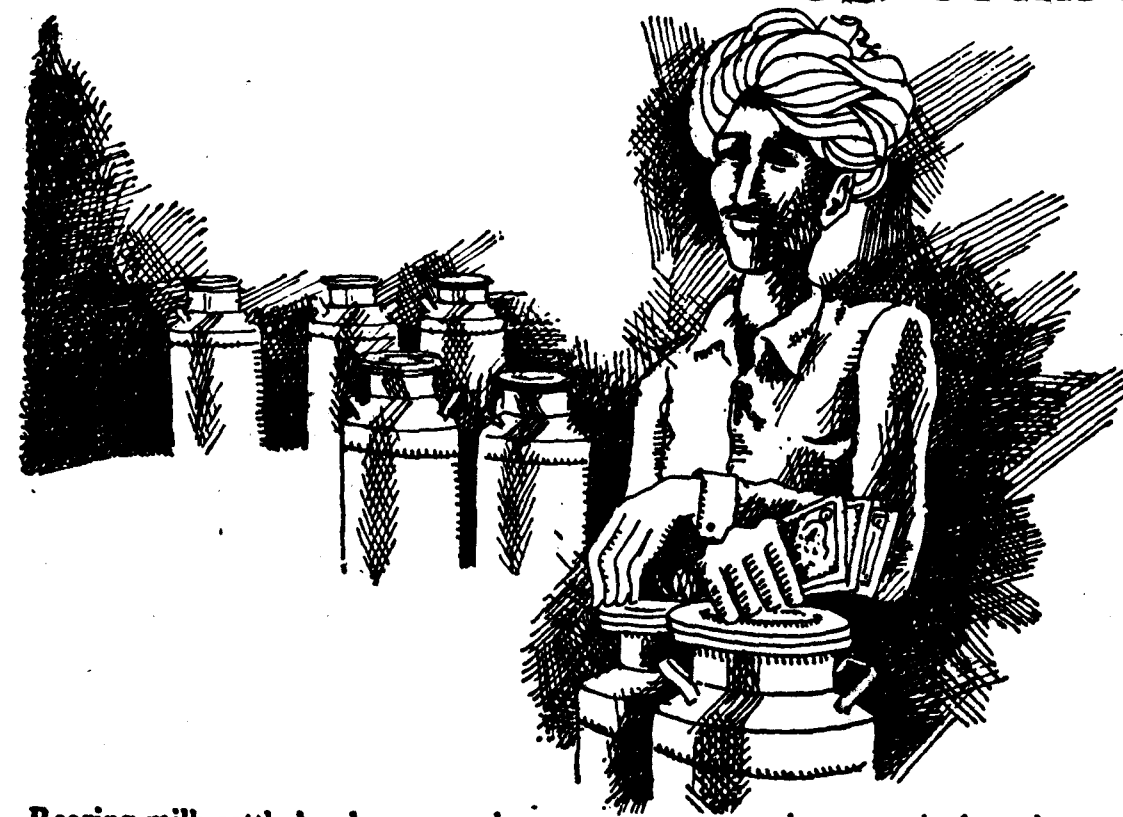


English Electric—playing a lead role in India's power development

THE ENGLISH ELECTRIC COMPANY OF INDIA LIMITED, MADRAS 43 **ENGLISH ELECTRIC**

Milk co-operatives as an instrument for creating new jobs

Survey of two villages in Kaira* traces half their income to milk



Rearing milk cattle has become as important an occupation as agriculture in many villages in Kaira. In villages with milk co-ops, slightly over half the income is from milk, as against 20% in villages without milk co-ops.

Apart from raising village incomes, milk co-ops have created more jobs in villages, in collection centres, in cattle feed plants and in animal husbandry services.

With mechanisation of farming displacing people from agriculture, it is imperative that villages should offer alternative opportunities for employment. The traditional farmer is under-employed in any case. Dairying offers a part solution to both problems.

*This survey was conducted by the Department of Economics, Sardar Patel University, Vallabh Vidyanagar. The estimated income included remittances from relatives in Africa.

Amul has shown the way.

industrial and agricultural sectors through a more liberal use of available resources, by extending short-term and medium-term credit, and there is also a more vigorous mobilisation of deposits, the banking system will be in a position to extend a helping hand for all genuine purposes and not feel over-extended. Since the position now obtaining in the money market is in complete contrast with the conditions that prevailed in 1970, it

would be worthwhile to find out why there has been a deceleration in the growth of bank credit and whether excessive caution has had any harmful effect on the activities of even priority sectors. As there is no possibility of a repetition of the happenings of 1969 and 1970, with an accelerated growth of deposits, the stage has been reached for a liberalisation of credit policies and for shedding negative approaches to outstanding issues.

Investment in Research and Development

KULBHUSHAN GUPTA

SCIENCE AND technology today have revolutionised thought and action in every sphere of human activity. Man is feeling their increasing impact on industry, business, agriculture and even in every-day life. He finds them woven tightly into the social, economic and political structures. Today, everything that he does, eats or wears has been shaped or reshaped by one or the other scientific or technological innovation or process.

The all-pervasive impact of science and technology demands, now more than before, a bigger emphasis on research and development. This is particularly true of a country like India which has not only to catch up with the developed countries but also has to march in step with them. But, what is our present investment in science and technology?

According to the latest report of the

Committee on Science and Technology of the Cabinet Secretariat (COST), India is estimated to have spent about Rs 168.69 crores on Research and Development (R and D) during 1970-71. This includes expenditure by the centre, states and the private sector, their share being 85.9 per cent, 7.5 per cent and 6.6 per cent respectively. Table I gives the detailed break-up with a comparison of the past years.

Major Organisations

What are the major organisations in India doing the R & D work?

There are five major ones: Department of Atomic Energy (DAE), Council of Scientific and Industrial Research (CSIR), Defence Research and Development Organisation (DRDO), Indian Council of Agricultural Research (ICAR) and Indian Council of Medical Research (ICMR). They together consume 66 per cent of

the total expenditure in the central sector. Table II gives break up of the expenditure incurred by the central sector.

It is interesting to compare the R & D expenditure in India with that of other countries. According to the COST latest report, the per capita annual expenditure on R & D in India was Rs 2.40 in 1965 as compared to Rs 832 in the USA, Rs 300 in Britain, Rs 250 in Sweden, Rs 200 both in France and Netherlands, Rs 190 both in USSR and West Germany and Rs 170 in Canada.

Woefully Inadequate

The figures in Table II show that India's expenditure on R & D is woefully inadequate. Even if we take the ratio of India's low GNP to its total expenditure on R & D during 1970-71 it does not come to more than 0.48. This is 0.52 per cent less than the expenditure of one per cent of GNP recommended for developing countries four years ago by the UNESCO-sponsored Conference on the Application of Science and Technology to Development of Asia.

The GNP-R & D expenditure ratio of the advanced countries with much higher GNPs is several times higher than that of India.

What perhaps is required at the present juncture is a change in attitude among policy makers in India. Expenditure on science and technology should not be viewed in isolation, but in totality of the situation with long range benefits in view.

TABLE I
ESTIMATED R & D EXPENDITURE IN CENTRAL, STATE AND PRIVATE SECTORS

(Rs crores)

	1958-59		1965-66		1968-69		1969-70		1970-71	
	Expenditure	% to total	Exp.	% to total	Exp.	% to total	Exp.	% to total	Exp.	% to total
Central sector	27.66	96.0	79.12	93.0	109.60	83.4	123.40	84.4	144.89	85.9
State sector	1.00	3.5	3.51	4.1	11.99	9.1	12.22	8.3	12.58	7.5
Private sector	0.15	0.5	2.43	2.9	9.85	7.5	10.63	7.3	11.22	6.6
Total	28.81	100.0	85.06	100.0	131.44	100.0	146.25	100.0	168.69	100.0

TABLE II
R & D EXPENDITURE IN THE CENTRAL SECTOR

(Rs lakhs)

Name of the organisation/ministry/department	1958-59		1965-66		1968-69		1969-70		1970-71	
	Expenditure	% to total	Exp.	% to total	Exp.	% to total	Exp.	% to total	Exp.	% to total
1	2	3	4	5	6	7	8	9	10	11
Major Organisations										
1. DAE (R & D)	775.88	28.1	2005.14	25.3	2536.61	23.2	2678.21	21.8	3296.27	22.8
2. CSIR	509.94	18.4	1413.89	17.9	1889.92	17.2	2012.17	16.3	2223.25	15.3
3. DRDO	150.00	5.4	973.10	12.3	1272.77	11.6	1454.27	11.6	1881.31	13.0
4. ICAR	372.29	13.5	640.98	8.1	1265.08	11.5	1596.00	13.0	1957.00	13.5
5. ICMR	50.50	1.8	105.00	1.3	164.10	1.5	170.00	1.4	204.70	1.4
Total A	1858.61	67.2	5138.11	64.9	7128.48	65.0	7910.65	64.1	9562.53	66.0
Ministries										
1. Education and Youth Services										
(a) Universities research	33.75	1.2	103.31	1.3	128.68	1.2	128.68	1.0	180.29	1.2
(b) others	273.08	9.9	728.01	9.2	903.97	8.2	948.71	7.7	1039.74	7.2
(c) Total	306.83	11.1	831.32	10.5	1032.65	9.4	1077.39	8.7	1220.03	8.4
2. Petroleum & Chemicals and Mines										
(a) Geological Survey of India	86.30	3.1	560.97	7.1	726.17	6.6	886.28	7.2	1125.00	7.8
(b) others	2.54	0.1	174.91	2.2	208.00	1.9	475.45	3.8	444.94	3.1
(c) Total	88.84	3.2	735.88	9.3	934.17	8.5	1361.73	11.0	1569.94	10.9
3. Tourism and Civil Aviation	178.19	6.5	318.18	4.0	441.28	4.0	526.37	4.3	668.56	4.6
4. Health, Family Planning & W.H.U.D.	53.28	1.9	193.27	2.5	350.80	3.2	350.80	2.9	350.80	2.4
5. Food and Agriculture	52.52	1.9	94.94	1.2	298.32	2.0	309.13	2.5	381.08	2.0
6. Information & Broadcasting	13.77	0.5	25.18	0.3	43.16	0.4	50.64	0.4	61.21	0.4
7. Railways	40.63	1.5	125.10	1.6	209.44	1.9	232.75	1.9	249.89	1.7
8. Irrigation and Power	41.94	1.5	193.99	2.5	176.99	1.6	176.99	1.4	176.99	1.2
9. Department of Statistics	85.77	3.1	172.60	2.2	236.04	2.2	236.04	1.9	236.04	1.6
10. Foreign Trade	45.54	1.6	80.68	1.0	95.66	0.9	95.66	0.8	99.41	0.7
11. Steel and Heavy Engineering	—	—	—	—	13.00	0.1	13.00	0.1	13.00	0.1
Total B	907.31	32.0	2773.74	35.1	3831.51	35.0	4429.50	35.9	4926.95	34
Grand Total: Central Section (A+B)	2765.92	100.0	7911.85	100.0	10959.99	100.0	12340.0	100.0	14489.89	100.0

Taxation in Developing Countries

C. R. THIAGARAJA VARMA

THE UNITED Nations General Assembly by a resolution requested the Secretary General of the UNO, among others, to prepare on a selective basis, a comprehensive study of the taxation systems in developing countries including those applicable to domestic as well as foreign capital with a view to evaluating their effects on and contributions to the mobilisation of resources and the distribution of income, and to submit the study to the Economic and Social Council. Accordingly, the then Secretary General, U Thant, assisted by outside consultants made six country studies and five cross-sectional studies of some of the important aspects of taxation in developing countries. On the basis of these studies as well as additional material collected and compiled by himself, the Secretary General prepared a report and submitted it to the Economic and Social Council.

The report covered important aspects of the taxation system such as the role of taxation in the mobilisation of domestic resources, taxes on income, sales and excise taxes, taxation of agriculture, taxes on foreign trade and tax incentives. The countries selected included Chile, China, Ecuador, Greece, Malaysia, Malta, Mauritius, Pakistan, Panama, Philippines, Republic of Korea, Thailand, Togo, Trinidad and Tobago and Uruguay. This article proposes to bring out the salient features of that part of the report which deals with taxation and mobilisation of domestic resources in developing countries.

Mobilisation of Resources

Mobilisation of domestic resources for economic development implies the two-fold task of increasing the total supply of savings and directing it into the desired forms of investment. In many developing countries, variations in interest rates and their structure do not have an appreciable effect on savings. One of the main reasons for this situation is that the institutional forms of savings, even if there are any, do not always offer much prospect. Therefore, it becomes an additional task of fiscal policy to increase the total supply of savings for total investment requirements.

Taxation is the most important fiscal instrument for mobilising resources. It provides direct transfer of resources from individuals to the government

and through a system of incentives and disincentives, it can help to direct resources into their most productive uses or into priority forms of investment. One of the essential requirements for increasing the marginal rate of savings is to reduce the rate of growth of private consumption and this can be achieved by an appropriate tax structure and suitable tax rates.

Tax Effort

An increase in the tax effort will greatly assist the development process and permit the government to avail itself of a rise in personal savings and net inflow of foreign capital. The tax effort can be measured by the ratio of the tax revenue to the gross domestic product. It is to be noted that tax effort is only one of several factors that should be considered in making tax policy decisions and a more detailed examination of the special circumstances of individual countries is needed before judgment for or against higher taxes is made. During the period 1960-68, the average tax effort of selected developing countries increased slightly from 16 per cent of gross domestic product to 18 per cent of gross domestic product (GDP). Significant increases occurred in Chile, Greece and Republic of Korea. In a number of countries, tax efforts during the period were almost stationary.

Even in countries where there was increase, it was largely accounted for by substantial contribution from social security (a social security tax is usually levied on a proportional basis—up to certain wage—and does not allow for difference in family size or for other criteria used for differentiating income capacity). If these social security contributions are excluded, the tax effort in general has not shown any significant increase during recent years. According to this report, the average current tax effort, excluding social security, is probably around 15 per cent of GDP in developing countries. Considering their own requirements as well as the high range of tax effort (25 to 35 per cent of GDP) in developed countries this is rather low.

The rate of increase in tax revenue was more or less the same as the rate of increase in GDP. The increase in tax revenue was obtained by the imposition of new taxes as well as by

altering the rates of existing ones. The proportion of direct taxes increased in a large number of countries, particularly in Israel, Nicaragua, Panama and the Republic of Korea. However, in all these countries, personal income taxes grew at a much faster rate than corporate income tax. In spite of this increase, in a majority of the developing countries, indirect taxes still constitute the bulk of tax revenue. In the sphere of foreign trade taxes, import duties are far more important than export taxes. The share of direct taxes is much more important in the countries of central America, the Caribbean, the middle east and north Africa. However, in Asia and the far east, on an average, direct taxes do not contribute more than 20 per cent of tax revenue.

The share of domestic indirect taxes is important in South America and Asia and the far east and least important in countries of tropical Africa. Countries of tropical Africa depend more heavily on international trade taxes. In spite of the increases in tax effort the ratio of the government savings to current revenues declined in many countries and in many other countries the ratio remained stationary. The main reason for this situation is the fact that the government current expenditures rose just as fast as current revenues. Countries like Korea which managed to bring about a drastic reduction in the level of government's current expenditures displayed considerable progress in their savings effort.

In view of the tendency on the part of the government current expenditure to raise and absorb additional revenues generated by the tax system in developing countries, it is sometimes argued that relevance cannot be placed on taxation to mobilise additional resources for development and therefore either taxes should be earmarked for specific type of expenditure or a massive and concerted effort should be made to step up the rate of private savings in their institutional forms.

Fiscal Discipline

The system of earmarking of taxes has got its own advantages and disadvantages. It will introduce some fiscal discipline through persistent commitment to certain expenditure objectives and it will discourage the opening up of new areas of expenditures until tax revenues can be raised. However, it will reduce flexibility in programming and fail to take into account changing priorities. It would introduce rigidities in planning and might even impair its inner balances and consistency. It will provide no guarantee of ensuring efficiency in public expenditures. Therefore the system may be suitable for

adoption at the local level and not at the national level where the problem is one of controlled and efficient utilisation of budgetary revenues for government current expenditures.

The report concludes that taxation, through government savings, has made very little dent on the mobilisation of resources in developing countries. This conclusion is based on the facts that the average gross national savings for selected developing countries increased from around 18 per cent of GDP during 1960-62 to 21 per cent in the period 1966-68 and the average gross domestic savings, during the period increased from 14.4 to 17 per cent of GDP. The share of gross domestic savings in the total savings rose from about 77 per cent to a little over 81 per cent. In terms of gross domestic product, average government savings showed an unappreciable growth from 2.7 per cent during 1960-62 to 3.1 per cent during 1966-68. In general, the relative contribution of government savings to gross domestic savings has declined in a majority of countries and therefore the bulk of the savings effort is still undertaken in the private sector.

Public Borrowings

Though India does not find a place in the list of countries selected by the UNO for a study of this particular aspect, it may be of interest to know the position of our own country in this regard. In India so far as mobilisation of public resources is concerned both tax and non-tax revenues are raised. The government also resorts to public borrowings, both internal and external and deficit financing. Tax revenues form a major part of the total revenues of the central government. In 1950-51 the percentage of tax revenue to the total revenue was 91.19 per cent. There was a change in the position in the subsequent years. The percentage of tax revenues to the total revenues was 79.79 in 1960-61 and 78.20 in 1971-72.

Taking into account the tax revenues tapped both by the central and the state governments, the percentage of total revenues to gross national product showed generally an upward trend. As pointed out earlier, the ratio of total tax revenues to the gross national product is a pointer to the level of tax effort. In 1950-51, the percentage was 6.9, in 1960-61 it was 10.4 and in 1965-66 it again registered an increase of 3.6 per cent. However in 1970-71 it fell to 11.8 per cent. It may be noted that the percentage in 1965-66 was high partially because national income had a set-back due to country-wide droughts in that year.

In September 1969 issue of *Finance*

& Development, a quarterly publication of the IMF and World Bank Group, there is an interesting article on 'Tax effort in Developing Countries'. The learned authors of the articles, who happen to be members of the IMF staff, have measured the tax effort of 52 developing countries by the ratio of their tax revenue to gross national product. For most countries the data are averages for 1963-65. The countries have been ranked on the basis of the ratio of their tax revenues to their gross national product. On a simple tax ratio basis, India ranks thirty-seventh. However, when account is taken of India's per capita income which is rather low relative to other countries, its tax effort rank rises to twentyone. In this study India has been classified under the category of 'average tax effort countries.'

Main Reasons

The main reasons for the low ratio of tax revenue to gross national product in India are as follows:—

(1) About 50 per cent of our GNP is contributed by agriculture and allied activities. Comparatively, agriculture contributes very little to the tax revenue.

(2) A considerable part of our GNP does not enter the market. It is consumed by the producers themselves and hence it is not within the reach of our tax net.

(3) Tax revenues are adversely affected due to inefficiency of tax administration.

As in other developing countries covered by the UN study, in India also direct taxes have a very low percentage in the tax structure. Direct taxes were 2.4 per cent of the GNP in 1950-51, 3.5 per cent in 1965-66 and 2.5 per cent in 1970-71. Indirect taxes account for nearly 80 per cent of the total tax receipts. The sharp rise in prices that has taken place is an unmistakable indication that the limits of indirect taxation have already been reached. Similarly in India also the current expenditure of the government has been increasing just as fast as current revenues. The revenue receipts for the year 1950-51 amounted to Rs 405.86 crores and the revenue expenditure for the current year is likely to be in the order of 3586.86 crores.

The tax system of our country has permitted resource mobilisation in the broad framework of the existing tax structure. Incentives for savings and investment have been provided for proper canalisation of resources. The tax

proposals for 1970-71 also reflected the government's concern with the objective of promoting greater equality in the distribution of incomes and wealth. Recently the union Minister of State for Finance suggested in the course of a speech that the taxation laws of our country are heavily weighted in favour of assesses and unless the situation is changed mobilisation of resources for development would suffer. The budget for 1970-71 as well as 1971-72 contained several measures to stimulate savings.

Domestic Savings

The fourth Plan as finalised postulates that the rate of domestic savings will rise from 8.8 per cent of national income in 1968-69 to 13.2 per cent of national income in 1973-74. To attain this progressive rise in domestic savings, a significant increase in the rate of public savings has been assumed in the Plan — from 1.4 per cent of national income in 1968-69 to 4.5 per cent in 1973-74. If the Plan projection is to be realised the fiscal system has to be geared to a far greater degree than in the past to the task of mobilising domestic savings in a manner consistent with the requirements of equity and social justice. Besides, in view of the rising trend in prices, this task of raising domestic savings has to be implemented largely through non-inflationary modes of finance.

Currently our government is faced with the problem of saving what remains of the fourth Plan, while providing sufficiently for the Defence needs of the nation and doing what it can to assist the government and people of Bangla Desh. In order to raise the resources required to solve these two problems, the government has to take bolder steps like mending the gaping holes in the existing income-tax network, extending it to the new class of rich farmers, taking far bolder steps to stimulate savings and cutting down non-developmental government expenditure.

The central government's resources came to Rs 1000 crores more in 1970-71 than in 1964-65. But during the same period its net savings actually declined by Rs 278 crores. The discrepancy in accounted for by a stunning increase in non-developmental expenditure of nearly Rs 1,200 crores since 1965-66. Therefore the need for cutting down non-developmental government expenditure is all the greater. In the short run such a cut will prove to be most effective. However, the government has to exercise strict financial discipline to ensure that many extra resources raised are not spent on non-essential items.

WINDOW ON THE WORLD

Developing Countries' Trade with Communist World

JOSSLEYN HENNESSY

LONDON.

I TRADE WITH THE WEST

WHILE CONSIDERABLE publicity has been given to the volume of east bloc trade with the developing countries, analyses of the overall volume or of the regional and commodity structure of this trade are less than frequent. A report recently published by the West German Institute for Economic Studies suggests that the notable expansion in the first half of the 1960s to which the east bloc countries called attention at UNCTAD in New Delhi in 1968 ("trade rather than aid") did not last into the second half of the 1960s. Instead, the developing countries have increased their trade with the western industrialised countries.

The development of trade between the developing countries and the east bloc countries has lost momentum in recent years. (The political group known as the "east bloc" includes regions at varying stages of development: Bulgaria, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, Rumania, USSR — the Comecon countries — as well as the People's Republic of China, North Korea, and North Vietnam). While total foreign trade of the developing countries increased steadily from 1959-60 to 1969, exports to east bloc countries remained constant in 1965-66 at \$2,400 million, declined slightly in 1967, and thereafter rose to reach \$2,800 million by 1970. Total exports of developing countries in 1971 reached nearly \$55,000 million.

Of Little Significance

Compared to trade with the rest of the world, east bloc trade is of relatively little significance for the developing countries. Since 1967 the east bloc's share of exports was only five per cent, of imports barely eight per cent. (Trade with the rest of the world includes trade with the western industrialised countries as well as among the developing countries themselves. The classification into country groups is according to UN statistical definitions). The share of trade among developing countries remained roughly constant, while exports in the second half of the 1960s became more concentrated on the wes-

tern industrialised countries. Deliveries of the developing countries fell further short of covering purchases from east bloc countries: the ratio of exports to imports (f.o.b.) declined from 98 per cent (1960) to 81 per cent (1965) to 64 per cent (1970)—representing an increasingly lopsided balance of trade with the socialist countries.

Expansion of trade was supported by the socialist countries through supplier loans — usually long-term — provided in bilateral agreements on economic-technical co-operation. In addition, loans were extended to cover debit balances in current accounts. Such arrangements are generally found where barter transactions (commonly used) have produced imbalances in bilateral relations in east bloc trade owing to incongruous supply and demand.

The published total volume of recent credit agreements between the east bloc and developing countries and various estimates on the extent of disbursement (which range from one third to one half of commitments) suggest that trade in

coming years is unlikely to be boosted to any appreciable extent.

II

REGIONAL DIFFERENTIALS

In a comparison of the rankings of loan recipients and trade partners of the east bloc countries the developing countries of Asia are in the lead. African countries and, as export buyers, the Latin American countries follow after.

The closeness of ties with the east bloc vary widely among the developing countries. Apart from regions where transit trade predominates (Hong Kong and Macao), Cuba, Afghanistan, Egypt, Syria, Mali, and Cambodia have close trade ties with the east bloc. The socialist countries' share of exports or imports of each country was 23 per cent or more in at least one year in the period 1964-1968. At least 20 per cent was also achieved in Ceylon, Sudan, Burma, Ghana, Indonesia, and Iraq.

Overall, third world exports to the east bloc increased by nearly nine per cent yearly from 1960 to 1970. In the first half of the decade, when exports doubled, the average annual increase was 14 per cent. In the second half, however, the rate fell to three per cent. On its present volume and rate of growth, trade with the east bloc is of minor importance for most developing countries. This applies in particular to the European socialist countries, for which—in contrast to the Asian group—the volume of trade

TABLE I

CREDIT COMMITMENTS OF THE EAST BLOC TO DEVELOPING COUNTRIES

(Millions of US dollars)

Source	1966	1967	1968	1969
UN*	1313	621	758	776
US Dept. of State †	1488	407	591	894
OECD ‡	1488	407	724	..
OECD ‡	..	400	600	900

*UN, The External Financing of Economic Development, International Flow of Long-term Capital and Official Donations, New York, 1969 and 1970, as well as advance excerpts of the UN Statistical Yearbook 1970, New York, 1971.

†For 1966 and 1967: BMZ-Materialien, No. 6; 1968: US Department of State, Bureau of Intelligence and Research, RECS-5.

‡OECD Observer, No. 46 (June, 1970).

‡OECD, DAC Review, 1969 and 1970.

with developing countries of the third world is insignificant. Since 1960, this trade's share was below eight per cent for all Comecon countries, of which the Soviet Union leads with 10 per cent (1965-66). Trade with the east bloc will not achieve significant proportions for the developing countries — apart from those mentioned above — unless and until a considerable expansion occurs.

III THE COMMODITY STRUCTURE

Finished and semi-finished goods predominate in developing countries' imports overall and from the east bloc.

Because of the high capital goods requirements, machinery and transport equipment top the list, making up about one-third of imports. Compared with those from the west, imports of chemical products from socialist countries are negligible. The east bloc — and especially its Asian members — is well represented in imports of food, beverages and tobacco.

Trade with developing countries of the third world is important for the Asian countries within the east bloc. Although originally the closest commercial ties were with the European socialist countries — 1959 export share: 72 per cent — the relative significance of exports from Asian to European

socialist countries has been declining from year to year. Exports in this category have fallen so sharply — owing to the weight of China — that since 1966 they have even been less than those to western industrialised countries. The share of exports to other developing countries outside the east bloc has risen steadily and since 1964 has been largest.

The commodity structure of developing countries' exports generally shows a high proportion of primary products. This is particularly true of trade with the socialist countries. In 1965, primary goods made up 89 per cent of exports to the east bloc, compared with 82 per cent to the rest of the world.

TABLE II

REGIONAL STRUCTURE, COMMODITY STRUCTURE OF SOCIALIST COUNTRIES' EXPORTS TO DEVELOPING COUNTRIES

(Millions of US dollars)

Goods group	SITC	1965			1969		
		Africa	Asia	Latin America	Africa	Asia	Latin America
Foods, beverages, and tobacco	0+1	64	358	127	122	451	169
Raw materials	2+4	40	64	58	47	110	63
Fuels	3	37	56	106	51	39	92
Chemicals	5	28	60	52	38	118	53
Machinery and transport equipment	7	312	444	207	296	649	370
Other industrial products	6+8	195	552	166	231	650	202
All groups	0-9	688	1535	716	860	2075	1020

Source: UN, Monthly Bulletin of Statistics, March, 1971.

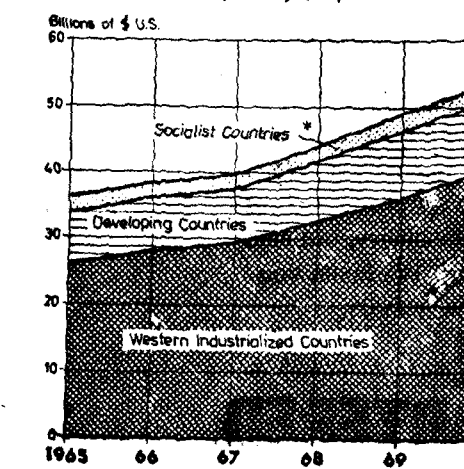
TABLE III

FOREIGN TRADE OF DEVELOPING COUNTRIES

Year	Total imports*	Imports from socialist countries	Total exports	Exports to socialist countries			
				Total	to USSR	of which to eastern Europe (excl. USSR)	to Asia†
				million of US dollars			per cent††
1955	23.1	0.6	23.7	0.6	28.4	43.1	28.4
1960	29.1	1.3	27.3	1.2	41.8	36.1	22.1
1965	37.6	2.9	36.4	2.4	45.2	33.5	21.3
1966	40.8	3.2	38.7	2.3	45.3	35.9	18.6
1967	41.8	3.4	40.1	2.2	49.1	36.1	14.4
1968	46.3	3.5	44.4	2.2	47.2	39.2	13.6
1969	51.7	4.0	49.6	2.6	46.9	37.7	15.4
1970	57.7	4.3	54.2	2.8	46.0	39.6	14.4

*f.o.b. †People's Republic of China, Mongolia, North Korea, and North Vietnam. ††Slight deviations due to rounding off. Sources: UN, Yearbook of International Trade Statistics, 1966; UN, Statistical Yearbook, 1969, UN, Monthly Bulletin of Statistics, June, 1971.

Through 1969, this ratio fell only slightly (five percentage points as compared with seven points in exports to other countries). The ratio of primary goods exports to the Asian people's republics even increased, reaching an average of 94 per cent.

EXPORTS OF DEVELOPING COUNTRIES
by Country Groups

*Comecon members plus People's Republic of China, North Korea and North Vietnam.

Sources: UN, Yearbook of International Trade Statistics 1966; UN Statistical Yearbook 1969; UN Monthly Bulletin of Statistics, June, 1971.

The "mineral fuels" commodity group, which dominates developing countries' exports — in the classification according to one-digit SITC groups — is of little importance in trade with the socialist countries (because only a few developing coun-

tries possess such resources, particularly petroleum); if this SITC group (3) is disregarded, primary products' share of exports to the rest of the world was only 72 per cent in 1965, 63 per cent in 1969). Food, beverages and tobacco continue — although to a gradually lessening degree — to be quantitatively the most important commodities exported to the east bloc, followed by other raw materials. (For exports to the Asian group, the ranking is reversed. In 1969, raw materials alone made up about two-thirds of these deliveries). These groups presumably counterbalanced one another in 1970 with a share of 40 per cent.

Exports of finished and semi-finished goods to the socialist countries were correspondingly low. This group's share amounted to only about one-sixth in 1969, smaller than its share in exports to the rest of the world (about one-fourth). The share of other manufactured goods (SITC 6+8) — the most important commodity group — has increased steadily in the past few years, but in 1969 amounted to only 13 per cent of exports to the east bloc, compared with 20 per cent to the rest of the world.

It should, however, not be overlooked that for many developed countries, the east bloc provides markets for products which could either not be sold elsewhere at all or only at disadvantageous terms. Another advantage of this trade is that payment can often be

made in the country's own currency. Still, the level of trade with the east bloc thus far — exports to Japan alone are twice as great — has remained well below the hopes of most developing countries. Real intensification of mutual trade relations has yet to take place, although the east bloc professes to regard its trade with developing countries as "development aid". Even the trade among developing countries of the third world is by and large already more diversified than trade with the socialist countries.

One reason for this may be that consumer goods predominate in the finished goods exports of the developing countries. Imports of consumer goods currently have low priorities in the socialist countries, where they have to compete heavily with domestic products.

The conclusion seems to be that in present circumstances it is doubtful that the promises of the socialist countries — reiterated recently in the Comecon "Complex Progress" — to expand trade with the developing world will amount to much in the visible future.

Sources and acknowledgements: The foregoing summarises a recent report kindly sent me by the Deutsches Institut für Wirtschaftsforschung (5 Königin Luise Str., West Berlin 33), but the DIW is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.



Our fleet of seventeen modern freighters offers fast, regular and dependable service between

INDIA—U. K. & THE CONTINENT • INDIA/EAST PAKISTAN—SOUTH AMERICA
INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
INDIA—POLAND Also around the INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

PLANNING TO MODERNISE?

Our business is to assist your business

To all small-scale industrialists, The Chartered Bank gives a head start on the exciting journey to success. We help you not only to purchase and set up your plant and machinery, but also to finance production. We invite you to discuss your plans with us.



**THE
CHARTERED
BANK**

AMRITSAR, BOMBAY, CALCUTTA, CANBERRA,
COCHIN, DELHI, KANPUR, MADRAS,
NEW DELHI, SAMBHAJI.



Trade Winds

CLOSED PERIOD FOR ISSUES

IN TERMS of Sub-clause (ix) of Clause 5 of the Capital Issues (Exemption) Order, 1969, the union government, in consultation with the Reserve Bank of India, has decided that the period between July 1, 1972 and September 9, 1972 (both days inclusive) shall be the closed period for 1972. During this period no offer of securities of a nominal value exceeding Rs 249 lakhs (exclusive of amounts to be subscribed by government and non-residents) shall be made or kept open by a public limited company.

SARAIYA REPORT

The Banking Commission presented its report to the Finance Minister, Mr Y.B. Chavan, on February 9, 1972. The Commission, headed by Mr R.G. Saraiya, was set up in February 1969 to look into some crucial sectors of the banking industry. The Commission was asked to enquire into and make recommendations for improving the structure of the commercial banking system and its geographical and functional coverage. It also examined the cost and capital structure of the banking system, its operating methods, procedures and management policies. Another area investigated by the Commission was the working of co-operative banks and the role of various classes of non-banking financial intermediaries.

The Commission was originally required to submit its report by December 1970 but its tenure had been extended from time to time. Besides the Chairman, Mr R.G. Saraiya, the Commission had three other Members: Mr N. Ramanand Rao, Mr Bhabatosh Datta and Mr V.G. Pendharkar, who was its Member-Secretary.

GENERALISED PREFERENCES

The United Kingdom government has implemented its offers under the UNCTAD Generalised Scheme of Preferences (GSP) with effect from January 1, 1972. The Commonwealth Preference arrangements are not affected by this. If goods exported from India satisfy the appropriate conditions of origin and consignment, admission to the UK under either the Commonwealth Preference or the GSP may be claimed. In respect of most of the items of India's exports to the UK, the existing Commonwealth Preference rates are more favourable or at least as favourable as tariff rates under the UK scheme under the GSP.

In respect of these items the existing certification procedure for claiming

Commonwealth Preference rate would continue. A list of items in respect of which the GSP rate of the UK might be more favourable than the existing Commonwealth Preference rate has been circulated to all export promotion councils, commodity boards, associations of chambers of commerce, etc. In respect of these items the certification scheme under the GSP would naturally have to be followed. The general conditions, the forms of certificates of origin and the certifying authorities for exports to the UK under GSP would be the same as in the case of EEC.

CALCINED PETROLEUM COKE

The union government has recently reviewed the position relating to the facilities currently available in the country for manufacture of calcined petroleum coke and has come to the conclusion that it would be necessary to augment the indigenous capacity as expeditiously as possible through establishment of further capacity in this field. It is, therefore, proposed to encourage the setting up of additional capacity for manufacture of 150,000 tonnes of finished calcined petroleum coke in the course of next four or five years. The government proposes to encourage setting up of at least three units each with capacity of 50,000 tonnes of finished product per annum. As all the units are to be based on imported run petroleum coke and the volume of material to be handled is considerable, it is felt that the units should preferably be located in the port area of Calcutta/Haldia, Madras/Cochin and Visakhapatnam. Interested entrepreneurs have been asked to submit their applications for registration to the Directorate General of Technical Development, Ministry of Industrial Development,

Udyog Bhavan, New Delhi, so as to reach by March 15, 1972.

SELF-RELIANT ECONOMY

This country has been trying to have self-reliant economy for long and a great measure of success was achieved which was clear from the fact that the net aid inflow (exclusive of food aid) declined from Rs 533 crores in 1967-68 to Rs 235 crores in 1971, stated Mr K.N. Modi President, the All-India Manufacturers' Organisation, (AIMO), while speaking at a seminar organised recently. The country was not able to balance imports and exports as yet, he added. In 1970-71, there was a deficit on trade account to the extent of Rs 90 crores which further went up. In the first eight months of the current year trade deficit stood around Rs 181 crores as compared to Rs 51 crores in the corresponding period of 1970-71. The self-reliant economy did not mean stoppage of imports, but it only implied that we should depend on trade rather than on aid and should make every endeavour to balance exports and imports, Mr Modi pointed out. No country in the world, however advanced, could produce everything it needed and with the industrialisation imports had risen even of countries such as the USA, Japan, and West Germany, but they were able to finance them by increasing exports. The same had to be done by us and that too in the shortest possible time, stressed Mr Modi.

LOANS FOR HOUSING

The Housing and Urban Development Corporation (HUDCO) recently signed two loan agreements amounting to Rs 4.28 crores with the Delhi Development Authority and the Rajasthan Housing Board. The loan of three crores rupees at concessional rate of interest will enable the D.D.A. to construct 3500 houses for the low income group and economically weaker sections of society. The loan of Rs 1.28 crores will enable the Rajasthan Housing

Eastern Economist 25 Years Ago

FEBRUARY 21, 1947

The constitution of the Commodities Prices Board is a welcome recognition on the part of the Government of the paramount importance of the price level and is perhaps the first concrete step taken by them to correct the disturbing price trends which have been so much in evidence since the end of the war. The Board is to be semi-independent semi-judicial, expert body consisting of three members of whom one will be a public man and one an economist, charged with the function of tendering advice to the Government on what levels of prices should be fixed for various commodities. The terms of reference of the Board are comprehensive and wide enough to enable it not only to tender advice on such matters as are referred to it, but to

take the initiative itself and enunciate policy. For the Board shall, at the request of the Central Government, advise, "in the light of all relevant data and of such conditions as may be specified, what prices or price limits should be fixed for commodities, the price of which is controlled by the Central Government or by a Provincial Government" and also shall keep under constant review the movements of commodity price in India and whether at the request of the Central Government or of their own volition advise the Central Government whether the price of any commodity not controlled should be controlled and if so, what price or price limits should be fixed for that commodity.

Board to provide plots and 504 houses in a composite scheme containing over 75 per cent of the houses for the people in the low income group.

U.N.I.D.O. AT ASIAN TRADE FAIR

United Nations Industrial Development Organisation (UNIDO) has offered to provide Industrial Promotion Service (IPS) during the Third Asian International Trade Fair beginning here on November 3 this year.

EXTERNAL ASSISTANCE

Foreign aid agreement signed during the first nine months of 1971-72 (April to December, 1971) amounted to \$ 754.77 million (about Rs 566 crores). Of this project aid was \$437.30 million (about Rs 327 crores) and non-project aid was \$ 317.47 million (about Rs 238 crores), which included assistance in the form of debt relief amounting to \$85.84 million (about Rs 64 crores). Country-wise details of the aid agreements signed during April to December 1971 are given in Table I.

India also signed Food Aid agreements with four countries, during April to

December 1971, details of which are given in Table II.

TRADE UNION ACCORD

A positive advance was made towards the establishment of trade union unity and a new industrial relations system at the meeting of the working party of employers' and workers' representatives recently. The hurdles that had hitherto stood in the way appear to have been largely overcome. In his opening remarks, the Labour Minister, Mr R. K. Khadilkar, expressed satisfaction over the progress made by the representatives of workers' organisations towards an agreement on the basic questions of union recognition and disputes settlement mechanism. He expressed the hope that it would now be possible for them to reach a final agreement in the shortest possible time. The workers' representatives had come to some tentative agreement in respect of questions of union recognition and dispute settlement. The participating organisations, namely, the INTUC, the AITUC and the HMS had

also decided to set up a Joint National Council of Trade Unions in order to eliminate inter-union rivalry, promote healthy trade unionism and contribute towards the drive for self-reliance. All industrial disputes would be settled by direct negotiations with the recognised union alone or with others as indicated in the formula for recognition. The idea of having bipartite committees at the industry, regional and plant levels was also agreed to. In the course of the discussions at the working party, it was further agreed that collective agreements could provide for exemption of sensitive areas or department in a plant from strike action.

WEALTH-TAX RETURNS

The time for filing wealth tax returns by agriculturists for the assessment years 1970-71 and 1971-72 has been extended up to February 29, 1972. The object of the extension is to enable persons owning agricultural lands or other assets related thereto, liable to wealth tax, to have their agricultural assets valued properly by qualified valuers for furnishing their returns.

CO-OPERATION WITH SPAIN

Mr Mohammad Yunus, Special Secretary in the Ministry of Foreign Trade, during his two-day visit to Madrid on his way back from Latin America, met officials, political leaders and businessmen of Spain. He addressed the Spanish Chamber of Commerce about India's interest in expanding her trade pattern and in increasing her contacts with the developing countries and Spain. Local industrialists expressed a keen desire for closer collaboration with Indian businessmen and government agencies and offered credit of fifty million dollars to purchase capital goods and ships from Spain. Government circles also expressed their desire for closer collaboration with India in increasing trade and undertaking joint ventures in Latin America and Africa and agreed to participate in the Third Asian International Trade Fair in New Delhi.

NAMES IN THE NEWS

The union government has nominated Dr B. Datta of Calcutta and Mr S.M. Joshi of Poona, directors of the Central Board of the Reserve Bank of India.

Mr Viren J. Shah, the Vice-President and Managing Director of Mukand Iron and Steel Works Ltd., has been elected the Vice-President of the Indian Merchants' Chamber for the year 1972. He is also a member of the Committee of the Federation of Indian Chambers of Commerce & Industry and that of the Committee of Indian Merchants' Chamber.

The lowest ever fares to New York—on Pan Am's 747.

Daily from Delhi!



Return tickets that cost less than one-way fares!

Delhi — New York — Delhi Rs. 4125 (\$ 550)

Bombay — New York — Bombay Rs. 4125 (\$ 550)

(via Delhi both ways)

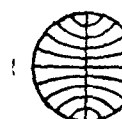
Calcutta — New York — Calcutta Rs. 4875 (\$ 650)

(via Delhi both ways)

Excursion Economy 14/120 days fare.

Call your Pan Am Travel Agent or call us.

• New Delhi: Chandralok, 36, Janpath, Tel: 43571
• Bombay: Taj Mahal Hotel, Tel: 255448, 255454
• Calcutta: 42, Chowringhee Road, Tel: 44-3251
• Madras: 8/9, Thambu Chetty Street, Tel: 29301, 23242
• Kottamandru: Hotel Sallies-Oberoi, Tel: 11211
• Colombo (Ceylon): Kottapitiya, Tel: 78271



Pan Am.

Pan Am, first with daily 747 service round the world.

TABLE I
COUNTRY-WISE DETAILS OF AID AGREEMENTS

Name of the country/institution	Project	(\$ million)	
		Non-project	Debt relief
1. Austria	..	2.90	0.88
2. Belgium	..	47.26	1.10
3. Canada	4.17	27.31	0.77
4. W. Germany	16.40	12.60	30.06
5. France	14.40	25.39	5.00
6. Japan	14.65	13.80	20.60
7. Netherlands	..	2.57	0.70
8. Sweden	10.48	64.80	..
9. UK	19.20	35.00	18.00
10. USA	21.00	..	8.73
11. IBRD	60.00	..	..
12. IDA	277.00	..	..
Total	437.30	231.63	85.84
Rupees Crores (Approx.)	327.98	173.72	64.38

TABLE II
COUNTRY-WISE DETAILS OF FOOD AID AGREEMENTS

Country	Amount	
	\$ Million	Rs crores (approx)
1. Australia	3.77	2.83
2. Canada	37.33	28.00
3. UK	1.92	1.44
4. Seventh Supplementary Commodity Agreement (PL-480) between the Government of India and USA for wheat, cotton and soyabean	158.27	118.70
Total	201.29	150.97

The world's latest can making technology now comes to India You can enjoy all its benefits

**AMERICAN
CAN COMPANY
U.S.A.**

American Can Company, the world's leading can manufacturer and Poysha, India's most enterprising can maker, enter into technical collaboration to elevate packaging technology in India.

American Can Company, whose annual sales now exceed Rs. 1325 crores, established the metal container industry's first research laboratory, developed the pull-tab, easy-open can

- invented the novel Mira-seam process for tin-free steel and aluminium cans
 - developed the all-tin easy open can
 - developed the drawn and ironed tin can to name a few.
- These advanced can making techniques are the result of Rs. 18 crores spent annually on research and development which

are made available to each of the American Can's 25 subsidiaries and 25 associates operating in 33 countries all over the world.

Poysha will assist canners and consumers in India and abroad through improved technology, new materials and new processes. For India, this promises real progress and sophistication in the packaging field.

POYSHA

INDUSTRIAL COMPANY LIMITED

Tieicon House, Dr. E. Moses Road, Bombay-11
Manufacturing Plants: Bombay (Thana)
New Delhi (Ghaziabad) • Cochin

KAJRA CAN COMPANY LIMITED Bombay
Manufacturing Plant: Anand

Company Affairs

VOLTAS

MR M. R. Bhide, Executive Chairman, Voltas Ltd. observed in his annual report for the year ended August 31, 1971, that the year was a significant landmark in the history of the company when its total sales crossed the Rs 100-crore mark. The increase in sales over the previous year was over 13 per cent. The profits before taxes increased to Rs 3.17 crores as against Rs 2.58 crores during the previous year. The good performance was attributed by him to five factors, namely, substantial increase in production at the Thana works, satisfactory growth in sales, improvement in the company's operational efficiency, strict financial control and co-operation received from its employees. The chairman added that during the year air conditioning equipment was supplied for ships, railways, dairies and the chemical industry. The sales of room air conditioners touched a peak. The company also supplied sophisticated switch gear equipment and secured orders for a complete modern textile mill. The performance in the fields of construction equipment and materials handling, machine tools, mining and conveying equipment and agro-industrial products was also quite remarkable.

Mr Bhide revealed that the company's exports doubled to Rs 27 lakhs during the year and it also exported textile machinery on behalf of Lakshmi Machine Works Ltd amounting to nearly Rs 1.24 crores. The company was trying to locate more markets in eastern Europe, South-east Asia, Australia and New Zealand. He added that three new branches of the company had been opened and the net work of dealerships was strengthened in order to achieve a wider coverage. He stated that the company had two long-term objectives before itself. It proposed to increase its turnover at progressively enhanced rates with the commensurate rise in profits and also to increase its own production in the next five years to at least twice the present level. The company, he added, would also lend support to the joint ventures and associated companies.

INDIAN OXYGEN

Mr N. Dandeker, Chairman, Indian Oxygen Ltd, informed the shareholders at the annual general meeting held recently that the production of open arc continuous electrodes at the Ambattur factory of the company was established during the year ended September 30,

1971. He added that the union government approved the proposal for the production of certain tubular hard facing welding rods and electrodes in technical collaboration with an Australian company. Steps for its implementation were being initiated. The company, he pointed out, had submitted to the union government comprehensive expansion plan for the next few years which would mean substantial diversification of the activities of the company. He hoped that favourable decision in respect of the projects included in the first phase would be taken soon. Mr Dandeker indicated that the company's turnover for the year under review exceeded the previous year's figure of Rs 17.3 crores to Rs 20.52 crores showing an increase of over 18 per cent. The increase was shared by all sections of the company's products particularly in the case of arc welding consumables and equipment.

He told the shareholders that the profit of the company for the year under review after providing depreciation was Rs 2.02 crores as against Rs 1.90 crores during the previous year. Tax provision for the year was around Rs 1.29 crores leaving a net profit of Rs 72.58 lakhs. After transferring Rs 3.50 lakhs to development rebate reserve and writing back from this account Rs 6.50 lakhs now released, the company transferred a sum of Rs 75.58 lakhs to general reserve. The directors, he added, decided to recommend the distribution of dividend at the rate of 14 per cent subject to deduction of tax, to be paid out of the general reserve. The company was able to make a further repayment of Rs 39 lakhs against the medium term loan granted by Punjab National Bank and also repaid Rs 4.50 lakhs to the British Oxygen Company Ltd against the loan granted by the latter. Mr Dandeker revealed that the company's licensed capacity for industrial gases had already been fully utilised and capacity for electrodes was also expected to be fully utilised soon. Therefore, it was simple that without further increase in its licensed capacities the company was not able to benefit substantially from the additional demands of its products. He therefore, hoped that the company would be allowed to play its due role in the nation's struggle for rapid economic development.

Subject to the consent of the Controller of Capital Issues and the Reserve Bank of India in respect of allotment to non-resident members of the company,

Indian Oxygen Limited has decided to issue 1,540,000 new ordinary shares of Rs 10 each as fully paid-up bonus shares by capitalising a sum of Rs 114.80 lakhs from general reserve and Rs 39.20 lakhs from the share premium account. The said new shares will be issued in the ratio of one for three to those members whose names are registered in the books of the company as on a date to be fixed later. To those members, who are entitled to a fraction of a new ordinary share, the company will allot the new ordinary shares represented by the total number of such fractions. The new ordinary shares shall in all respects rank pari passu with the existing shares except that these shall not qualify for any dividend that may be declared in respect of any financial year prior to the financial year in which the issue of the said new shares is made.

INDIAN ALUMINIUM

The directors of Indian Aluminium Company Limited have recommended payment of dividend (subject to deduction of shareholders' Income-tax at source) of Rs 6.25 on each preference share, and a dividend of Rs 1.04 on each fully paid ordinary share, the dividend on partly-paid ordinary shares being in proportion to the amount actually paid up. Sales in 1971 reached a record level of Rs 39.94 crores, an increase of nearly 13 per cent from the previous year. The increase reflects improvement in output from all the company's plants, particularly from the Belgaum smelter which was in the process of start-up last year. Net profit, for the year, after taxes and provision for development rebate reserve amounted to Rs 4.19 crores compared to Rs 2.75 crores in 1970. Development rebate reserve amounted to Rs 2.73 crores compared to Rs 2.52 crores in 1970. The company's new sheet mill at Taloja, near Bombay, was commissioned in December 1971, although work still continues in connection with the installation of some of the finishing and ancillary equipment. At Belgaum fifty out of the eighty-two pots in the fourth pot room were commissioned. Expenditure on new plant and equipment during 1971 amounted to Rs 128.6 million.

CHEMOPULP TISSUES

Chemopulp Tissues Limited has proposed to raise a capital of Rs 12.5 lakhs, comprising 75,000 equity shares of Rs 10 each and 5,000 redeemable cumulative preference shares of Rs 100 each from the public during the first week of March. The company is promoted by Electrosteel Castings Limited, Calcutta, for setting up a paper project at Ghaziabad, Uttar Pradesh, for the manufacture of tissue, kraft

and poster papers. The company's plant will have a daily installed production capacity of 4.5 tonnes of 20 gsm per square metre MG paper. Initially, the company intends to produce 1,750 tonnes of tissue paper in different colours for which there is a great demand in the country. The complete paper plant is being supplied by Eastern Paper Mills Limited, Calcutta who are manufacturing paper plants and equipments in collaboration with a Japanese firm. Production from this unit is likely to commence in the first half of 1972.

I.C.I.C.I.

At a recent meeting of the board of directors of the Industrial Credit and Investment Corporation of India Limited (ICICI) the audited accounts for the year ended December 31, 1971 were adopted. Net profit after providing for depreciation, doubtful debts and taxation was Rs 179.27 lakhs as against Rs 168.26 lakhs last year. The directors decided to recommend a dividend of 10 per cent subject to deduction of tax (same as last year) on the ordinary shares.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the three weeks ended December 11, 1971. The list contains names and addresses of the licensees, articles of manufacture, types of licences — New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shift-ing and annual installed capacity.

LICENCES ISSUED

Ferrous Industries

M/s Southern Steel Ltd.: P-38, India Exchange Place, Calcutta-1. (Hyderabad-Andhra Pradesh)—1. Cold Rolled Narrow Strips—7000 tonnes pa., 2. Box Strappings—3000 tonnes pa. (NU); M/s The Indian Smelting Refining Co. Ltd.: Lal Bahadur Shastri Marg, Bhandup, Bombay-78 (NP). (Thana-Maharashtra) Malleable Iron Castings—2000 tonnes pa. (COB).

Non-Ferrous Industries

The Industrial Metal Works Pvt. Ltd.: 25, Netaji Subhas Road, Calcutta-1. (Calcutta-West Bengal)—Extruded Products of Non-ferrous metals and Alloys—900 tonnes pa. (COB); M/s Metallica Works Pvt. Ltd.: 138-14, Govt. Industrial Estate, Kandivli (West), Bombay-67. (Bombay-Maharashtra) 1. Non-ferrous Alloys (This includes aluminium die casting alloys of—1500 tonnes per annum and zinc die casting alloys of—600 tonnes per annum)—3600 tonnes per annum, 2. Lead sheets /lead wool—150 tonnes per annum.

(COB); M/s Vijay Industrial Works: 532, Mahatma Gandhi Road, P.O. Paschim Putiary, Calcutta-41. (Calcutta-West Bengal)—1. Copper and brass sheets and strips—335 tonnes pa., 2. Arsenical Copper rod & cadmium copper rod—48 tonnes pa., 3. Tin based alloys including solder wires—4 tonnes pa. (COB); M/s Alcobex Metals (Pvt) Ltd.: 1, Ansari Road, Darya Ganj, Delhi-6. (Jodhpur-Rajasthan)—Non-ferrous metal extrusions—1500 tonnes pa. (COB).

Electrical Equipment

M/s Eswaran and Sons Enggs. Private Ltd.: 5-7, Second Line Beach, Madras-1. (Tamil Nadu)—Items: 1. Oil Circuit Breakers 0-1200A, 1,200 Nos. 2. Switches: 17,300 Nos., 3. Switch fuses, 25,000 Nos. 4. Distribution Boards, (with moulded Fuse units) 3,700 Nos. 5. Fuse Unit, 70,000 Nos. 6. Fuse Switches, 30-300A, 1,700 Nos. 7. Safe-lock Fuse units 0-200 A, 150,000 Nos. 8. Cast Iron Switchgear, 8,000 Nos. (SE); M/s Standard Batteries Ltd.: Vakila, Santa Cruz, Bombay-55-AS. (Bombay-Maharashtra)—Marine Duty Special Cells of capacity ranging upto 12,500 AH (25 K.W.H.)—1000 Cells or 2 Nos. per annum. (NA)

Telecommunications

M/s Asha Brothers Pvt. Ltd.: 10/14, Shamset Street, Chhipi-Chawl, Bombay-2. (Thana-Maharashtra)—Trim-mers—2.0 million Nos. pa. (NA).

Transportation

M/s K.S. Diesels Pvt. Ltd.: 19-21, Hamam Street, Fort, Bombay-1. (Rajkot-Gujarat)—Multi Cylinder Fuel Injection Equipment. —40000 Sets p.a. (NA).

Industrial Machinery

M/s G.R. Engineering Works Pvt. Ltd.: 86, Kasanji Road, Bombay-59 ASM. (Bombay-Maharashtra)—1. Pharmaceutical Machinery such as kettles and vessels, mixers, blenders, granulators, mixing and kneading machines, 2. Chemical machinery such as pressure vessels, reaction vessels, heat exchangers & distillation columns, 3. Distillation plants for industrial alcohol, rectified spirit/rum spirit and silent spirit. Rs. 75 lakhs pa., (SE); M/s Atlas Copco (India) Pvt. Ltd.: Mahatma Gandhi Memorial Bldg., Netaji Subhas Road, Bombay-2. (Bombay-Maharashtra)—1. Rock Drills—3600 Nos per annum, 2. Pusher Legs—780 Nos. per annum. (SE).

Machine Tools

M/s Maya Agencies: Merchant Chamber, 41, New Marine Lines, Bombay-20. (Maharashtra)—1. Rotary Plastic & Rubber Injection Moulding Machines. — Either 12 big or 24 small machines, per annum. 2. Moulds for production of plastic & rubber footwear—192 pairs pa. (NU).

chines, per annum. 2. Moulds for production of plastic & rubber footwear—192 pairs pa. (NU).

Chemicals

M/s Deepak Insulated Cable Corporation Ltd.: 4th Floor, Vidhana Veedhi, Bangalore. (Bangalore-Mysore)—Wire Enamels—80 tonnes pa. (NA); M/s Indian Oxygen Ltd.: Oxygen House, P-34, Taratala Road, Calcutta-53. (Delhi)—Nitrogen Gas—15,000 Cu. metres per annum. (COB); M/s Sanghi Motors (Bombay) Pvt. Ltd.: 39-A, Hughes Road, Bombay-7. (Kotah-Rajasthan)—1. Oxygen gas—9,00,000 Cu. meters per annum, 2. Acetylene gas—1,80,000 meters pa. (NU); M/s Shakti Insulated Wires (P) Ltd.: 22-Apollo Street, Bombay-1 (BR). (Maharashtra)—Synthetic wire enamels viz. PVA, Polyurethane, Polyester and Polyestermide etc. — Within the already licensed capacity of 360 tonnes pa. for manufacture of polyvinyl Formal and Polyurethane wire enamels. (NA); M/s Industrial Development Corporation of Orissa Ltd.: Post Box No. 78, Bhubaneswar. (Orissa)—1. Sodium Dichromate—3,300 tonnes pa. 2. Sodium Sulphate

THE ECONOMIST INTELLIGENCE UNIT, London

Just out

WORLD OUTLOOK 1972

The 1972 issue of 'World Outlook' provides separate detailed forecasts of likely trends in the economies of 150 countries.

An introductory section brings together the main threads of the analyses presented in the individual country forecasts, setting out the broad pattern of the forces that are likely to condition the world economic environment in 1972.

Quantitative estimates covering the main economic indicators are amplified by considered qualitative judgements. 'World Outlook 1972' is based on the Outlook sections appearing in the EIU's Quarterly Economic Reviews published in the fourth quarter of 1971, revised in the light of data available up to January 1.

Single copy £ 6.25 including airmail postage. Can be ordered against Rupee payment for Rs. 118.75 and at the special rate of Rs. 109.25 for existing QER subscribers. Cheque payable in favour of J.A. Shah should be included with the order.

J.A. SHAH, Exclusive Representative in India, 67, Marine Drive, Bombay-20. Telephone 291283.

—1,520 tonnes pa. (NU); M/s Bharat Pulverising Mills (P) Ltd: Hexamar House, 28, Sayani Road, Bombay. (Bombay-Maharashtra)—Disinfectant (Phenyl), 2,40,000 litres pa. (NA).

Drugs and Pharmaceuticals

M/s Pfizer Limited: Express Towers, Nariman Point, Backbay Reclamation. (Bombay-Maharashtra)—Banminth (3-Methyl Pyrantel Tartrate) Oral Sol. 4%—15,000 litres pa. (N.A.).

Paper

M/s Ashok Paper Mills Ltd: C/o. Director of Industries, Government of Assam, Shillong. (Assam & Bihar)—Assam Unit. 1. Pulp—36,000 tonnes pa. 2. Writing and Printing Paper—27,000 tonnes pa. Bihar Unit. 1. Fag Pulp—4,500 tonnes pa, 2. Speciality Paper—13,500 tonnes pa. (NU); M/s Andhra Pradesh Paper Mills Ltd: Shreeniwas House, Waudby Road, Fort, Bombay. (Andhra Pradesh)—1. Pulp—Expansion from existing capacity of 4500 tonnes to 60,000 tonnes pa. 2. Paper for writing, printing, packing, publication and magazine grade paper—Expansion from 45000 tonnes to 60000 tonnes pa. (SE); M/s Punalur Paper Mills Ltd: Punalur (Kerala). (Punalur-Kerala)—1. Pulp—Expansion from 12,500 tonnes pa. to 33,000 tonnes pa., 2. Creamlated white printing, M.F. Paper Brown, M.F. Blue Match papers; M.F. & M.G. Cone Board, M.G. Ribbed Kraft Paper.—Expansion from 12,500 tonnes to 33,000 tonnes pa. (SE).

Vanaspati

Shri Bishwanath Mussadi, J.P.: 1-A, Burman Street, Calcutta. (Calcutta-West Bengal)—Vanaspati—50 tonnes per day. (NU); Shri Lakshmi Flour Mills Ltd: 541-A, Rabindra Saranee, Calcutta-3. (Madhya Pradesh)—Vanaspati—50 tonnes per day. (NU); M/s Ashok Industries: C/o M/s., Bhagwan-das Sobhalal Jain, Bada Bazar Sagar (MP). (Sagar-Madhya Pradesh)—Vanaspati—25 tonnes per day. (NU); Shri Ghulam Mohi-ud-Din Trumboo: Managing Director, Elaykay Roller Flour Mills, Srinagar. (Jammu & Kashmir)—Vanaspati—26 tonnes per day. (NU); Shri Harash Kumar Aggarwal: 5, Ring Road, Lajpat Nagar-IV, New Delhi. (Newai, Distt. Tonk-Rajasthan)—Vanaspati—25 tonnes per day. (NU); M/s Puri Hydrogenate Products: Guru Nanak Market, 7, Hamidia Road, Bhopal. (Sanchi-Madhya Pradesh)—Vanaspati—25 tonnes per day. (NU); Shri V.K.Lohia: M/s Assam Vegetable Products Ltd, Naujan Road, Gauhati. (Assam)—Vanaspati—50 tonnes per day. (NU); M/s Dinsh Co. Ltd.: 5, Clive Row, Calcutta-1. (Madhya Pradesh) Vanaspati—50 tonnes per day. (NU); M/s The Ground-Nut Processors Co-operative Society Ltd: Sangli. (Sangli-Maharashtra)—Vanaspati—25 tonnes per day

day. (NU); M/s Krishna & Co: 4309, Bhairon Street, Nai Sarak, Delhi 6. (Alwar-Rajasthan)—Vanaspati—50 tonnes per day. (NU); Shri M.L. Jain: Sukh-Sadan, Dishpur, Gauhati-5. Goalpara or Cachar-Assam)—Vanaspati—50 tonnes per day. (NU); M/s Kesri Vanaspati Products Ltd: Bungalow No. 9, Dalmianagar, Bihar. (Naini-Uttar Pradesh)—Vanaspati—25 tonnes per day. (NU); Shri B.L. Jaju: 1-A, D.L. Khan Road, Jagu Bhavan, Calcutta-27. (Madhya Pradesh)—Vanaspati—50 tonnes per day. (NU); Shri N.J. Agrawal: Shreenikatan, 86-A, Marine Drive, Bombay-2. (Khamgaon-Maharashtra)—Vanaspati—30 tonnes per day. (NU); M/s Kisan Brothers: 311, New Cloth Market, Ahmedabad-2. (Gujarat)—Vanaspati—25 tonnes per day. (NU); Shrimati Durgeshwari Sahi: Maharani of Hathwa, Hathwa House, Near Gannndhi Maidan, Patna-1. (Hathw Bihar)—Vanaspati—50 tonnes per day. (NU); Shri Shreelal Aggarwal: 9, Jagmohan Mullick Lane, Calcutta-7. (Jodhpur-Rajasthan)—Vanaspati—50 tonnes per day. (NU).

Cement

The Director, Government Cement Factory: Dalla (Mirzapur—UP), Dalla Uttar Pradesh)—Portland Cement—368,000 tonnes pa. The total capacity after expansion including the existing licensed capacity will be 8.00 lakh tonnes. (SE); M/s Tamil Nadu Industrial Development Corporation Ltd: 3rd Floor, L.L.A. Bldg., 150-A Mount Road, Madras-2. (Alangulam-Tamil Nadu)—Portland Cement—300,000 tonnes p.a. The capacity after substantial expansion including the existing licenced capacity will be 7.00 lakh tonnes. (SE).

LETTERS OF INTENT

Ferrous Industries

Shri G. D. Saraogi: 41, Bungalow Road, Kamla Nagar, Delhi. (Mora-dabad/Mathura-Uttar Pradesh)—(a) Castelled beams—10,000 tonnes pa. (b) Broad flanged beams—6,000 tonnes

pa. (c) Structural fabrication—8,000 tonnes pa (NU); The Champion Engg Works Ltd: Swami Vivekanand Road, Goregaon, Bombay. (Bombay-Maharashtra)—(i) Alloy Steel—3,300 tonnes pa, (ii) Free Cutting Steel—1,200 tonnes pa, (iii) Stainless Steel—500 tonnes pa (NA); M/s S.B. Udyog: Himalaya House, (F. 66, 6th Floor), 23, Kasturba Gandhi Marg, New Delhi. (Faridabad Haryana)—(a) Spring steel wire—4,800 tonnes pa, (b) ACSR conductor core wire—8,600 tonnes pa, (c) Prestressed concrete wire—1,800 tonnes pa (d) Umbrella rib wire—1,350 tonnes per annum, (e) M. S. Fine gauge black wire (19G and thinner)—1,500 tonnes pa, (f) M. S. fine gauge galvanised wire (19 G and thinner)—2,600 tonnes pa, (g) M.S. tinned detonator wire—300 tonnes pa, (h) Cycle spoke wire—2,700 tonnes pa, (i) Tyre bead wire—1,350 tonnes pa (NU).

Non-Ferrous Industries

M/s Deccan Engineering & Refrigeration Co: 193, Rashtrapathi Road, Secunderabad-AP. (Hyderabad-Andhra Pradesh)—Roll Bond Aluminium Panels for Refrigeration Industry—2,00,000 Nos pa, (NU).

Electrical Equipment

M/s Eastern Electronics Pvt Ltd: 1-2, Industrial Area, Faridabad, (Haryana)—1. Electronics Test Instruments/ equipment—Expansion from 1595 Nos (Rs 18 lakhs) to 5000 Nos (Rs 85 lakhs) per annum, 2. Selected Professional grade components—Expansion from Rs 3.5 lakhs to Rs 13.5 lakhs pa (SE); M/s Kashmir Electronics (P) Ltd: C/o Kashmir Metal Mart, Hari Singh High Street, Srinagar. (Jammu & Kashmir)—Connectors—1.0 million Nos per annum (NA); M/s Allied Electronics Corp.: 94, Knsar Chawl, Kalbadevi Road, Bombay. (Maharashtra)—Connectors—1.0 million Nos per annum (NU); M/s O.E.N. Industries Ltd: 27/142, A, Padiyath Road, Ernakulam, S. Cochin-16. (Kerala)—Con-



Self-Reliance is C.P.I.'s main poll plank.

nectors—0.2 million Nos per annum (NU); Shri K. N. Patel: C/o Vikram Electric Co.: Advani Chambers, Sir P. M. Road, Fort, Bombay-1. (Gujarat)—1. Connectors—1.0 million Nos per annum, 2. Relays—0.1 million Nos per annum (NU); M/s Forbes Forbes Cambell & Co, Ltd: Forbes Building, Home Street, Fort-Bombay-1. (Maharashtra)—Dry Reed Relays—1.0 million Nos per annum (NA); M/s O.E.N. India Ltd: 19/88-B, Kaloer Road, Post Box No 1905, Cochin-18, (Kerala)—Special types of switches used in electronic equipment including micro-switches. Expansion from—3 lakhs per annum. to 6 lakhs per annum (SE); M/s The Indian Aluminium Cables Ltd: F-40, N.D.S.E. (part D), New Delhi-49. (Uttar Pradesh)—1. Connectors—1.0 million Nos per annum, 2. Relays—0.1 million Nos per annum (NA); M/s Mahindra & Mahindra Ltd: Electronics Division, Worli Road No 13, Worli, Bombay-18. (Maharashtra)—Metalised Film Capacitors—4.0 million Nos per annum (NA); M/s Culter-Hammer India Ltd: 20/4, Mathura Road, Ballabgarh, (Ballabgarh-Haryana)—1. Motor Control Centres—500 Nos pa, 2. Special Control Panels—250 Nos per annum, 3. Fuse Switches—7,000 Nos pa, 4. Industrial Resistors—7,000 Nos per annum, 5. Industrial (magnetic) Brakes—1,000 Nos pa, 6. Decontactors—40,000 Nos

per annum, 7. Junction Boxes—terminals (above 30 Amps rating)—50,000 Nos per annum, 8. Welding connectors—5,000 Nos per annum, 9. Resistance welding control equipment—1,00,000 Nos per annum, 10. Precious Switches—1,00,000 Nos pa (NA).

Telecommunications

Shri Ajit P. Deshpande: Rushilla, 17-Carmichael Road, Bombay-26. (Maharashtra)—(a) Plastic film capacitors—10.0 million Nos pa, (b) Electrolytic capacitors—5.0 million Nos pa, (c) Loudspeakers (Miniature & Hi-fi)—0.5 million Nos per annum (NU); Shri Paul Nanda: 12, King George Avenue, New Delhi. (Haryana)—(i) Loudspeakers—0.5 million Nos per annum, (ii) Potentiometers—1.0 million Nos pa, (iii) Styroflex capacitors (plastic film)—10.0 million Nos pa, (iv) Electrolytic capacitors—5.0 million Nos pa (NU); M/s Murphy India Ltd: Dr Shirodkar Road, Off Hospital Avenue, Parel, Bombay-12DD (Bombay-Maharashtra)—Record Players: 20,000 Nos pa (NA); Shri Sajjan Kumar Rajgarhia: C/o C. M. Rajgarhia Giridih, Bihar (Rajasthan)—(a) Semiconductor—10.0 million Nos per annum, (b) Diodes—2.0 million Nos pa.

Transportation

M/s Dhawan Motor Company: Latouche Road, Kanpur. (Kanpur-Uttar Pradesh)—Engine Valves—14.4 lakhs

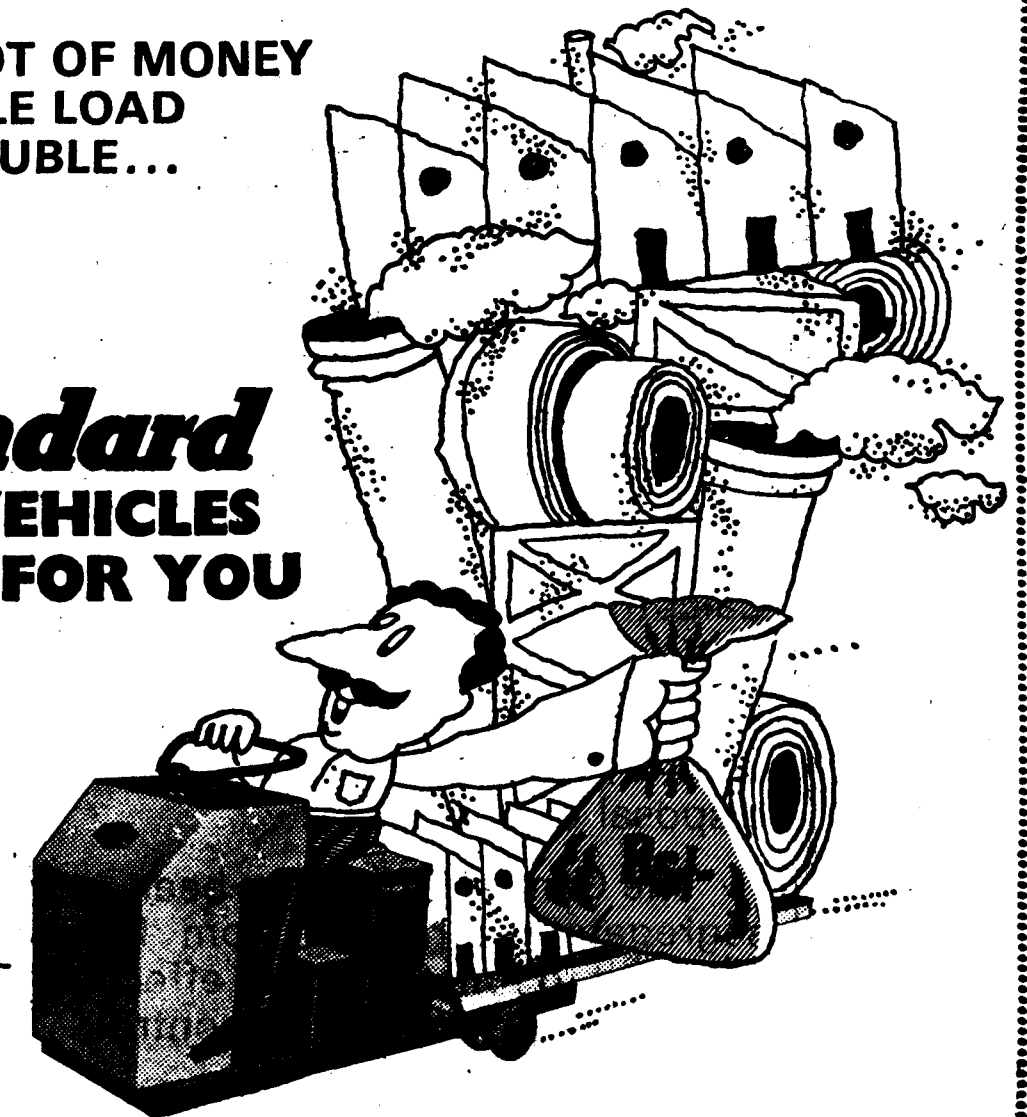
Nos per annum (NU); Shri Saroj Kumar Poddar: 'Hong Kong' House, (1st Floor): 31, Dalhousie Square, Calcutta-1. (Ghaziabad-Uttar Pradesh)—Engine Valves and Guides—15 lakhs pieces each per annum (NU); M/s Wheels India Ltd: Padi, Madras. (Padi-Tamil Nadu)—Wheels for commercial vehicles, tractors, cars and jeeps—7.50,000 pa, (after expansion) (SE).

Industrial Machinery

Shri B. N. Bhaskar: P.O. Ishwar Nagar, New Delhi. (Faridabad-Haryana)—Ball Mills, Tunnel Kilns, Automation equipment including automatic electric, Pneumatic as well as hydraulic controls required for Ceramic machinery—Rs 120 lakhs per annum (NU); M/s Ravindra Heracus Pvt Ltd: Bank of Baroda Building, Appollo Street, Bombay-1. (Bombay-Maharashtra)—1. Precious Metal Spinnerets (Reworked) 65 kg, 3.58 million holes (MH)—Rs 28.00 lakhs, 2. Precious Metal (fresh) Spinnerets 10 Kg, —0.52 million holes (MH) Rs 4.00 lakhs, 3. Tentulum Spinnerets (fresh)—30Kg 0.4 million holes (MH) Rs 4.00 lakhs, 4. Stainless Steel Spinning Plates (fresh) 3000 Kg 0.4 million holes (MH)—Rs 17.00 lakhs (NA); M/s Daharpur Timbers Pvt Ltd: 1-B, Judges Court Road, Calcutta-27. (Ghaziabad-Uttar Pradesh)—Finned Tube Air Coolers for process plants—Three Thousand ton-

SAVE A LOT OF MONEY
AND A WHOLE LOAD
OF TROUBLE...

GET *Standard*
ELECTRIC VEHICLES
WORKING FOR YOU



Now available on
D.G.S. & D. Rate Contract—
'Standard' electric truck.

Why put up with the noise, the fumes, and all the nagging maintenance worries of petrol or diesel powered vehicles when you could be using STANDARD ELECTRIC VEHICLES?

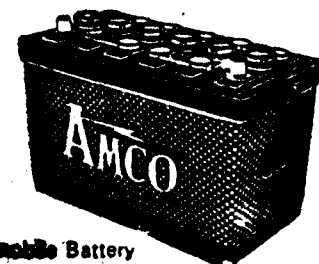
Electric vehicles cost only 1/3 as much to run as other powered vehicles. They don't make a noise, fume or vibrate; their solid and simple design makes for easy maintenance and unrestricted manoeuvrability; and this means they last longer—you can reckon on 50% longer life expectancy.

And if your vehicle is in Bombay, you get a BONUS advantage with STANDARD—we'll service

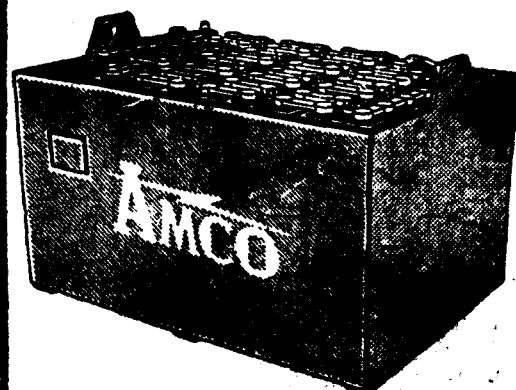
your vehicles free for one year. But wherever you live, our factory trained and experienced personnel will service your vehicles and batteries at the same time, to save you the bother of two separate operations. □ So wake up from the vehicle nightmare with STANDARD's range of electric vehicles. They are made to cater for any load up to 3 tons and there is a whole range of trucks and tractors to choose from.

For further technical and engineering information, write to: The Commercial Manager, The Standard Batteries Limited, Vakeela, Santa Cruz, Bombay 55 AS.

LINTAS-STB. 35-200



Automobile Battery



Industrial (Motive Power) Battery

MAC(8)AM 98

THOSE WHO WANT
THE BEST
DEPEND ON



AMCO
Power Plus BATTERIES

MANUFACTURED BY
THE PIONEERS OF INDIA'S BATTERY INDUSTRY
AMCO BATTERIES LTD.,
Unity Buildings, BANGALORE-2.

SERVICE — ENGINEERING — RESEARCH — LONG LIFE



CENTRAL BANK OF INDIA

An Announcement

With effect from 1st February 1972, Central Bank of India has divided its vast network of 1008 branches into five Zones with their headquarters at Bombay, Bhopal, Calcutta, Chandigarh and Madras.

The Zonal Managers and Branch Agents have been given substantially larger powers with a view to bringing about a speedier disposal of business.

The Central Office has been reorganised to segregate Operations from Management to enable it to function more effectively in policy-making, supervision and control.

In lieu of Chief Agents, Divisional Managers have been appointed whose primary task will be to improve branch operation.

With this reorganisation, Central Bank stands ready to serve you with greater efficiency and speed.

nes valued at Rs 240 lakhs per annum (NU); M/s Indo Berolina Industries Pvt. Ltd.: IBI House, S-86, Andheri Kurla Road, Near Manol Naka, Bombay-59. (Maharashtra)—I. *New Articles*: 1. Fluidised Bed-Dryers, 2. Agitators, 3. Heat Exchangers, 4. Condensers, 5. Coolers, 6. Evaporators & Absorption Columns. II. *Substantial Expansion*: 1. Industrial Drying Ovens, 2. Reaction Vessels, 3. Distillation Columns, 4. Autoclaves, 5. Rectangular Bulk Sterilizers, 6. Circular Disinfectors, 7. Water Distillation Stills, 8. Water sterilizer—Rs 150 lakhs per annum (including items under substantial expansion) (NA/SE).

M/s Kunal Engineering Company Ltd. Kotari Bldg, 20, Nangambakkam High Road, Madras-34. (Tamil Nadu)—High Speed Roller Bearing inserts for Textile Industry—3,00,000 Nos per annum (NA); M/s Punj Sons Pvt Ltd: Punj House, M-13, Connaught Circus, New Delhi-1. (Delhi)—Fin ned Tube Air Coolers—500 Nos valued at Rs 150 lakhs pa (NA); Shri R. B. Jesudasan: C/o The South Indian Export Co Pvt Ltd: 5, McLean Street, Madras-1. (Mysore)—Automobile Tyre Moulds—215 pieces pa (NU); M/s Paper Mill Plant & Machinery Manufacturers Ltd: 181, Swami Vivekananda Road, Bombay-80 (Jogeshri) (Maharashtra)—Paper and Board Plants (Upto 150 Tonnes/day) — one per annum (Rs 250 Lakhs) (NA); Shri R.V. Raghavan: 61-B, Atlas Apartments, Harkness Road, Bombay-6. (Bombay-Maharashtra)—Pulp and Paper Machinery for Plants of capacity of 150 tonnes/day. —4000 tonnes (valued at Rs 3.50 crores) per annum (NU).

Machine Tools

M/s SLM-Maneklal Industries Ltd: Vatva, Taluka Dascroi, Ahmedabad (Gujarat)—Plastic Injection Moulding Machines—100 Nos valued at Rs 2 crores per annum (NA).

Miscellaneous Eng. Industries

M/s Powder Metals & Alloys Pvt Ltd: Plot No A/30, Road No 10, Wagle Industrial Estate, Thana. (Thana-Maharashtra)—1. Tungsten Carbide Dies—48,000 Nos, 2. Tool Holders—6,000 Nos, 3. Brazed Tools—1,50,000 Nos, 4. Tungsten Carbide Tips—1,20,000 Nos, 5. Electrical Contacts—5 Tonnes, 6. Tungsten Carbide Powder—30 tonnes, 7. Sintered Carbide—10 tonnes, 8. Fused Carbide—5 tonnes (NU).

Industrial Instruments

Shri V. Balakrishna: Post Box No 194, Madurai (Tamil Nadu)—Parking Meters—10,000 Nos per annum (NU); M/s Maj. General N. G. Latey (Retd): 1-Suyojana Housing Society, Koregaon Park, Poona-1. (Maharashtra)—1. Dial type portable spring balances (10, 50 & 100 Kg capacity)—15,000 Nos pa, 2. Dial type weighing scales (2, 5, 10, 20 & 50 Kg capacity)—16,000 Nos pa, 3.

Dial type industrial platform weighing machines (100 & 500 Kg capacity)—500 Nos pa, 4. Ratio Counting machines—500 Nos pa, 5. Personal Weighing machines—8,000 Nos pa (NU).

Scientific Instruments

M/s Mahindra & Mahindra Ltd: Gateway Building, Appolo Bunder, Bombay. (Maharashtra)—Precision Slide Wire Potentiometers—100 Nos pa (NA).

Chemicals

M/s Western Indian States Motors Pvt Ltd: Railway Road, Jodhpur (Bombay-Maharashtra)—Nitrous Oxide—120,000 cu meters per annum (NE); M/s Dhandhan Brothers Pvt Ltd: 4, Middleton Street, Calcutta-16 (West Bengal)—Metallised Polyester Film—180 tonnes pa (NU); M/s Amar Dye-Chem Ltd: Rang Udyan, Sitaldevi Temple Road, Post Box. No 6471, Mahim (Bombay) (Gujarat)—Hydrogen Peroxide—2000 tonnes pa (NU); Shri Joginder Singh Bhasin: Anand House, 102, Hardit Road, Kanpur. (Unnao-Uttar Pradesh)—Ceramic colours—200 tonnes pa (NU); M/s Bharat Insulation Company: B-32, Wagle Industrial Estate, Road No 18, Thana, Bombay. (Thana-Maharashtra)—Wire enamels—Expansion from 60 tonnes to 135 tonnes per annum (SE); M/s Phillips Carbon Black Ltd: 160, Jor Bagh, New Delhi, (Ghaziabad-Uttar Pradesh)—Carbon Black (Furnace type)—9000 tonnes per annum (NA); M/s Dharngadhra Chemicals Works Ltd: 'Nirmal' 3rd Floor, 241, Backbay Reclamation, Nariman Point, Bombay. (Gujarat)—Soda Ash—Expansion by 39,400 tonnes pa (Total capacity after expansion 85,300 tonnes pa) (SE).

Drugs and Pharmaceuticals

M/s Wander Limited: Shivasagar 'A' Dr Annie Besant Road, Bombay-18. (Maharashtra)—Sodium PAS and its salts. —Expansion from its existing capacity of 120 tonnes to 300 tonnes pa. (SE); M/s Themis Pharmaceuticals: 38, Suren Road, Andheri (East) Bombay—69-AS (Vapi-Gujarat)—Erythromycin (Stearate, Estolate, and Ethyl-Succinate)—4 tonnes. (NU); M/s Indian Process Chemical Laboratory: Yeshwantapur, P.O., Bangalore-22. (Mysore)—I-Ephedrine—9000 Kgs. per annum. (NA) M/s Associated Capsules Pvt. Ltd.: 131, Kandivili Industrial Estate, Bombay-67. (Maharashtra)—Empty Hard Gelatine capsules (Two piece)—Expansion from 200 million Nos per annum to 400 million Nos per annum. (SE).

Textiles

M/s Raymond Woollen Mills Ltd.: J. K. Building Dougall Road, Ballard Estate, Bombay. (Maharashtra)—Wool and synthetic blended yarn on worsted system—3,383, additional spindles. (SE); M/s Modipon Ltd.:

Modinagar (UP). (Jammu & Kashmir)—Viscose staple Fibre (including polynosic fibre)—27,000 tonnes per annum (50% of each viz. viscose and polynosic type). (NA).

Sugar

M/s Shriman Sahakari Sakhar Karkhade Ltd.: Phaltan, District Satara, Maharashtra. (Phaltan-Maharashtra)—Sugar Expansion from crushing capacity of 1250 Tonnes cane per day to a crushing capacity of 2000 tonnes cane per day. (SE); M/s Panipat Co-operative Sugar Mills Ltd: Panipat, District Karnal (Haryana). (Panipat-Haryana)—Sugar—Expansion from Crushing capacity of 1400 tonnes cane per day to crushing capacity of 2500 tonnes cane per day. (SE); Dr Keshavbhai R. Patel, Chief Promoter, Proposed Sahakari Khand Udyog Mandal Ltd.: Prabhat Villa, Tithai Road, P.O. Bulsar, Dist. Bulsar. (Bulsar-Gujarat)—Sugar—Crushing capacity of 1250 tonnes per day. (NU); Shri P.K. Desai, Chief Promoter, Sayan Vibhag Sahakari Khand Udyog Mandli Ltd, C/O. The Purushottam Farmers Co-operative Cotton Ginning & Pressing Society Ltd: Nana Varachha Road, Surat-3. (Sayan-Gujarat)—Sugar — Crushing Capacity of 1250 tonnes of sugar cane per day. (NU); The Karnal Co-operative Sugar Mills Ltd: Karnal, District Karnal-Haryana)—Sugar —Crushing capacity of 1250 tonnes of Sugar cane per day. (NU).

Ceramics

M/s Jaya Shree Textiles and Industries Ltd: Rishra, Dist. Hooghly. West Bengal. (Rishra-West Bengal)—H.T. Insulators *etc.*, 1. Transformer Bushing 66KV and above—400 tonnes pa., 2. Solid Core and other Support Insulators — 300 tonnes pa., 3. Special Insulators including Lightning Arrestors Shells — 100 tonnes p.a. Total additional capacity is 800 tonnes pa. (Total capacity after expansion being 2200 tonnes pa.). (SE) M/s Parshuram Pottery Works Co Ltd, Morvi-2 (Gujarat) (Wankaner-Gujarat)—Glazed Tiles Additional capacity of 5,000 tonnes pa. (Total capacity after expansion being 8,120 tonnes per annum. (SE).

Cement

M/s Hindustan Sugar Mills Ltd: 51, Mahatma Gandhi Road, Bombay-1. (Bajajnagar-Rajasthan)—Portland Cement — 300,000 tonnes pa. (SE).

CHANGES IN NAMES OF OWNERS/UNDERTAKINGS

(Information pertains to particular licences only).

M/s Grindwell Abrasives Ltd, to M/s Grindwell Norton Ltd, Bombay; to M/s Sanghi Oxygen Company, Jaipur to M/s Sanghi Motors (Bombay) Pvt. Ltd, Bombay.

RECORDS AND STATISTICS

Growth for Employment

MR BHASKAR Mitter, President of the Associated Chambers of Commerce and Industry of India (ACCII) discussed possibilities of growth in employment in the seventies in his recent address at the annual general meeting of the ACCII held in Calcutta on February 9, 1972. He said additional job seekers in the country during the seventies were estimated to be around 60 millions excluding the backlog of previous unemployment. In other words, the country needed more than six million new jobs every year. In his view, even if through revitalising industrial economy, organised industrial and tertiary occupations increased by a million jobs a year and if each one of these jobs generated another job, the country would have solved only one-third of the employment problem.

Full text of Mr Bhaskar Mitter's address follows:

I would like to extend a warm welcome to Mr Subramaniam, our distinguished Minister of Planning, and to thank him for the honour he has done us by attending this annual general meeting as our chief guest. We are conscious, Sir, of the many vital claims on your time, and it is a great privilege for all of us, as well as a great source of encouragement, that you have found it possible to grace this occasion by your presence. May I also extend a warm welcome to all our other distinguished guests who are with us here today.

Brilliant Execution

This Annual Meeting of the Associated Chambers is usually held each year in December. This time we had to postpone our meeting by a few weeks because in December our country was in the midst of an armed conflict—a conflict thrust on us by blatant aggression. India's long panorama of history chronicles many military campaigns over the centuries, but few of these, if any, can equal the brilliant conception and execution of the short campaign in December which has added a new and glorious chapter to the history of this ancient land of ours. I would like to pay a tribute this morning to our Defence Services for their magnificent achievement, and to the government and people of our country whose unity and resolution gave the necessary sustenance and support to the brave men engaged in active hostilities.

In the momentous weeks just behind

us a new nation has been born—Bangla Desh. I would also like to pay a tribute to the people of Bangla Desh who showed such remarkable strength and courage in withstanding inhuman repression and finally achieved their goal of creating a new 'Sonar Bangla'. We look forward to developing very close and friendly ties not only in the realm of commerce and industry, but also in cultural and other pursuits, in our joint endeavours to better the quality of life for the peoples of both Bangla Desh and India.

Supreme Efficiency

The supreme efficiency displayed in the military operations and in the diplomatic and political challenges both before and after the hostilities, has had two profoundly gratifying results in the economic sphere. The superficial view that the machinery of government is of necessity cumbersome and slow has been dispelled: India's official decision-making apparatus headed by our Prime Minister has been shown to be the equal of any in the world. By the same token, the new image of efficiency created since December last has led to a wave of new confidence, both at home and abroad. This has the implication that economic statesmanship can also be generated in a manner in which the great talents of this nation can be focused on the war against poverty, largely through the creation of new employment opportunities. I share the hope that the unity forged in the nation for the solution of problems of security and even survival of many millions of men and women, will now be available for a single-minded attack on destitution and want which still blemish our national scene and afflict a vast segment of humanity.

Last year we had held our annual meeting in New Delhi, but this year we reverted to our normal practice of holding it in Calcutta, not only because it was our normal practice, but because Calcutta and the surrounding regions perhaps symbolise some of the most vital problems with which we, as a nation, are confronted.

Not far from this hall where we are assembled our armed forces were actively engaged the other day in fierce combat with the enemy; not far from this hall, millions of people from Bangla Desh had sought refuge from oppression and inhumanity seldom paral-

led in history. In the immediate vicinity of this hall there is the long standing challenge of Calcutta itself and of vast stretches of backward regions which spread for hundreds of miles around its industrial area, embracing within their ambit the territories of several states, and covering a significant part of the nation. We are surrounded here by many manifestations of human poverty and of human misery, which bring to mind the stirring words of Pandit Jawaharlal Nehru when he said "the throbbing agony of India's masses, the call of their eyes for relief from the terrible burdens they carry—that is our problem".

That is the social and economic challenge before us. In meeting this challenge we in the business community are committed, as indeed every thinking citizen must necessarily be, to help in fighting the problems of massive destitution and unemployment amongst our fellow citizens, to help in fighting the problems of production, prices and population, which cumulatively spell poverty, and grip millions of people in its thrall. In the Associated Chambers we have over the years given considerable thought to the problems of growth, and when we entered the decade of the seventies our thinking was centred round the theme "The Challenge of the Seventies—From Shortages to Surpluses". The principal elements in our thinking then were growth and stability. Though both remain, in my view, major conditions of a sound economic policy, to growth and stability a new and specific dimension has now to be added—that of employment. Without rapidly increasing employment opportunities in our country, it will be difficult to attain either growth or stability, and even more difficult to sustain them. Our emphasis must now therefore be on "Growth for Employment".

A Fruitful Approach

A fruitful approach to planning a course for the future might be through a look at the recent past, and it has been rightly said that those who cannot remember the past are condemned to repeat it. For nearly four years after Independence in 1947 there was uncertainty as to where the forces of acceleration for the growth of the economy were to be deployed. It was not entirely an accident that the first five-year Plan was formulated well over a year after it had commenced in 1951. Indeed it was not so much that Plan but the elements of latent dynamism in the economy which then decreed a powerful ingredient of change after possibly a century of relative stagnation in terms of per capita income. Both agriculture and industry performed well from

1952 to 1955, but from 1952 almost all the way until the recession in 1966 and 1967, the real pace setter was organised industrial production which reached an average rate of annual growth of about eight per cent per year for almost fifteen years in a line. Agriculture, although it had shown some spectacular successes such as in 1963-64, was still a gamble on the rains as the major setbacks of the mid-sixties clearly demonstrated. Currently however, whilst agriculture under the Green Revolution promises a decade of spectacular growth of between six and seven per cent, nearly double its performance over the last twenty years, Indian industry dropped its growth in 1970 to only 4.5 per cent after recording annual increases of 6.4 per cent and 7.1 per cent during 1968 and 1969. Even more serious is that in the first five months of 1971 the growth rate sagged further to under two per cent. Whilst it has been contended that the index of industrial production, constructed as it is at present, does not reflect the growth of about 11 per cent in the small-scale sector, nevertheless it is beyond question that the current annual rate of industrial growth as a whole in the country is dangerously below what is urgently required.

Tragic Element

One of the tragic elements of this fall in organised industrial production is its pervasive character affecting practically the entire industrial scene. Thus basic industries shows an increase of only 4.2 per cent in 1970 against 8.9 per cent in 1969. The growth rate in intermediate goods industries declined from 4.2 per cent to 2.7 per cent during the same period, and in consumer goods industries the decline was from 10.2 per cent to 6.3 per cent. If one examines the scene from the standpoint of an input-based classification as against use-based classification which I have just mentioned, the picture is the same—one of general decline. Agro-based, metal-based and chemical-based industries all show that they have lost some element of dynamism. The picture is one of a general malaise.

Some of the serious shortcomings have been analysed in the mid-term appraisal of the Fourth Plan recently laid before Parliament. According to published reports, this appraisal points out that overall growth was only 4.7 per cent during the first two years of the Plan as compared with the target of 9.3 per cent, and even this subsequently declined to 3.6 per cent. Lack of entrepreneurial interest has been mentioned as one of the causes of this decline; though industrial licensing procedures have been speeded up, a large number of

licences have become infructuous since many of the newcomers to whom the government sought to accord preference have not been given other supplementary assistance to implement their licences.

The malaise to which I have referred is of course the result of a complex set of adverse factors that have afflicted our economy, and among them one might mention shortages in steel and other essential materials, difficulties in obtaining adequate working capital and its cost, serious dislocations in electric power supply and transport, and strained industrial relations. Time will not permit of speaking in detail on these adverse factors, but I would like to dilate a little on some of them.

Major Cause

Shortage of electric power has been a major cause for retarding industrial production in various economically important areas and a striking example of this is north-east India. In the first nine months of 1971 the jute industry alone, which is a vital foreign exchange earner, had to suffer a loss in production of about 20,000 tons valued at some rupees seven crore on account of power cuts, resulting also in an estimated loss of rupees four crore in foreign exchange. Many other industries in various parts of the country have also been gravely affected. There is considerable doubt as to whether the existing generating capacity measures up to existing requirements and demand projections. There is certainly a gap at present between installed capacity and actual generation of power. The demand for electric power will rise substantially during this decade and we cannot afford the sort of disruption the country has faced in recent months. We have therefore to press on with plans to augment power supply and also to minimise the present regional shortage by working towards integrating state grids into regional grids, and ultimately into a national grid.

We also have to put our transport system in order because another major factor affecting the rate of industrial growth has been the acute shortage of rail transport in certain critical areas. Here I will cite the instance of coal, the most important source of commercial energy in our country, which accounts for about a third of the total volume of goods carried by the railways. In the main coal producing areas located in Bihar and West Bengal, failures in wagon supplies have resulted in a very sharp fall in the average daily loadings. This has had a most serious impact not only on coal producers who have had to carry mammoth stock accumu-

lations, but also on coal consumers—both industrial and domestic—throughout India. They have either had to face acute shortages in coal supplies or have had to secure their supplies whenever possible by road at vastly higher rates of freight.

In the field of industrial relations progressive managements generally realise that labour has an important role to play in raising production, and that their efforts should receive recognition through sharing the benefits of such higher production. On the part of labour there is need for a greater appreciation of the harm done to the country by disruptive tactics, often motivated by extraneous considerations, which have greatly affected the output of goods and services both in the public and private sectors. Let us hope that the new spirit of unity between management and labour forged during the recent war will continue now so as to meet jointly the needs of peace.

Reverting to the general picture, the advance made by Indian agriculture has been largely lost by our failure to utilise current industrial capacity adequately and foster rapidly the growth of new capacity. It is this situation that calls for swift corrective action, for it is manifest that the demands of the seventies will require a growth rate of real GNP of not less than seven per cent, which can only come from a six per cent rate of agricultural growth, which now seems highly probable, combined with an 8 to 10 per cent growth in industry which is at present increasingly in doubt. Thus a dynamic policy for industry and tertiary occupations is a basic condition for a strategy of growth for employment.

Harnessing the Potential

In mounting an offensive for a rapidly advancing rate of industrial growth, I would submit that all the potential available in the country—in the public sector as well as in the private, and in large, medium and small industries—should be harnessed for a massive combined effort. The scope and potential of each, once they are fitted into the overall framework of the nation's social imperatives, should not be further subject to unnecessary obstacles and avoidable delays. It is of considerable importance that in parallel with the development plans in the public sector, the roles of the joint and private sectors are also given adequate recognition within the areas allotted to them.

In the realm of licensing and in the general maze of rules and regulations which govern the birth of any major industrial enterprise there has been some

welcome evidence of an attempt to encourage the optimum utilisation of existing capacity and to create new capacity. There have also been welcome efforts to streamline procedures and straighten out unnecessary tangles of red tape. It was stated not long ago that there has been considerable progress in disposal of industrial licence applications. To measure this progress in real terms however it is necessary to see that the statistics are realistic and that, for instance, figures relating to COB licences are excluded. Merely the numbers of licences issued is not as important of course as the productive potential these licences represent. There is an impression that in terms of new productive capacity being installed through the issue of new licences there has as yet been no significant improvement. To the extent that real gains have been made in removing the cobwebs of unnecessary delays, the efforts made are to be commended, but the ultimate test will be how much and how rapidly new capacity for production and employment is being established.

As I have already said, in the context of increasing rapidly our rate of industrial growth, there should be adequate scope for large, medium and small scale industry. In this connection the fact that large and small industries have a role complementary to each other is often obscured by the smoke of the ammunition being constantly discharged at large industry. National income figures show that the growth of the small-scale sector follows a trend closely matching that of the large scale sector. This has been observed in the period of relatively rapid growth from 1960-61 to 1964-65 as well as in the period of relative stagnation subsequently up to 1967-68.

Complementary Role

But apart from figures there are several examples where the growth of small-scale industry, with its great employment potential, has been directly influenced by the simultaneous growth of large industry. A typical example is the Poona region. In this region between the years 1961 and 1967 several large industries were established, and others expanded their operations. This was a period of liberal licensing. But the striking fact is that the number of small-scale units in that region also went up rapidly during this period, and there is a marked correlation between the two.

The large-scale sector can also play a special role in backward areas where the need for development is particularly urgent so as to reduce glaring regional disparities and to provide new emp-

loyment opportunities. Here there is need for entrepreneurship in the fullest sense of the term. With their relatively greater resources, and experience in management, the larger industrial houses are specially suited to assume a pioneering role in spearheading industrial growth, stimulating in the process the medium and small sectors, as well as employment opportunities throughout the range of industry. They need to be actively encouraged to assume this role and to assist in the social and economic regeneration on vast areas whose potential still lies dormant, cocooned in primitive isolation and by-passed by the tides of progress. In this connection I welcome the signs of greater pragmatism as evidenced by the recently announced policy for the industrial development of West Bengal.

Like the large scale sector, foreign controlled companies operating in India can play a not inconsiderable role in helping to develop our economy with their relatively easy access to sophisticated know-how and with their skilled professional management. Many of them have been in India for a considerable period of time and have become an integral part of the Indian scene. These companies invested in India in the past in accordance with government's policies, and in several cases they have pioneered the manufacture of essential industrial goods which in turn have helped in the growth of several other industries.

Reducing Foreign Shareholding

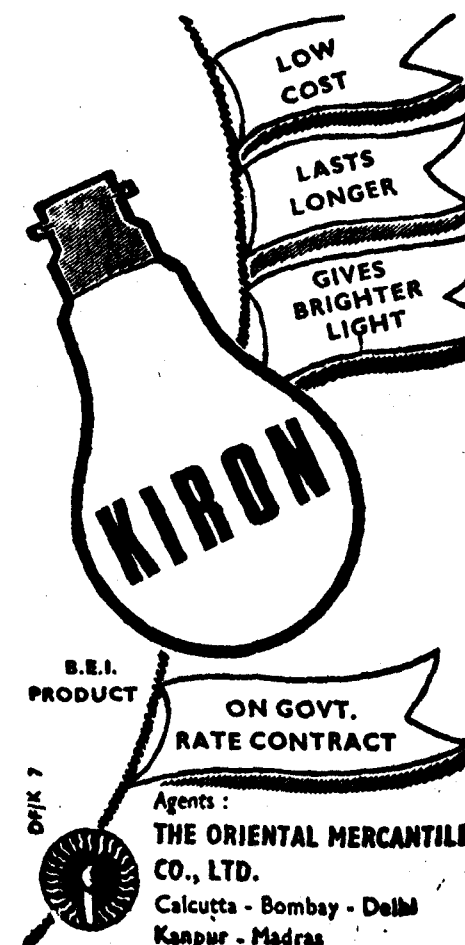
In regard to their schemes of expansion or diversification, it is generally now desired that foreign shareholders should reduce their holdings with a view to reducing the outflow of foreign exchange in the form of dividends. Whilst the general aim is understandable, difficulties arise from the manner in which these investors are asked to dilute the foreign shareholdings. In the light of government's policies it is not unreasonable that foreign shareholdings in excess of 51 per cent should be gradually eliminated, but the need for dilution of foreign holdings should, in equity, be raised only at times of expansion, and not on other occasions when a company is not raising any fresh capital. Even in the case of expansion schemes, account needs to be taken of the funds which are available from internal resources and from borrowing facilities within the accepted debt-equity ratios, before determining the extent of dilution which should be achieved by the issue of fresh capital. I would suggest that to ignore these considerations would expose such companies to the risk of over-capitalisation which would not be in the interest of

its shareholders, both Indian and foreign. These companies who have played a useful role in establishing an industrial base in our country should share in opportunities to expand and diversify in order to remain competitive, else they will be in danger of being faced with the inevitable prospect of gradual decay.

Raising Living Standards

Every sensible person will agree that the living standards of the teeming millions of our people must be raised as rapidly as possible, but mere redistribution of existing wealth and income cannot achieve this goal since our resources are so meagre in relation to the tasks ahead, and a debilitated economy cannot really fight poverty. But in any strategy to fertilize the economy for growth and employment, and to promote widespread access to welfare at an accelerated pace, fiscal policy plays a pivotal role.

In all countries, and specially so in developing countries, internal savings are essential for rapid growth. In view of the desirability of freeing ourselves from foreign aid as rapidly as possible, it is more than ever important that substantially increased internal savings must be generated to develop our coun-



try within the shortest possible time. But in India such savings are totally inadequate. This is so because by any objective standards or by comparison with other countries, the burden of direct taxes on tax payers is inordinately heavy. For the individual who derives his entire income from wealth, the combined effect of income and wealth taxation imposes an effective ceiling on income after tax of Rs 25,000 per year or even less. In respect of earned income the marginal rate of income tax beyond Rs 2,00,000 is so high that there is a virtual ceiling of Rs 50,000 per year after tax. At the same time the cost of living has approximately doubled in the last ten years so that in terms of 1961 prices the effective ceilings become Rs 12,500 per year for unearned income, and Rs 25,000 for earned income. This is a measure of the extent to which the capacity to save has been eroded.

The corporate sector is also shackled by this difficulty. The normal retention of profits after tax and dividends in this sector is estimated to be approxi-

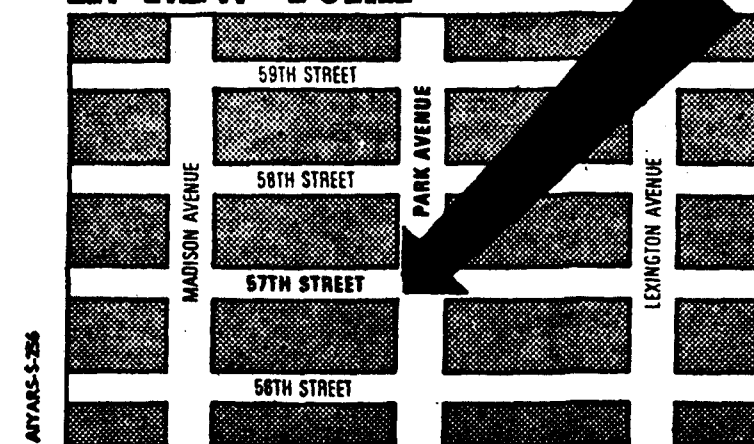
mately 20 per cent, and less so in the private companies which are required by law to make larger distributions. Such retentions leave little for growth after meeting the increased cost of replacement of fixed assets in excess of their historical cost. The position will be further jeopardised after the withdrawal of development rebate unless some other meaningful incentive is introduced. Indeed in view of our inflationary climate even the increase in profits reported by companies could be illusory if such profits were reported at constant prices. It has been estimated that current corporate profits are of the order of some Rs 950 crores. In terms of 1961 prices this would be the equivalent of Rs 475 crores. As against this figure of Rs 475 crores the assessed profits of 1961 were approximately Rs 400 crores. This hardly represents a picture of virile growth and underlines the fact that the paucity of fresh investment is very largely due to levels of taxation which inhibit it savings and investment.

In spite of such heavy taxation one

sees in some places around the country large displays of ostentatious consumption. These crude manifestations of opulence are perhaps possible, not because the rates of taxation are low, but because the true impact is not felt by some who do not see the necessity of fully meeting their tax obligations. Tax evasion and the widespread prevalence of what is at times somewhat euphemistically designated as "parallel currency" has assumed the dimensions of a vast and growing menace. Social justice also requires that the honest tax payer is looked after so that he may not begin to question the dubious advantages of being honest.

With a view to making our fiscal policies more vigorous instruments of growth, I would venture to make a few suggestions. Our tax laws need to be rationalised so as to widen the tax base and make it applicable to those who are directly enjoying the fruits of the Green Revolution, and also to provide for an equitable impact of taxation on different sections of people with similar incomes. I would advocate

STATE BANK— THE ONLY INDIAN BANK WITH A FULL-FLEDGED OFFICE IN NEW YORK



The address of the New York Office is: 460, Park Avenue, New York, NY 10022. Telephone: (212) 371-5600 Cable: INDTHISTLE via RCA Telex: 236-305



STATE BANK

more stringent and effective measures to combat the phenomenon of tax evasion, which not only deprives the government of revenue, but has a tendency to corrode the foundations of basic human values. In parallel with this and with a view to encouraging the honest tax payer, I would suggest that taxes assessed and paid in one year may be permitted as a deduction in computing the individual's or the professional registered firm's income in the subsequent year. This can be made subject to a ceiling by restricting such reduction to a specified percentage of the subsequently year's income.

After the discontinuation of development rebate, I would suggest the introduction of a Tax Free Investment Reserve which is currently prevalent in several countries. Under such a scheme an assessee may be permitted to set aside a specified percentage of each year's profits before tax into a Tax Free Investment Reserve to be utilised within a stated number of years for the acquisition of specified types of assets. With some extension, completely new undertakings could also be given relief in respect of their initial investments. To prevent possible misuse, stringent provisions may be made applicable if the Investment Reserve is not utilised within a reasonable time. I would also advocate accelerated or extra depreciation in the year in which a depreciable asset is first used or in the immediately succeeding year. This could not only provide cash resources for investment, but also act as a catalytic agent for research and development.

Need for Resources

I am aware of the urgent need for resources to meet the many tasks before us. My suggestions are made in the conviction that the main thrust of resource mobilisation should now be through institutionalising savings rather than increasing the already inordinately heavy burden of taxation. Deposit mobilisation through the banks which are now penetrating deep into the rural and hitherto largely under-banked areas through insurance agencies, and by imposing a stricter fiscal discipline on the states are among the ways in which resources should be increasingly garnered. I believe that a reduction in the tax burden will be more than offset by increased investment and productive expansion, leading to larger revenues, greater employment opportunities and more effective means of ensuring distributive justice.

If it is accepted that the social and

economic needs of the country cannot be met except by a rate of growth which expands both the nation's wealth and the resources at the disposal of government, the long term effect of the present slackness in the corporate sector cannot but be a matter of serious concern to all of us. It seems to me that there cannot be any conflict of interest between government and industry in promoting the conditions suitable for the resumption of a sufficiently high rate of investment and fuller use of industrial capacity. This is imperative in the context of the Prime Minister's call for a self-reliant economy. To achieve self-reliance the corporate sector is indispensable as a pace-maker for growth and for opening out new vistas of employment in secondary and tertiary occupations.

Massive Challenge

Whilst I have stressed the need for stimulating the economy which could provide vast new employment opportunities so urgently required, I must also say that the volume of secondary and tertiary occupations which an industrial revival can provide, would not be adequate to meet the massive challenge of unemployment in the seventies. Even a growth rate of ten per cent per year in organised industry and tertiary occupations may be powerless to provide more than a million jobs a year. The belief that a doubling of the rate of growth will double the volume of new employment is plausible, but most unlikely. But even if it did, India in the seventies would be left with massive unemployment. Excluding the backlog of unemployment today, the additional job-seekers during the current decade have been estimated at about 60 million. On an average therefore we would need more than six million new jobs per year. Thus even if through revitalising the industrial economy, organised industrial and tertiary occupations rose by a million jobs a year, and further, if each of these jobs generated another job, we would still have roughly only a third of the jobs we will need for adequate employment. This is the measure of the employment problems before us. Between 1960 and 1965 we needed to provide 19 million jobs; between 1975 and 1980 we are likely to need 34 million jobs—almost double. What might have been deemed manageable by conventional growth in 1960 now needs massive innovative schemes directed not only to growth but to growth for employment.

India's new population, if only to avoid the horrors of slum dwelling in our large cities which already cry out

for decentralisation, should be kept as far as possible in the rural areas where happily growth rates can now provide incomes comparable to those in the towns. In this situation, along with accelerating industrial growth it is necessary to work out massive, well co-ordinated and job-oriented rural public works. The works chosen need to be productive, such as small irrigation schemes and embankments, desilting of tanks and channels, soil conservation, drainage, afforestation, the building of village schools and dispensaries, and making of roads where they are of economic value. There are also many other areas linked to public health and education. These are not public works conceived in the cold pattern of a Famine Code to deal with droughts, but nation-building activities devised for those who seek employment. In India during the seventies the challenge of unemployment is on such a huge scale that any grand strategy may of necessity be in part incomplete. In that sense we shall be travelling hopefully, but provided the achievements each year are substantial it will be as exciting to travel as to arrive.

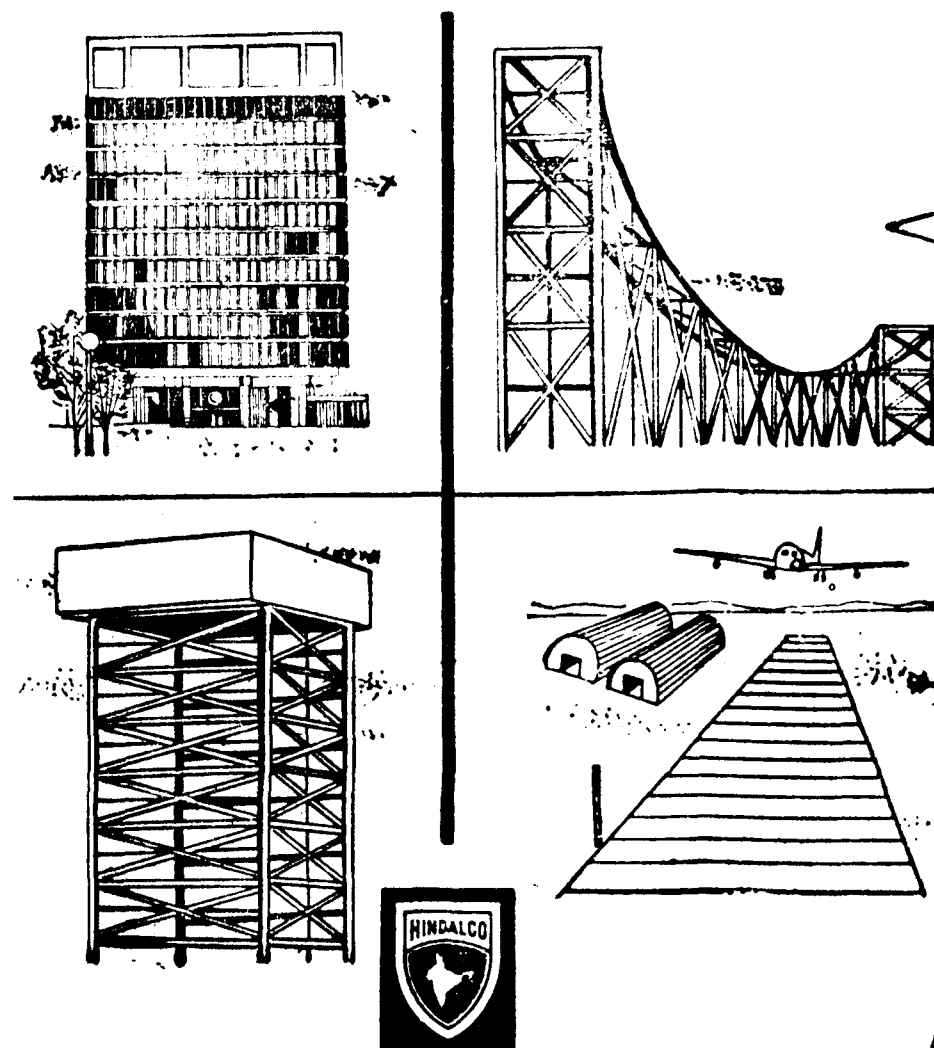
Signs of Restlessness

In India we are passing through a process of rapid change. In this process we see around us many signs of restlessness. We see at times the impatience of youth and a questioning of old certitudes and old bases of authority. We see at times an indifference to obligations and a concern with rights to the exclusion of responsibilities. Some of these are natural symptoms of maturity. Others are negative and retrograde. Despite all the stresses and strains there are many achievements in recent years of which we can be legitimately proud. Millions of our people have been uplifted in absolute terms and have come to know consumer goods and services of which they could not have dreamt two decades ago. Within these two decades the level of consumption of cereals, clothing, housing, medical facilities and much else have improved perceptibly. Education has spread and with it has come a new concept of the human personality. The brilliant achievements connected with Bangla Desh have generated a new sense of resolution and courage which now permeates the entire nation. All this gives us the confidence and determination to face the problems which stretch ahead of us and which are full of challenge. Let us all meet that challenge together and let us all work united to shape the processes of change for change is both necessary and welcome.

ALUMINIUM IN CONSTRUCTION & STRUCTURAL USES

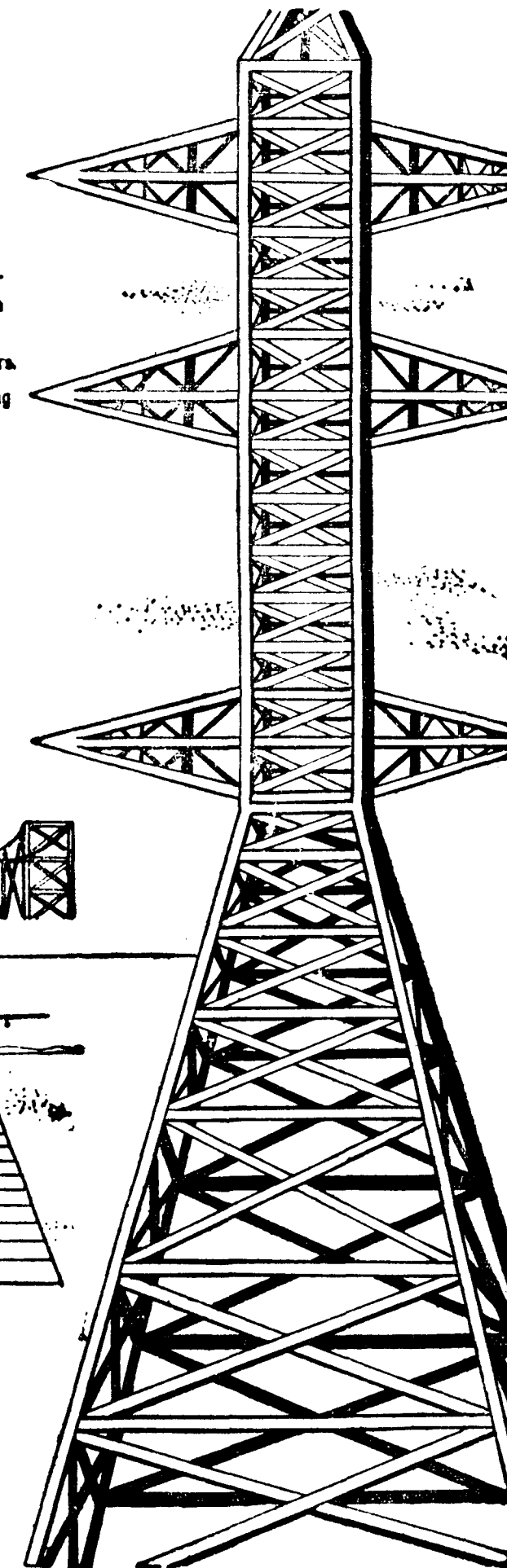
For Building & Construction, HINDALCO offers Semi-fabricated aluminium products (sheets and extruded shapes) in a wide range to suit diverse jobs. High strength-to-weight ratio and low maintenance costs make Aluminium the ideal choice of modern builders and architects. Besides, for making buildings cool in summer and warm in winter, aluminium panels are being increasingly used today in modern sky-scrapers. HINDALCO Semi-fabricated products are so versatile that they can be used in making almost anything, from landing mat for Aeroplane in an emergency defence purpose to drainage culverts in farms for Agricultural purposes.

MODERN BUILDERS SPECIFY HINDALCO ALUMINIUM.



HINDUSTAN ALUMINIUM CORPORATION LTD.

P.O. RENUKOOT ■ DIST. MIRZAPUR ■ U.P.



Where there is Colour there is a Dye



ATUL®

Makes all the Dyes to meet the needs for each Industry

■ TEXTILE ■ PAPER ■ JUTE
■ SILK ■ ART SILK ■ ETC.



REGD. TRADE MARK

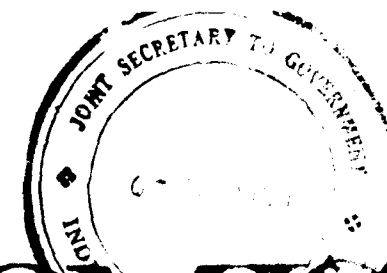
The Atul Products Limited

P.O. Atul, Via Bulsar, Gujarat State.

Phone: Bulsar 462 Gram: TULA, Atul.

EASTERN 8 ECONOMIST

RUPEES 1.50 FEBRUARY 25, 1972 VOL. 58



Alloy Steels in Bihar
Streamlining the Public Sector
Storm Signals on Chemicals Front
OECD Code for Capital Movements



Who says planning lacks co-ordination?

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

FEBRUARY 25, 1972

Alloy Steels in Bihar	293
Storm Signals on Chemicals Front ..	294
Tea in India and Ceylon	295
Streamlining the Public Sector ..	296
Sluggishness in Savings and Investment —S. P. Chopra	298
Monopolies Commission—Is It Nec- essary?—H. P. Nanda	303
Feasibility Study of Small Units —P. Chattopadhyay	305
International Finance: A Seminar —A Correspondent	307
WINDOW ON THE WORLD ..	309
OECD Code for Capital Movements. Spectre of Increasing Unemployment.	
TRADE WINDS	313
Assistance from Denmark; Trade Pact with Romania; Trade with UK; Vijay- nagar Steel Plant; Korba Fertilizer Project; Tankers for SCI; Steel Tech- nology; Railway in Iraq; Emergency Risks Insurance; Luftansa; Poznan Fair; Rural Development Strategy; Rural Engineering Survey; Leather Boards from Waste; Oil at Jorajan; Udyog Bhavan Telex; Swissair; Air France; TWA; Agricultural Credit; More Tourists in 1971; General Elec- tions, 1972.	
COMPANY AFFAIRS	318
Philips India; Chemicals and Fibres; Skol Breweries; Licences and Letters of Intent	
RECORDS AND STATISTICS ..	326
Interim Report on Unemployment.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

ALLOY STEELS IN BIHAR

WHENEVER the people or politicians in Bihar have time or thought for the economic condition of their state they may possibly be wondering why its rich industrial potential is being ignored by entrepreneurs. A part at least of the answer may not be to the liking of the politicians. Although it is true that the last five years or so have not exactly been a golden period in the industrialisation of our country, Bihar might not have fared as poorly as it had done but for the chronic instability in its state politics. The worst sufferer from the political 'horse trading' that had been taking place was of course the routine administration of the state. This was due less to the pervasiveness of corruption in public life or graft in the services at their highest levels which had so grievously spoiled the image of Bihar than to the mood of purposeless drifting to which the machinery of government seemed to have succumbed.

In Patna, or elsewhere in Bihar, the question is often raised why when West Bengal was threatening to become a forbidding, if not a forbidden, location even for established industries, businessmen in Calcutta were turning towards Haryana, Maharashtra or Mysore rather than taking a look at possibilities in neighbouring Bihar. It is good that there should be this questioning because it is only when public opinion begins to concern itself seriously with the economy that politicians may start thinking of what must be the basic obligations of those who aspire to govern the state. Whether the impending election to the state legislature will help to open a new chapter of responsible politics in Bihar remains to be seen, but there can be no doubt at all that the state's chances of participating in any national battle against poverty would be slim indeed if Bihar continues to be condemned to escape into spells of President's Rule as its politicians keep crossing the floor or double crossing one another and the electorate.

In these circumstances it must be of special significance to the future of Bihar that one of the most important new industrial projects in our country is now being set up in an economically backward area of this industrially underdeveloped state. Laying the foundation-stone for the plant and the works of Bihar Alloy Steels Ltd., at Patratu, near Ranchi, last week, the Defence Minister, Mr. Jagjivan Ram, aptly spoke in both poetic and philosophic terms of money having value and social worth only when it was used creatively in its relevant economic and social context. He pointed out that the welfare of the people was tied to the growth of the economy which, in turn, was related to the creative investment of capital in the production of goods. The minister, however, emphasised that the creation of wealth did not necessarily guarantee its full or fair enjoyment by the people and it was, therefore, necessary that steps should be taken to ensure that the processes of economic development and industrialisation were oriented towards spreading among the people the fruits of the wealth created by them.

Mr Jagjivan Ram's sentiments were specially suited to an occasion on which he was addressing some of the poorest sections of the people of Bihar who, moreover, had so far not been able to benefit significantly from the location of large and expensive projects, such as the works of the Heavy Engineering Corporation, in their region. We are not referring here to the problems of production which this plant has been struggling with, but rather to the fact that in Bihar, as in Orissa, the giants of the public sector seem apt to remain isolated gestures of flamboyant industrialisation. It follows that, in such regions, much remains to be done in terms of promoting healthy trends and influences towards the localising of industries.

In this sense, the observation of Mr M.P. Birla, Chairman, Bihar Alloy Steels Ltd., that this company's project would give direct employment to about 2,500 skilled or semi-skilled workers was perhaps less significant than the point made by him that the manufacture of alloy steels at this plant might turn out to be the nucleus of an industrial complex which in due course would serve to mitigate the economic imbalance not only between the backward region of Bihar in which it is located and other parts of the state but also between the state of Bihar as a whole and other more industrially advanced states in the country. It would be clearly fair for the progress of Bihar Alloy Steels to be judged as much in terms

of this larger objective as by reference to its fulfilment of its own specific production or other targets.

It is right that Mr M.P. Birla should face with courage and candour the socio-economic implications for its neighbourhood of a project of the scale and nature of Bihar Alloy Steels, but in the national economic planning itself at least as much attention will no doubt be given to the contribution which the plant at Patratu may, in due course, make to the steel economy of the nation. Right now alloy, special and tool steels are in short supply and the country is spending about Rs 25 crores of foreign exchange on imports to meet essential requirements. That this shortage could have been avoided had the right political decisions been taken at the right time and sufficient administrative energy deployed as well is a lesson which we must not hesitate to draw from the past for the sake of the future. Although the construction of the factory and associated buildings, the erection of machinery and the commissioning of the plant at Patratu may not take more than two years in the normal course, the processing of the project itself through the machinery of government has taken more than thrice the length of that period from September 1965, when the company was incorporated.

These six years or more were a period not even of the gestation of the project but simply its conception. Orders for imported machinery or indigenous equipment which could have been placed at least three or four years ago could be finalised only within the last one year. Even now the further implementation of the project within the scheduled period of a year and a half or at the most two years is dependent largely on the co-operation which the company's management may receive from government agencies at the central or state levels. The fact that the project is geared to the manufacture of materials which are basic to the production of defence and development goods must be argument enough for the avoidance of further waste of time in its implementation. But apart from this

there is the more general and still more important proposition that, if our ubiquitous political slogans about reducing unemployment or removing poverty are to acquire some element of honesty, the central and state governments should now start proving by their deeds that they will use their authority and machinery for promoting the industrial development of the country as the very first priority in a programme for the people's welfare. Important in itself as the Patratu alloy steel project is, it would still be reasonable to note that even the investment

Storm Signals on Chemicals Front

OUR CHEMICALS industry has witnessed rapid growth during the sixties. During this period, the capital invested in this industry has gone up by nearly 350 per cent and its sales have multiplied by approximately 500 per cent. As against the overall less than eight per cent per annum average growth in the industrial sector as a whole, the yearly growth in the chemicals field since 1960-61 has been as high as 17 per cent. After textiles, iron and steel and engineering, the chemical industry today has come to occupy the fourth top place on the industrial ladder of the country. It is also one of the most well-organised industries at present.

But it will be erroneous to construe from the above facts that all is well with our chemicals industry. Like most of the other industries, this industry too has, of late, started experiencing many difficulties. These include the shortages of raw materials, transport bottlenecks and high cost of power. As a result, it is feared that the growth of the industry may not be as rapid in the future as it has been during the past decade.

The difficulties of raw materials primarily emanate from the indigenous production of several materials not growing at the rate warranted by the expansion in demand. To a great extent, this is due to the fact that our petrochemicals plans have been delayed in-

of Rs.25 crores in an alloy steel capacity of 60,000 tonnes would be only a small advance on the long path towards the adequate industrialisation of our country. The moral for the government must be that, if it takes its political or administrative machinery six or more years to allow even such a small step to be taken, New Delhi and the various state capitals must surely change their ways for the nation to be able to make the giant strides that it must for its economic growth to be able to meet the challenges and demands of the battle against poverty.

ordinately. To some degree, the distress caused by this has been attempted to be alleviated by stepping up imports. But with the canalisation of imports of several raw materials in the recent past through the public sector trading organisations—the State Trading Corporation and the Minerals and Metals Trading Corporation—the availability of imported materials has become irregular. In some cases, imports, according to the industry, have also been lower than the desired quantities.

With the gaining of experience, the problem of irregular supplies may not last long. But the maintenance of the level of imports, not to speak of an increase in their quantum with the growth in requirements, may prove to be difficult in view of the stoppage of economic assistance by the United States. Even otherwise, due to the aid-weariness that has developed in the donor countries in the recent past, any large-scale stepping up of imports will not be possible unless our free exchange resources improve through concerted export effort.

This makes it incumbent on us to speed up the implementation of the inordinately delayed petrochemicals programmes. Adequate new capacities for the manufacture of such chemicals as aluminium oxide, cryolite, titanium dioxide, complex cyanides, aluminium fluoride, hydrosulphite, sodium nitrate, caustic soda, soda ash and alcohol have also to be established expeditiously; the shortages of these materials are growing day-by-day.

In the case of some raw materials, the imports under the export incentives scheme is reported to be working to the detriment of indigenous manufacturers. The industry's plea for the rationalisation of these imports apparently deserves sympathetic consideration in the interest of nourishing indigenous production. But care obviously

has to be taken that unduly reduced imports by amending the export incentives scheme do not result in the development of new shortages of raw materials or in a setback to the exports of those commodities for which these incentives are permissible.

The suggestion made by Mr C.D. Thakkar in the presidential address to the 31st annual meeting of the Indian Chemical Manufacturers Association, held in New Delhi early this month, in respect of augmenting the supply of such items as benzene, toluene, xylene and naphthalene through avoidance of these being used as fuel by coke oven plants or through setting up of two or three centralised units for the recovery of these chemicals from coking coal, deserve pertinent note, since the coking coal industry has been recently taken over by the government. The same is the case with his plea that the shortage of glycerine should be eased by converting tallow into fatty acid before it is made available to soap manufacturers who do not use power, and asking those in the organised sector who do not have as yet facilities to recover it to put up these facilities. The supply of glycerine, according to Mr Thakkar, can be augmented by these two measures to the extent of at least 17,000 tonnes. The research and development effort can yield many more methods of substituting imported raw materials by indigenous materials. It can also help in avoiding wasteful uses of some chemicals. This effort ought to be accelerated.

In view of the fact that the R&D effort can be effectively undertaken only by established large undertakings and since most of the chemical producers at present belong to the large industrial houses or are foreign companies, the stipulation in the recent liberalisation of the industrial policy that they can step up their output by working additional shifts only after specific clearance by the government needs to be done away with. Alternatively, the clearance of applications from these producers for stepping up output has to be made the most expeditious. Unless this is done, the shortages of most of the raw materials would not be eased in the near future as the new manufacturers obviously will take time to put up their manufacturing capacities.

The other important problem that has to be faced squarely in this respect is that of railway bottlenecks in the way of moving such bulk raw materials for the chemical industries as coal, salt, limestone, etc., and clearance of some finished products which cannot be economically moved out of chemical

plants by other means. A study in depth of the transport requirements of the chemical industry, thus, is urgently called for.

The high cost of electricity is quite often a retarding factor for the growth of the electro-chemical industry. This is said to have stood in the way of the implementation of nearly 12 new plants for producing calcium carbide the

shortage of which was anticipated to develop a couple of years ago and which has started actually developing now. The high electricity cost is also reported to have forced the only unit producing metallic sodium in the country to close down as because of this factor it could not compete with the imported stuff in price. There is apparently a case for providing concessional electricity tariff for such purposes.

Tea in India and Ceylon

A COMPARISON of the performance of the tea industries in India and Ceylon in regard to exports and production in the recent years reveals many interesting trends. In both countries the share of tea in the total export earnings has declined in the last few years — in India from 13.83 per cent in 1966 to 9.86 per cent in 1970 and in Ceylon from 60.38 per cent to 55.08 per cent. The unit value of tea exported from India declined from Rs 8.85 per kg in 1967 to Rs 7.14 per kg in 1970 but in Ceylon there was an increase from Rs 5.12 per kg to Rs 5.27 per kg.

The area under tea in India increased from 316,870 hectares in 1951 to 354,153 hectares in 1970, production from 285 million kg to 422 million kg and the yield per hectare from 901 kg to 1191 kg in the same period. In Ceylon the increase in the area under tea has been from 230,893 hectares in 1951 to 241,799 hectares in 1970, production from 148 million kg to 212 million kg and the yield per hectare from 641 kg to 878 kg.

Ceylon's major markets for tea have been Britain, Iraq, the USA, Australia and South Africa. In all these markets except Britain, Ceylon has been able to sell more tea than India. Ceylon's tea exports to Iraq in 1970 amounted to 12.8 million kg, to the USA 18 million kg, to Australia 13 million kg and to South Africa about 12 million kg. Ceylon's tea exports to Britain rose sharply from 59 million kg in 1969 to 70 million kg in 1970. But in 1967 Ceylon had exported to Britain over 83 million kg of tea. India's tea exports to Britain increased from about 60 million kg in 1969 to nearly 99 million kg in 1970 but in 1968 the figure was much higher at 102 million kg. Apart from Britain, India's major markets for tea have been the USSR, Afghanistan, Egypt and the Sudan.

Both Ceylon and India have been giving increasing importance to the production of instant tea. The following table shows the trend in the produc-

tion and export of instant tea in Ceylon.

Year	Production in Kg	Export in Kg
1967	42,495	40,824
1968	134,729	127,817
1969	136,339	131,602
1970	112,899	114,043

The production of instant tea in India increased from 30,354 kg in 1966 to 68,876 kg in 1967, 89,042 kg in 1968, 226,092 kg in 1969 and 316,594 kg in 1970. The export performance of Indian instant tea has been as follows:

Year	Quantity (Kg)	Value (Rs)	Unit Value (Rs)
1966	13,608	5,35,771	39.37
1967	51,638	17,63,141	34.14
1968	60,397	19,38,037	32.09
1969	197,672	65,17,957	32.97
1970	318,724	1,05,00,454	32.95

India's instant tea is exported mainly to Britain, the USA and Switzerland.

The export of packet tea is also assuming more importance in India and Ceylon. The quantity of package tea (in consumers' packs of upto 1 kg) exported by India increased from 2.3 million kg in 1967 to 3.9 million kg in 1970, the value being Rs 2.40 crores and Rs 3.64 crores respectively. The main markets for our packet tea have been Bahrain Islands, Kuwait, Saudi Arabia, Sudan, Russia and Yugoslavia. A beginning has also been made in selling our packet tea to other countries such as Japan, the USA, France and Italy. Packet teas obtain larger amounts of foreign exchange per kg than export in bulk. Ceylon's packet tea is also exported to about 30 countries. Their exports of packet tea amounted to 1.6 million kg in 1968 and 7.0 million kg in

INDIA-EAST ASIA SPECIAL NUMBER

With this issue of EASTERN ECONOMIST is published an Economic Report on Japan, Hong Kong, Singapore and Malaysia with special reference to India's economic relations with these countries. Priced at Rs. 10 per copy, this special number is available without payment to subscribers on our mailing list.

1969, the value being Rs 10 million and Rs 41 million respectively (Ceylon's figures for 1970 in respect of packet tea export are not available).

Both India and Ceylon have felt the impact of the new producers of tea. For instance, the export of tea from Kenya to Britain increased sharply from 8.9 million kg in 1963 to 25 million kg in 1970, to the USA from 1.8 million kg to about 4 million kg and to Ireland from 369,000 kg to 1.2 million kg. Uganda, Tanzania and Malawi have also been making inroads into the traditional markets of India and Ceylon. Besides East Africa, other countries have been giving more importance to the development of the tea industry. This will be clear from the fact that in 1970 Formosa produced about 27 million kg of tea, Japan 91 million kg, Turkey 33 million kg, Argentina 20 million kg and the USSR (in 1969) 60 million kg. It is therefore in the interest of India and Ceylon to take energetic measures, individually and jointly, to promote the consumption of tea especially in areas where this beverage at present has not become popular.

Many countries in west and east Europe as well as Asia and Africa at present consume negligible quantities of tea and they should be able to take more of it if the right approach is made. Propaganda for other beverages is being made on a more intensive scale especially in Britain and the USA and therefore major tea producers like India and Ceylon should be more energetic in publicising tea.

In India, the tea industry should get more attention from the central and state governments so that we shall be able to produce efficiently all the tea we need for export and home consumption. Between 1965-66 and 1969-70 the internal consumption of tea is estimated to have increased from 166.0 million kg to 203.3 million kg and this rising trend is expected to continue in the coming years. Since export promotion also should have high priority, the industry should be provided with all the facilities to increase production and improve its competitive capacity.

The Tea Board should be able to work with greater initiative and autonomy than hitherto. Its counterpart in Ceylon has been able to show far more drive and dynamism especially in conducting publicity. This perhaps explains why in many markets in Europe and Asia, Ceylonese tea has been able to sell substantially more than that of India. The approach of Ceylon's Tea Board to tea promotion is said to be nearer to commercial realities than is

the case with the Indian Tea Board. It is reported that the Board in Ceylon has the discretion to reallocate its funds from one country to another, which is not available to the Board in India. Our Tea Board, therefore, should be

provided with more foreign exchange and more freedom to spend it so that the Board can easily and quickly adjust its strategy to the changing market situation without always looking to New Delhi for its counsel and consent.

Streamlining the Public Sector

THE HIGH-LEVEL action committee, popularly known as the task force, appointed by the union government recently under the command of Mr M.S. Pathak, a member of the Planning Commission, to suggest measures to improve the working of public sector undertakings, has started work. It has already visited the Rourkela Steel Plant and Heavy Electricals, Bhopal, and is expected to visit the factory of Hindustan Cables in West Bengal in the next few days.

No doubt the broad reasons for the unsatisfactory performance of most of the public sector enterprises are quite well known. These include (i) technological bottlenecks, (ii) managerial deficiencies, (iii) labour indiscipline, (iv) lack of adequate mastery over production techniques, etc. In the case of some undertakings, like the Indian Drugs and Pharmaceuticals Ltd and the Mining and Allied Machinery Corporation, there is also lack of adequate demand for their products. Yet the appointment of this committee needs to be welcomed as after on-the-spot studies, it should be able to exactly pinpoint the areas in which remedial action may be required immediately or in the long run.

The apparent task before the action committee is how to maximise the uti-

lization of capacities in these plants, so that the national economy may be able to derive the benefits which were expected of them. Unless this is done, those enterprises in which the utilization of capacity has left much to be desired, will not only be unable to fulfil the hopes entertained of them, but also continue to be a drag on the public exchequer, thereby imparting many distortions to the economy.

The case of Hindustan Steel is a pertinent example of this. The progressive deterioration in the working of this enterprise over the last four years has necessitated large imports of steel from abroad. The unnecessary foreign exchange expenditure on importing those sections of steel for the production of which adequate capacity exists within the country could have been utilized for liberalising the imports of those industrial raw materials for the manufacture of which sufficient capacity is not available in the country. The adverse effect of the decline in steel output since 1966-67 on the exports of engineering goods too cannot be over-emphasised. Admittedly, these exports have increased in the recent past, but they could have been much larger than what they have been had there been no raw material constraints. The upswing in the prices of steel because of shortages had led to an increase in costs

Eastern Economist 25 Years Ago

FEBRUARY 28, 1947

The discussion in the Legislative Assembly on the non-official resolution to nationalise the Reserve Bank of India was lacking in realism and indicated the extent to which historical memories and ancient debates still retain their grip on our economic thinking. To any impartial student of central banking trends in recent years it would appear to be a matter of relatively minor importance whether the central bank of a country is state owned or privately owned. What is important is that the central bank should work in harmony with the Government and render all assistance to the latter in carrying out its economic and monetary policies and that profit making private interests do not employ the central bank as the instrument of their ends. Neither of

these charges can in fairness be made against the Reserve Bank of India. The suggestion, made in the course of the debate that the Bank is run in the interests of the share-holders, is demonstrably untrue. Profits on shares has been limited to 4 per cent and all the surplus has gone to the central revenues. Nor is it true to say that the Bank has not given full cooperation to the government. Mr Liaquat Ali Khan, the Finance Member, though he has been too recent an incumbent to the office to speak with full knowledge of the matter, nevertheless acknowledged on behalf of the Government the willing cooperation of the Bank in the past and was probably reflecting the views of his Department on its relations with the Reserve Bank.

over a wide sector of the national economy.

The containing of labour indiscipline in the interest of improving production, of course, is a problem which has to be tackled not only at the level of trade unions but also on the wider political front. But the other factors responsible for unsatisfactory utilization of capacity in the public sector plants are entirely within the ambit of the plant managements and the government. Intensive training or refresher programmes may have to be designed to make up the managerial deficiencies. Technological bottlenecks will have to be broken by replacing the worn out equipment or by installing balancing equipment. Diversification of the product pattern of those enterprises the domestic demand for whose products is inadequate to sustain their optimum working, will have to be undertaken on an emergency basis. Exports might help, but this is a time-consuming process.

To break technological bottlenecks and expedite diversification of product patterns, it is necessary that adequate arrangements are made for the release of foreign exchange on a regular basis. In the case of Hindustan Steel, a roll-

on-plan for this purpose has already been drawn up. But the practice is yet to be adopted for the other public enterprises. Too much insistence on self-reliance in breaking technological bottlenecks and undertaking diversification programmes will not be judicious, as time factor is vital. Delaying these programmes till the indigenous manufacturers are able to supply capital equipment would only aggravate the travails of the concerned enterprises.

The second important task which the action committee has to perform is to suggest ways and means of reducing the costs of production of public sector undertakings. This is imperative because the products of many of these enterprises form the capital equipment or raw materials of other industries. The failure to reduce production costs in these key projects will only result in giving a fillip to the inflationary pressures in our economy as cost-push inflation is making it a very high-cost economy. The maximisation of the utilization of capacity should be helpful in this connection. But this is not all. The committee will do well if it bestows some thought on the rationalisation of overhead expenses too.

The third crucial job which the action committee ought to perform is to precisely locate the causes which hinder expeditious execution of projects under implementation. Prolonged delays in the implementation of industrial plants, as the past experience shows, leads to their capital costs mounting up. This adversely affects their operations, besides accentuating the inflationary tendencies till the investments start yielding adequate output. Instances are not wanting of the projects whose costs have far exceeded the original estimates because of protracted delays in their implementation.

The exercise being done by the action committee, however, will be useful only if the follow-up of its recommendations is also expeditious. The ever-growing red-tape in government's decision-making machinery has to be cut. The plant managements too have to be provided fuller autonomy in their day-to-day operations as well as in the taking of decisions which are not strictly in the sphere of the overall economic policies of the government. Delegation of authority has, further, to be carried down to the appropriate lower levels in these projects.

RECORDS AND STATISTICS

Editor: R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to:

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

Sluggishness in Savings and Investment

S. P. CHOPRA

ONE OF the most disconcerting findings of the mid-term appraisal of the fourth five-year Plan (released by the Planning Commission in December 1971) was that that pattern of saving and investment envisaged in the original Plan had failed to materialise with the result that the growth in the economy had not taken the course planners had chalked out for it. The fourth Plan had estimated that net investment as a percentage of net domestic product (NDP) would rise from 10.0 in 1968-69 to 13.1 in 1973-74. The latest estimates indicate that this ratio was 9.5 only in 1968-69 and instead of rising, fell to 9.2 in 1969-70 but recovered to 9.6 in 1971-72. It seems that it would rise at best to 10.5 in 1972-73 and to 11.1 in 1973-74. In the words of the Planning Commission, the country has yet to go a long way in the matter of restructuring the NDP before it can reach the pattern projected in the fourth Plan for 1980-81. The ground to be covered is a measure of the required investment-saving effort during the seventies. It may be stated that the fourth Plan had envisaged the raising of domestic savings to 18.0 per cent and investment to about 20.0 per cent of national income in 1980-81. This now seems to be a far cry.

Best Performance

Table I alongside traces the movements in the savings and investment ratios since 1960-61. The best performance put up by the investment ratio was in 1965-66; since then it has been sliding back and there does not seem to be a possibility of its reaching the same level (13.4 per cent) in the near future. Domestic savings as a percentage of NDP also attained an all-time peak in 1965-66 and it will take it a few years to reach that level once again. What is pertinent is that the share of foreign saving in percentage terms has been steadily dwindling with the growth of NDP in money terms. It seems to be in keeping with the current mood of the country to rely more and more on indigenous resources and reduce dependence on foreign capital.

The sectoral analysis of the components of domestic savings shows a rising trend in money terms in some of them but the rate of rise of the total is

slower than that of NDP; hence the subdued rate of rise in the ratio of savings to NDP. The three basic assumptions made in regard to projections for 1972-73 and 1973-74 are: (i) stability in prices at the level reached in April to July, 1971 (ii) growth in national income in real terms at 5.5 per cent per annum and (iii) expansion in money supply at seven per cent per annum. The estimates of savings for 1969-70 to 1971-72 are either actuals or estimates made on observed trends.

Firm data in regard to savings of the household sector in the form of financial assets up to 1967-68 released in the Report on Currency and Finance, 1970-71, show that rising prices, increased compulsory savings such as

provident fund contributions and mounting tax burdens have reduced the contribution of voluntary modes of savings (see Table II). Savings through life insurance and provident funds however were not affected as they continued to grow in magnitude though the contribution to units of the Unit Trust of India slowed down. Savings in currency and bank deposits recorded wide fluctuations.

Currency held by householders had risen sharply from Rs 99.2 crores in 1961-62 to Rs 172.2 crores in 1962-63 and to Rs 218.8 crores in 1963-64. There was a sharp fall to Rs 136.0 crores in 1964-65 but a quick revival to Rs 287.3 crores in 1965-66, the highest recorded so far. Again, there was a steep fall in currency savings in 1966-67 to Rs 124.7 crores followed by a mild recovery in 1967-68 to Rs 164.9 crores. As savings in currency have a close correlation with variations in currency with the public, their contribution to savings increased sizeably in the following three years as variations in currency shot up from Rs 179 crores in 1967-68 to Rs 306 crores in 1968-69, to Rs 328 crores in 1969-70 and to Rs 370 crores in 1970-71. The Planning

TABLE I
RATE OF INVESTMENT AND SAVINGS
(1960-61—1970-71)

(Percentage of net domestic product at current prices)

Year	Investment	Domestic savings	Foreign savings
1960-61	12.0	8.9	3.1
1961-62	10.8	8.6	2.2
1962-63	12.0	9.6	2.4
1963-64	12.7	10.7	2.0
1964-65	12.0	9.8	2.2
1965-66	13.4	11.1	2.3
1966-67	12.2	9.0	3.2
1967-68	10.6	7.9	2.7
1968-69	9.5	8.4	1.1
1969-70 (a)	9.2	8.4	0.8
1970-71 (a)	9.0	8.3	1.3
1971-72 (b)	9.6	8.2	1.4
1972-73 (b)	10.5	9.5	1.0
1973-74 (b)	11.1	10.2	0.9

(a) Estimated
(b) Planned.

Source: The fourth Plan mid-term appraisal.

February 25, 1972

Commission has estimated (see Table III) currency savings for three years—from 1969-70 to 1971-72—at Rs 320 crores a year. For 1972-73 and 1973-74 the volume of household savings from this source is not expected to rise. It is likely to show a steep fall to Rs 228 crores a year, on the average.

The increases in bank deposits of households were significantly high in 1965-66 (Rs 238.9 crores) and 1967-68 (Rs 284.8 crores). Savings through this source received a boost from 1969-70 to 1971-72 as annual savings were estimated at Rs 539 crores. The planners however expect continued additions to savings from this source in 1972-73 and 1973-74 which however would not measure up to the levels attained in the earlier three years.

Role of UTI

The Unit Trust of India emerged as an important institution in 1964-65 for the purpose of mobilising personal savings and it succeeded in selling units worth (net of repurchases) Rs 18.73 in the very first year of its operation. The additional net sales of units in 1965-66 were significantly lower at Rs 1.07 crores but the volume of sales rose steadily so as to reach the peak at Rs 20.80 crores (net) in 1969-70. There was however a fall in 1970-71 to Rs 14.80 crores mainly due to two factors. First, the rise in interest rates in the country improved the competitive position of other investment channels available to investors. Second, the Finance Act, 1970, exempted from income-tax up to Rs 3,000 earned from investments in all types of financial assets; earlier, this exemption was restricted to income up to Rs 1,000 each from investment in units and dividends on shares in Indian companies. Also, rising prices reduced the capacity of households to save because of inflated expenditures.

The life fund of the Life Insurance Corporation of India has steadily grown year after year and there has been no setback to it in any of the years under review. This also applies to provident fund contributions. In other words, savings under these two heads have continued to rise. The Planning Commission has expressed the hope that "the co-operative and corporate

TABLE II
SAVING OF THE HOUSEHOLD SECTOR IN THE FORM OF FINANCIAL ASSETS

(In crores of rupees at current prices)

	1950-51	1955-56	1960-61	1965-66	1966-67	1967-68
Gross Savings						
(i) Currency	79.6	190.3	160.3	287.3	124.7	164.9
(ii) Bank deposits	9.7	84.5	93.2	439.4	470.5	459.6
(iii) Insurance policies	21.3	35.3	57.1	97.6	141.6	150.0
(iv) Provident Funds	19.0	50.3	109.3	198.2	206.9	261.8
(v) Claims on Govt.	-80.2	101.7	98.9	92.6	81.6	107.3
(vi) Corporate and co-operative shares & securities	32.9	50.9	59.3	52.2	37.1	48.8
(vii) UTI	—	—	—	1.0	7.7	13.8
TOTAL : A	82.3	513.0	578.1	1168.3	1070.1	1206.2
Financial Liabilities						
(i) Bank advances	47.4	84.3	99.2	155.5	261.5	174.8
(ii) Loans from LIC & companies	2.8	2.2	4.2	14.3	19.2	21.6
(iii) Loans and advances from Govt	15.5	36.3	38.8	35.1	69.1	87.8
TOTAL : B	65.7	122.8	142.2	204.9	349.8	284.2
Saving of household sector in financial assets : A—B	16.6	390.2	435.9	963.4	720.3	922.0

Source: Report on Currency and Finance, 1970-71

TABLE III
INSTITUTIONALISED SAVINGS OF HOUSEHOLDS : 1969-74
(Annual average)

(Rs crores)

	Fourth Plan estimates			
	At current prices		At 1968-69 prices	
	1969-72	1972-74	1969-72	1972-74
Net claims of households on				
1. Reserve Bank	320	228	295	202
2. Commercial banks	539	514	493	455
3. Co-operatives	-107	-124	-97	-110
4. Life Insurance Corporation	216	271	199	240
5. Provident funds	403	514	370	456
6. Public sector	19	88	18	78
7. Corporate sector	69	78	63	70
TOTAL :	1459	1569	1341	1391

Source: The fourth Plan mid-term appraisal

enterprises will need to attract in an increasing measure household savings into fresh issues of shares and debentures by showing progressive improvement in their operational efficiency and profitability. Keeping in view the past performance of the co-operatives, it is perhaps a futile wish that they would be able to mobilise savings of households. They have always been a drag on household savings and will continue to be so. The corporate sector is expected to make its modest contribution to household savings though the climate for fresh investments in shares is not very encouraging.

Reasons for the Rise

The two main reasons for stimulating investment in company shares are high dividends and appreciation in share values. In a recent study made by the Department of Statistics and the Economic Department, it has been shown that the market value of ordinary shares in 1970-71 rose by 5.5 per cent only as against 10.3 per cent in 1969-70 and 17.8 per cent in 1968-69. While the appreciation in values of shares was slowing down, their dividend record has improved only marginally. And the performance of the corporate sector is not dependent upon its "operational efficiency and profitability" alone as stated by the Planning Commission. It is also conditioned by the industrial policy of the government especially in regard to controls and taxation. Only if prices are held and the new taxes in the coming budget do not impose any formidable burden on the corporate sector, would the stock market be able to attain buoyancy and thereby attract household savings.

Besides household savings which constitute the largest component of private saving, the corporate and co-operative sectors also make small contributions. Table IV compares the part played by all the three components in total savings. The year 1969-70 was one of the best years in so far as savings in the private industrial sector were concerned and 1970-71 is known to have fared not badly; that is why the Planning Commission has estimated corporate savings for two years—1969-70 and 1970-71—at Rs 1153

crores. If buoyancy in the corporate sector continues, the target of accumulating savings over the five years at Rs 2126 crores has a fair chance of being attained. The contribution of the co-operative sector, however, is too small to merit any comment.

The overall position in respect of resources for investment in the economy for the period 1969-70 to 1973-74 is

set out in Table V. It is seen that savings in the public sector are expected to multiply more than three times from Rs 488 crores in 1969-70 to Rs 1625 crores in 1973-74. The public sector has hitherto shown poor results especially in relation to the massive investment which it has so far claimed. Any failure of this sector to perform is likely to worsen the savings-investment position in the coming years.

TABLE IV
PRIVATE SAVINGS

(Rs crores)

	Fourth Plan Estimates				
	At current prices		At 1968-69 prices		
	1969-72 (Latest)	1969-74 (Latest)	1969-72 (Latest)	1969-74 (Latest)	1969-74 (Original)
Private Savings	9069	16235	8337	14693	14160
1. Corporate savings	1153	2126	1059	1922	1950
2. Household savings	7834	13959	7202	12635	12090
3. Co-operative savings	82	150	76	136	120

Source: The fourth Plan mid-term appraisal

TABLE V
RESOURCES FOR INVESTMENT IN THE ECONOMY

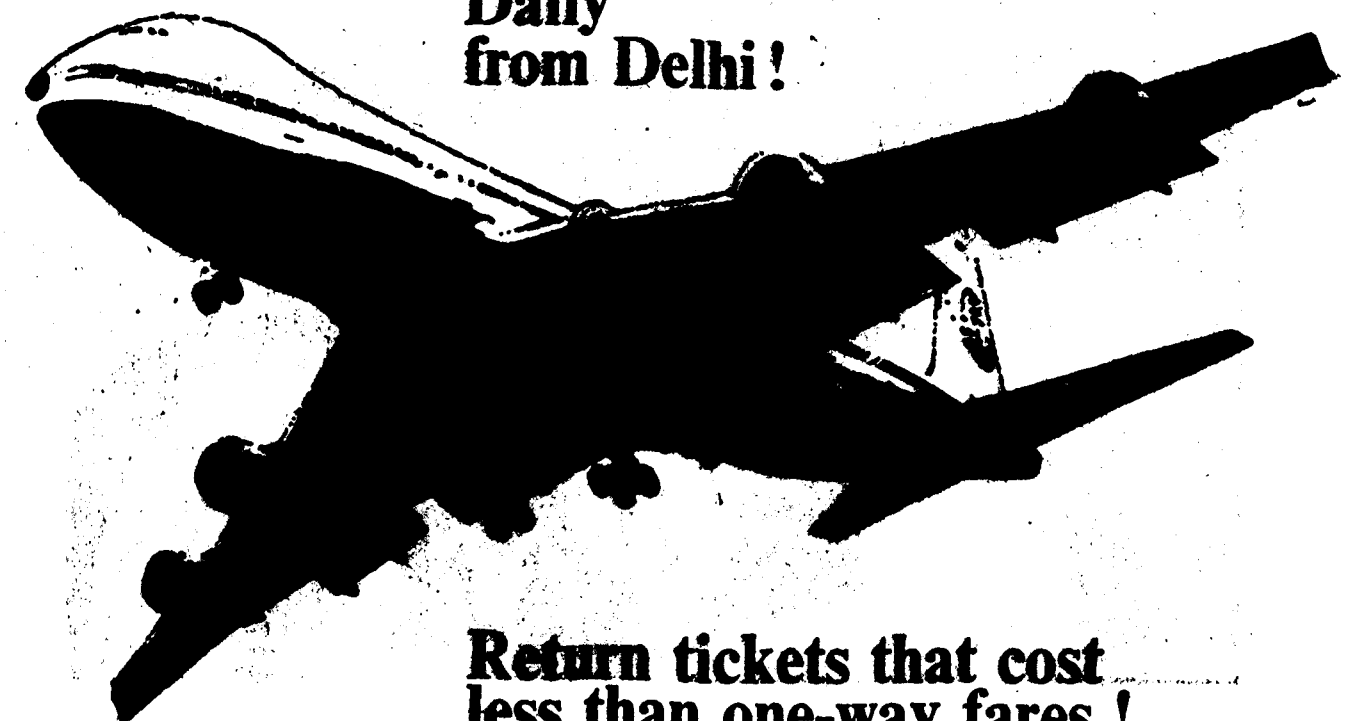
(Rs crores)

	1969-70	1970-71	1971-72	1972-73	1973-74
At Current Prices					
1. Domestic savings	3294	3596	3886	4675	5330
(a) Public savings	488	636	583	1214	1625
(b) Private savings	2806	2960	3303	3461	3705
2. Draft on foreign savings	309	551	609	486	433
(a) Public	580	561	602	478	424
(b) Private	-271	-10	7	8	9
3. Resources for investment in the economy	3603	4147	4495	5161	5763

Source: The fourth Plan mid-term appraisal

The lowest ever fares to New York on Pan Am's 747

Daily from Delhi!

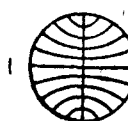


Return tickets that cost less than one-way fares!

Delhi — New York — Delhi Rs. 4125 (\$ 550)
Bombay — New York — Bombay Rs. 4125 (\$ 550)
(via Delhi both ways)
Calcutta — New York — Calcutta Rs. 4875 (\$ 650)
(via Delhi both ways)

Excursion Economy 14/120 days fare.

Call your Pan Am Travel Agent or call us.
• New Delhi: Chandralok, 36, Janpath, Tel: 43571
• Bombay: Taj Mahal Hotel, Tel: 255448, 255450
• Calcutta: 42, Chowringhee Road, Tel: 44-3281
• Madras: 8/9, Thambu Chetty Street, Tel: 29304, 23043
• Kathmandu: Hotel Sanyas-Oberoi, Tel: 11211
• Colombo (Ceylon): Kallupitiya, Tel: 76271

 **Pan Am**

Pan Am, first with daily 747 service round the world.

Drivers who do tough driving call Firestone

THE STRONG TYRE



TRIPLE STRENGTH CONSTRUCTION for more mileage, greater safety and more retreadability.

Firestone

See your Firestone Dealer today.

RECOMMENDED FIRESTONE PASSENGER CAR TYRE RETAIL PRICES

Ambassador 5.90-15 White Black 6 PR—Rs. 174.99;
5.90-15 Black 6 PR—Rs. 155.39. * Torino Taxi Special
5.90-15 Black 6 PR—Rs. 170.92. * Fiat 5.20-14 White
Black 6 PR—Rs. 149.99. * Standard 5.60-13 White Black
6 PR—Rs. 164.57; 5.20-13 White Black 6 PR—Rs. 159.95.
* Willys Jeep 6.00-16 GGND 6 PR—Rs. 221.13. (Sales
Tax & Local Taxes extra).

Monopolies Commission—Is it Necessary?

H. P. NANDA

OVER THE course of a little more than a decade of planned development the Indian economy has made stupendous advances. Today, in terms of industrial output India occupies the proud position of being one among the ten largest industrial nations in the world.

In the field of heavy electrical goods, machine tools and other engineering items, it has scaled new heights. Notably the king-pin of this industrial achievement has been the private sector, the resources, skills and managerial talents of business houses. The key industries such as sugar, textiles, steel, coal, heavy engineering were pioneered by private enterprise. Indeed it would be no exaggeration to say that private enterprise has laid the edifice of modern industry in the country.

However, notwithstanding the pre-eminent role played by the private sector in forging ahead the nation's economy, it has had to contend with a string of governmental constraints and pressures. The public sector, meanwhile, has spread its tentacles to practically every sphere of economic activity. Admittedly, in an economy in the throes of transition there are large areas where private initiative would fight shy of launching ventures and the public sector has to step in. What should be the limits within which the public and private sectors should operate and how far governmental intervention should be justified to ensure that the gains of industrial growth are shared not by the few but by the many are questions that have scarcely been answered objectively untainted by ideological bias.

Threat to Industry

The tirade against "concentration of economic power and inequalities of income and wealth", poses a threat to the industrial structure built up through the deployment of private capital and skills. It has attracted a spate of legislation designed to check what are dubbed as unhealthy economic trends. The Monopolies and Restrictive Trade Practices Act (MRTPA) was created with a view to curb such concentration of wealth and power in the hands of a few business magnates, ensure that dominant production units do not exploit the consumer by charging excess prices and eliminate restrictive

trade practices involving instances of anti-social behaviour.

The MRTPA is applicable to business houses owning or controlling assets not less than Rs 20 crores. In all fairness to the lawmakers, they had never intended to hinder industrial expansion. Rather, its explicit purpose was to discourage malpractices such as forging price agreements at the expense of the consumer and depriving small units in respect of markets and finances emanating from the dominance by large business establishments. The Act permits the expansion of big business houses in the core or key sectors of the economy. It seeks to promote a balanced development between big and small units by disallowing the former usurp the latter. The Act presupposes that mergers or amalgamations, if not weighed against the demands of social justice, upset normal market conditions.

Having thus set out the rationale behind the MRTPA, which lies basically in serving a social purpose, there is no denying that the well-intentioned legislation is hinged with several anomalies that defeat the very purpose it was meant to achieve.

Loose Definition

In the first place the Commission, created by the Act, provides no clear-cut definition of such terms as "dominant undertakings" and "inter-connected undertakings" that come within the ambit of the law. The vagueness has resulted in a loose interpretation of these terms, which has placed fetters on industrial expansion as a whole. Secondly, the tendency to identify big business houses having assets above a certain stipulated figure with monopolies is questionable. Economic growth is a natural and pragmatic phenomenon of well managed industry. Given the in-built restrictions and regulations, large business houses are in no position to exploit the market or the consumer. Needless to say, it is the big business groups, equipped as they are with vast resources, skills and know-how, that can give the much-needed boost to the economy as a whole.

Thus, the Monopolies Commission, by imposing obnoxious fetters on the corporate sector, can only widen the gulf between the reality and the objective, namely rapid industrialisation

and increasing employment opportunities. Comprising as a whole, 26,000 joint stock companies with a growth rate of eight to 11 per cent, the corporate sector accounts for much of the encouragement given to research and development work — an imperative for attaining self-sufficiency and increased exportability of our products in competition with the fast developing economies in the west. In fact a disincentive to big business would be tantamount to putting a premium on inefficiency. Low scales of production have in several instances priced India out of world markets, and led to an erratic flow of goods on to the markets, both at home and abroad. It will be erroneous to over look the fact that among industries run by large houses there are several that are well managed and profitable. Their managements are invariably enlightened technocrats who plan production programmes on the basis of market surveys and attract foreign collaborations from reputed firms the world over.

Misconceived Notion

The Commission's plea that corporate undertakings do not plough back a substantial amount of their earnings in business is misconceived. The *Economic Times* study of Industrial Giants in 1970 reveals that despite heavy corporate taxation, profits retained by these units were nearly twice as much as in the previous year. Retained profits in 1969-70 formed 47.6 per cent of net profit against 37.2 per cent in 1968-69.

As indicated earlier, encouragement of the small-scale sector is one of the objectives of the MRTPA. Ironical as it may seem, the Monopolies Commission, if anything, succeeded in limiting the expansion of this sector. The reasons for this are not far to seek. The development of the small-scale sector is to no small extent the outcome of a growing large-scale sector in that the latter provides an assured market for ancillaries produced by the former. As such the large-scale private sector has given an impetus to the small units to step up production and adopt mass production techniques, quality control measures etc. Obviously curbs on the expansion of the large-scale sector would reflect on the performance of the small-scale sector. In this context, it may be added that the prevailing industrial policy which reserves items of production to the small-scale sector constitutes a retrograde step. It overlooks the all-important fact that these units suffer from certain basic limitations such as the absence of a large market and the smallness of size. As a result, the preference given to small industries has brought about the unfortunate situation whereby the govern-

ment finds itself having to dole out large subsidies for inefficient units turning out sub-standard products. On the other hand the large-scale sector, which could have, in many areas, enabled the smaller units overcome these limitations, has been hamstrung by a plethora of controls, of which the MRTPA represents one example. The manner in which TELCO's application for expansion has got bogged down in the Commission's inquiries is a glaring instance of how the Commission can ill-serve the cause of industrial expansion.

Another aspect of economic policy that merits consideration is the rectification of regional imbalances, involving as it does the development of backward regions. Here again, it is the large business groups which can bring the goal nearer. The industrial climate in these regions is far from congenial and initial investments will inevitably be infructuous. Under such adverse circumstances, small and medium entrepreneurs can hardly be enthused by the government's offer of concessions and facilities for attracting industries to those regions. Only large business houses can risk their capital in such areas and thus prepare the ground for their sustained development. And yet—and here lies the rub—they are inhibited from doing so in view of the restrictions spelt out by the Monopolies Commission. Clearly, those are directly at variance with the government's endeavours to remove regional imbalances and pockets of under-development in the country.

Strange Fact

Strangely enough the nation's public enterprises, entailing investments running into crores, do not come under the ambit of the MRTPA. Apart from the fact that many state enterprises compare favourably with those in the private sector in regard to size and resources, their results in terms of profits and productivity are, by and large, disappointingly poor. Many of them are notorious for charging high prices and operating at low levels of efficiency. In contrast, private industrialists, having a stake in running their enterprises are result-oriented in their thinking and are guided by considerations of profit and cost.

The merits and demerits of the MRTPA apart, it needs to be emphasised that the government has in its armoury enough powers to prohibit the concentration of wealth and income in the hands of a few. The abolition of managing agencies, under which foreign companies and houses operated as conglomeration groups enjoying managerial, operational and economic powers and

the rigours brought about by the Company Law Board in regard to powers and remuneration of working directors, have had far-reaching results in checking monopolistic abuses. Besides, there are statutory limits on inter-company investments and well-defined rules prohibiting directors from exploiting their powers and position. The directors are debarred from taking any steps which, in the opinion of the Board, are derogatory to the interests of share-holders or amount to concentration of economic power in a few hands.

Bank Nationalisation

The nationalisation of the country's major banks and general insurance companies has gone a long way in obviating the misuse of public funds or investment of funds created by banks and general insurance companies in organisations in which the "larger" groups could have "vested" interests.

Besides, a large degree of public control over wall-managed, profit-making public limited companies exists in the form of (a) heavy borrowings of those concerns from public financial institutions such as the IDBI, IFCI and ICICI, (b) underwriting of shares by those institutions, and (c) the purchase of equity and preference stock in these firms by the LIC and Unit Trust. The investments by these institutions in reputed concerns are, in one way or another, linked with the large business houses. Other devices to curb the abuse of monopolies relate to such steps as price fixation and distributory control under the Essential Commodities Act, the licensing system and controls on the import of raw material, plant and machinery. Price controls have absorbed excess profit in vital lines of production such as automobiles, tractors, cement, textiles, jute, sugar, chemicals, pharmaceuticals, motor-cycles, scooters, etc. The case of cement is illustrative of how price controls have pruned expansion plans.

Furthermore the denial of concessions in regard to the import of plant and machinery by business houses with an investment exceeding a certain limit removes any possibility of indiscriminate imports by the same. Finally, corporate taxes on income and wealth have deterred business groups from accentuating wealth and property beyond reasonable limits.

Viewing against the background of these restrictive policies, one could legitimately ask whether the Monopolies Commission is at all necessary. Granted the need for a monopoly commission, however, its scope needs to be clearly defined and understood. The Commission should be more selective in assess-

ing the requests for expansion of existing units. It should refrain from injecting political consideration in to what is essentially a technological issue. The patent fact that mergers and groupings are inherent in the process of growth is inescapable. The government's own new policy of acquiring shares through investment in private business organisations is an example of groupings and one cannot deny the justification of such a move on economic grounds. However, the compulsions of economic development should be weighed against the demands of social justice. And this requires that a mixture of both factors should underline its deliberations.

On the other hand, it would be most inept to question the government's bona fides in restraining, within limits, big business interests from having a free in hand extending their activities. It has reason to be suspicious of private enterprise as, unfortunately, in the past a few have demonstrated lack of ethics on their part. The government would be perfectly on the right side if it came down with a heavy hand on anti-social elements, undeserving of public confidence.

Heart-Searching Needed

Thus, while the government has to make a rational distinction between good and black sheep, (and in which walk of life, there are no black sheep?) private industry should do some heart-searching and rid itself of activities that are inimical to the best interests of the society.

In conclusion, the government scrutiny should not amount to preventing the growth of large undertakings which put to effective use such a large share of the nation's annual investible surplus. Rather it should ensure that they do not abuse their power. This can best be done by keeping their profits, prices and sales practices under constant check, a function that could well be discharged by the existing governmental machinery.



Beware, the Ideas of March!

Feasibility Study of Small Units

P. CHATTOPADHYAY

THE FEASIBILITY study occupies a central position in respect of starting industrial enterprises, application for loans to different financial institutions, for licences, for import of plant and machinery, spares, raw materials or for such facilities as hire purchase and accommodation by banks for short-term credit or loans. However, in most cases the attitude to this study by intending entrepreneurs continues to be lukewarm. Analytical sophistication of project appraisal continues to be on paper only and hardly finds shape in practice at the micro-economic level of the firm for various reasons. The hurdles are far too many in the way of making a feasibility study, "an enterprise on paper", a practical, complete exercise acting as a norm when the enterprise starts operation. Instead, the study gets reduced to an irrelevant exercise, a necessary evil, consisting of a set of figures meant to be forgotten rather than referred to in practice.

Part of this irrelevance is caused by a constantly changing price level of most of the items included in the study. Since this is the only document on the basis of which a large number of decisions are taken externally and internally, the feasibility study must be complete and realistic. In this context, it is necessary to note that the condition is almost no different as between large and small units excepting the dimensions and the complications or perhaps the quality of the "guesstimation". The requisites to more realistic feasibility studies are therefore discussed here with a view to enhancing their practical value.

Enterprise on Paper

The contents of a feasibility study are such as attest to its being nicknamed as "an enterprise on paper". Fairly minute details are incorporated in the study with justification for the unit, the environs in which it will be expected to function and the constraints it will be expected to face. It is proposed to take up in the present context some of these details for stressing those aspects that are generally neglected in these studies, particularly those related to small-scale units. Incidentally, a reference needs to be made also to the way in which these studies are presently prepared so as to point out the areas

where improvements need to be made. The debate on aspects of business or industrial planning that have gone on in this country for long have been reduced to idle gossip mainly because even rudimentary information in this respect has hardly been available in an organised form. Organisations have grown like a mushrooms without a sound rationale behind them and with rather indifferent economics of working.

Demand estimates are an essential part of feasibility studies. A large organisation can have such demands surveyed through different means, both direct and indirect, as is indeed done from time to time. In the cases of small units this is a costly way. In such situations, broad indications of demand may be available from the following sources:

(a) The five-year Plans, specially the chapters on industrial programmes.

(b) The items in the reserved list for the small industrial units and items covered by the stores purchase programme.

(c) The area and commodity studies made by the IIFT and studies sponsored by the USAID in India.

(d) The NCAER studies including techno-economic surveys of different states in India, commodity studies in different regions and studies on individual items in particular areas released from time to time. A fairly recent publication of the NCAER relates to a survey of the backward districts of Andhra Pradesh.

(e) District studies in Gujarat conducted by the Market Research Corporation of India.

(f) Study group or working group reports on various items appointed by the Planning Commission.

(g) Occasional studies published in the *Economic Times*, *Financial Express*, *Eastern Economist*, *Commerce* and *Capital*.

(h) The annual reports published by the DGTD.

In addition, different government reports such as the Import Control (Red

Book) may give some idea as to the industries or items in respect of which demand exists as against capacity already installed. The Plan targets *vis-à-vis* capacity already available would be a fairly good indicator. As a matter of fact, all those sources should be on the shelf of every bank desirous of granting loans to small units. The financial institutions already make use of them. In some cases, auxiliary indicators may be present. In some others stress may be put on utilisation of materials available locally or the unit may be proposed for establishment in undeveloped states, regions or districts as declared by the government of India.

Organisational Forms

The form of organisation to be chosen should demand close consideration. It is the following list from which such a form may be decided upon, each having some advantages and some disadvantages. The forms are stated along with the advantages and disadvantages.

(1) Private Limited Company—Liability of members is limited to the extent of shareholding but the number of members cannot exceed a certain maximum laid down by law, annual accounts would require to be audited and capital cannot be obtained from a large number of subscribers depending on the quantum of such requirements. Loans from the financial institutions and banks would, however, be available. This is the most common form.

(2) Public Limited Company—Rather limited in number, has advantages of limited liability; share subscription can be invited from the public, no upper limit on the number of shareholders but subject to somewhat tight control under the law.

(3) Co-operatives—They may or may not have limited liability; are governed by the Co-operative Societies Act of individual states and are now under different schemes of encouragement and incentives according to the policy of the government. The political influence on co-operatives has remained a subject of discussion and debate. The form has been found to be not so efficient and successful in India for various reasons. Moreover, since companies are administered under the Companies Act by the central government and co-operatives under the co-operative laws of the states, the inter-state differences in the latter have caused some confusion in this context.

(4) Unregistered Firms—They are fairly loose in form as there may be agreements between partners or there may not be. While there are advantages of such a loose form, one of the major

disadvantages is that partners of such firms are taxed under the Income Tax Act as individuals and they remain liable for all debts of the firm jointly and severally. The firm's name does not do much in establishing an identifiable entity as happens in a company (limited) and the reputé of the partners holds the key in this respect.

(5) **Registered Firms**—Have rather similar formal characteristics as an unregistered firm except that the relationship of partners is more formalised and that the tax authorities distinguish between registered and unregistered firms in the matter of taxation.

(6) **The Unitary Concerns**—Are owned in the name of one man and for all dealings the owner himself and his property remain liable.

Whatever form is chosen or adopted for the enterprise, all relevant details thereof are required to be given in the feasibility study including the names of persons behind it, directors, partners or owners as the case may be, and the extent of their contribution.

Sources of Finance

The sources of funds contemplated by the entrepreneurs would require mention with respect to different types of funds such as share capital or simply capital in the cases of companies or other forms respectively, loans — secured and unsecured — from private parties, relatives, friends and the financial institutions and banks for fixed and working capital purposes. The terms and conditions attached to such loans with respect to repayment thereof and the interest on loans from different sources at concessional and other rates may be stated in detail and duly taken into account in the profitability statement forming part of the study and referred to later in this discussion.

The recipient will have to calculate the most economic sources either jointly as a source-mix or as an individual source. Reference will have to be made to the policies, schemes and procedures evolved by financial institutions and nationalised and other commercial banks including the State Bank of India for fixed and working capital and short-term credit. Careful consideration will have to be given to the need for providing "margin money" by the entrepreneur to the extent of 25 per cent or more for the purposes for which accommodation from banks may be sought, for credit in particular, such as sales on credit and stickiness of sundry debtors.

Apparently, such schemes of liberalised credit as have been drawn by the State Bank of India have not evoked the desired public response, since libe-

ralised credit schemes have been in operation from 1957. The terms and conditions offered by the NSIC should also be studied closely particularly if its good offices are utilised for procuring plant and machinery on hire-purchase terms from abroad or from indigenous sources.

Selection of Industry

Selection of industry is a major problem and a lot would depend on the technical and/or operational background of the entrepreneurs. It may be mentioned here that the chemical industries have remained more profitable than others in the public and private sectors as one gathers from the annual reports regarding the former and the studies in company finances as regards the latter. Indeed, there are possibilities that even in the small-scale sector, chemicals are a more profitable line than others. It is, however, necessary to predetermine whether there are economies of small scale in particular lines and how small should be the unit within the range of Rs 7.5 lakhs for plant and machinery. The other requisites such as land and buildings, electricity, water and communications may vary from industry to industry and may be accommodated in the investment plans as also in those for individual items in their physical aspects.

After the industry has been selected and location for starting the unit decided upon, the entrepreneur has to consider other details. Before discussing details it is appropriate to say a few words about location. Recently, a kind of carrot and stick policy has been adopted by the government in regard to rural, semi-urban and urban areas and also to undeveloped and developed regions or districts. Various incentives are now given to entrepreneurs desirous of establishing large and small-scale units in undeveloped districts or regions, including preferential treatment, differential interest rates on loans given, etc. The facilities for the developed, urban or semi-urban areas are subject to discouragement of various kinds such as higher interest rates on loans, lower priority and so on. The entrepreneurs seeking to establish units in favoured areas i.e. rural areas or undeveloped regions will have to calculate the benefits of such spreading out in terms of:

- (a) rebates, etc. on taxes imposed by states and the centre, including indirect and direct taxes;
- (b) priority in factor supply, such as machinery and materials;
- (c) preferential advance of loans by the financial institutions and banks and at lower rates;
- (d) freight concessions for bringing

machinery and materials;

(e) cheaper rates of power and water as against:

- (i) possible absence of local market;
- (ii) higher selling and distribution charges;
- (iii) inexperienced or unskilled labour;
- (iv) higher cost of repairs, renewals, etc.
- (v) possible withdrawal of incentives on the expiry of a certain period.

(vi) The absence of large units in the vicinity may come in the way of establishing ancillary relationship, an advantage that the urban or semi-urban units may have. It is possible to demonstrate the advantages and disadvantages in precise terms with reference to the location selected *vis-a-vis* another in or around a city.

Operational Details

The machinery required may be mentioned in terms of brand name or other description, the number of machines of each type, the sources of supply thereof, placement of orders, scheduled delivery of the machines, technical specifications, prices, spares and components, methods of payment agreed to, and such other details. For this purpose, quotations invited from different suppliers will be a good guide. The operational details stated in the quotations for machinery should be carefully studied in deciding which type of machines will be purchased. There should be comparative studies of machines of various types and involving different prices as to the advantages and disadvantages of each. In this context, the following pointers should be taken:

- (a) Capital cost involved in each type.
- (b) Technical efficiency.
- (c) Life of machinery.
- (d) Employment generation.
- (e) Productivity in ideal conditions.
- (f) Mode of payment.
- (g) Delivery schedule.
- (h) Installation charges.
- (i) Repairs, replacements and renewals.
- (j) Maintenance expenditure.
- (k) Spare parts, components, etc. and sources.
- (l) Mobility of the set-up and the type of building, etc., in which the machinery may be installed, whether a hired accommodation is enough or it has to be specially built.

The processes of manufacture should be given in the study with details of raw materials and other inputs number of workers in each process, wastage of materials in each, purchase and sale of semi-processed

materials and the output over a period of time or per run of the process, the work-in-progress, raw materials in stock, sale of finished goods and finished goods in stock. Materials consumption may be stated in a separate schedule indicating all relevant particulars such as price, sources of supply, etc. Similarly, separate statements should also be prepared for sales, closing and finished stocks, prices of each product sold, etc., for inclusion in the profitability statement. Classification of costs into prime cost and overheads of different types for each product in the product-mix and the sales realisation on each product sold would help the entrepreneur to decide the product-mix and sales-mix as the unit starts operating.

All these details would require to be given for some years in the feasibility study. No important question should be left out of consideration in this context. Those factors which have a tendency to go out of gear over a period of time such as prices, taxes, markets, etc., should be subject to a close scrutiny and the feasibility study should not give any unduly optimistic picture in an attempt to establish that the project is viable techno-economically. In fact, contingencies should be provided for and escalation clauses entered, in the body of the study itself.

The profitability statement appended to the study must be a truthful depiction of the working results as anti-

pated over a period of five to ten years. Starting from the sales plus closing stock, all the items of cost are to be deducted to find the profit. These elements will have been given in detail in separate schedules with explanations and assumptions behind each item. These figures should be shown in the profitability statement. Such items as interest on loan capital, taxation, etc., will also have to be reckoned before finding the profit, for distribution among owners or for keeping in reserve. This statement is an important part of the study and should be prepared with all seriousness.

The fund flow statement shows the receipts of the proposed unit from various sources such as capital, loan, sales proceeds, depreciation, reserves, on the one hand, and disbursements on different accounts such as payment for fixed assets, including deferred payment to trade creditors, payments for materials, labour payments for taxes, duties, etc. on the other. The balance would show the availability or otherwise of funds for financing working capital needs. Planning for working capital will have to be made carefully so that neither excessive cash and liquid funds are carried nor is it stuck up due to stringency of funds.

Thus, all these details truthfully presented in the feasibility study would substantiate its nickname, "an enterprise on paper".

International Finance : A Seminar

A CORRESPONDENT

A THREE-DAY seminar on International Monetary Developments over the last forty years was held (January 23-25) at the School of Commerce, University of Rajasthan, Jaipur, under the auspices of the Department of Economic Administration and Financial Management. In a message to the seminar Mr. H. Lal, Secretary, Ministry of Foreign Trade, pointed out that a properly functioning international monetary system was an essential prerequisite of sustained growth in world output and trade. Both developed and developing countries had an equal stake in the smooth functioning of the international monetary system. However, the state of the world monetary system during the last ten years or so had been far from healthy, he stated. The system had experienced serious strains during this period. The emergence of difficulties in its functioning had, no doubt, led to a remarkable growth of international monetary co-operation both within and outside the IMF. However, as the events of the last few months had demonstrated the growth

of co-operation had not been adequate enough to deal with the underlying strains which had been building up with the passage of time, he said.

Mr Lal indicated that developing countries were worried about some recent happenings for more than one reason. First of all, poor countries did not possess well-developed institutional mechanism of forward exchange markets that would enable them to deal effectively with a situation of prolonged uncertainty in the foreign exchange markets so that the continuation of this uncertainty was bound to affect their ability to expand and diversify their exports. Secondly, there was a danger that the situation might degenerate into a trade war among the developed countries with disastrous consequences for entire world community. Mr Lal stated that developing countries at their recent meeting at Lima, firmly took the view that it was indispensable to the restoration of stability and confidence of the international monetary system that there should be an early

return to orderly and stable exchange rate arrangements.

Professor A. B. Lal, Vice-Chancellor of University of Rajasthan observed in his inaugural address that the last forty years had seen the currency chaos emanating from the Great Depression as also the emergence of an elaborate international monetary system, particularly after the Second World War. It had to be seen if this machinery could continue long, he said. Devaluations and revaluations and all kinds of juggling with the international monetary systems had been used as diplomatic weapons for meeting the national ends, he pointed out.

At the first technical session on 'International Liquidity: The Gold Base and Alternatives', Prof. Om Prakash, Dean of the University Studies in Commerce and Director of the Seminar, traced the concept of notional International Currency Units (ICU) in terms of which the values of various national currencies could be fixed, refixed or allowed to float. He felt that such a system could be made to work merely on the basis of book-keeping countries; but, if the traditionalists had hesitation in launching on such an experiment straightway, the same could be supported by commodity reserves held by the IMF or a sister agency such as the International Commodity Reserves Agency. The list of acceptable commodities could be drawn up and modified from time to time, on the basis of important items entering international trade. Dr Brahmanand, on the other hand, strongly advocated the continuance of gold as the basis of international liquidity. He described such a system as "neutral" which in his view, should work to the advantage of underdeveloped countries.

Devaluation : Accounting Change

During the second technical session on 'The Rationale of Devaluations' Professor B.R. Shenoy, Director, Economics Research Centre, New Delhi, who was the chairman of the session, pointed out that devaluation was merely an accounting change. It was not right for politicians to consider it as national humiliation. In fact, it was the creation of purchasing power through the printing press which should be considered as national humiliation. Dr H.C. Sharma of University School of Commerce, Jaipur, observed that a vigorous campaign for austerity and 'Swadeshi' should be launched. That alone could save the country from future devaluations. While both Prof Om Prakash and Prof Raj Krishna of Rajasthan University, Jaipur, were not in favour of devaluations as such, they differed

with regard to original devaluation and reactive devaluation — devaluation on account of reaction to devaluation of a key currency.

At the session on 'Floating Exchange Rates', Mr R.K. Mishra argued in favour of floating exchange rates for two reasons: first they would remove the effects of fixed rate disequilibrium; and, second they would have the advantage of freeing the governments to use the instruments of domestic policy for the attainment of domestic objectives, while at the same time removing the pressure to intervene in international trade to correct the balance of payments. Prof Brahmananda argued that the basic conflict was not between fixed and floating rates; rather, the point was whether we were able to maintain gold parity. Prof Om Prakash argued that unlimited (without any intervention points) and universal floating of some 150 currencies would involve too many exchange equations which might not be conducive for international commerce.

The fourth technical session on 'International Monetary Institutions and Regional Blocs', discussed the paper entitled 'Critical Comments on the European Currency Union' by Professor George Halm of Tufts University, Massa-

chusetts wherein he tried to show that the ambitious aim of complete monetary unity inside the EEC might not be accomplished and should the aim be reached, the benefits might not be worth the costs. In his view it was extremely unlikely that a common policy could serve all members equally well. During the fifth technical session on 'Current International Monetary Situation' Professor Harry Johnson of London School of Economics and the University of Chicago argued that the EEC was trying to put up an outward show of integration through common agricultural policy and monetary integration. It would not be able to take supporting steps necessary to make integration effective, he argued.

Professor Om Prakash, summed up the broad consensus that emerged from the deliberations of the seminar. It was felt that notional International Currency Unit (ICU) should be the numeraire for the external values of all national currencies. But, for some years to come, it would be expedient to retain a gold base. Such a base should be really "neutral" and not of the "gold dollar-exchange standard" type. Another conclusion was that the rationale of devaluations (or upward revalua-

tions) should be considered in the context of its potentiality, as an accounting change to bring about economic equilibrium via monetary and fiscal discipline in national policies, rather than as a matter of political prestige. It was felt that while it was desirable to have a system of floating exchange rates, the danger of any particular country's currency assuming the role of a leader, while other currencies were pushed down to the status of satellite currencies for the world as a whole or for a particular bloc must be adequately guarded against.

It was also felt that the proposed monetary unification of European Economic Community by 1980 appeared to be more an outward symbol for the rest of the world and it was not likely to achieve the desired level of harmonisation in regard to domestic policies of member nations. A final conclusion of the seminar was that while it was necessary to control the volatile flow of short term (speculative) Euro-currency funds, monetary policy alone could not be relied upon to maintain an orderly state of affairs in international economic relations. The same had to be supplemented by effective fiscal policies at national levels.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

WINDOW ON THE WORLD

OECD Code For Capital Movements

JOSSLEYN HENNESSY

LONDON.

I GENERAL PRINCIPLES

OECD COUNTRIES agreed a decade ago that freedom for some, mainly longer-term kinds, of private capital flows—direct investment, portfolio investment and various forms of personal capital—but also short-term commercial credits, is a desirable objective for the developed countries in that such movements of capital promote more efficient utilisation of available economic resources.

OECD's Convention states that members will "Pursue their efforts to extend the liberalisation of capital movements", and this principle is embodied in a legal instrument, a Code of Liberalisation of Capital Movements, to which all member countries except Canada adhere. Canada considers that its situation as regards capital movements is a special one which does not permit it to adhere to the Code.

Liberalisation means that private individuals and firms are free to carry out the transactions covered by the Code and to take money out of one country and bring it into another to effect the operation. If governments require that such transactions be reported (as a check on their authenticity for example or for statistical purposes) this procedure is not to be used as a restrictive mechanism. Liberalisation measures must be applied to all countries on a non-discriminatory basis as must any restrictions.

II COVERAGE OF THE CODE

The range of items covered by the Code includes not only those considered economically desirable but some which, it is felt, should not be impeded for social reasons: gifts and inheritances, for example, and the transfer of capital from life assurance. The list (See chart) is by no means immutable and can be changed or added to when countries agree to do so. Thus, for example, discussions are now going on within OECD as to the desirability of making transactions in securities of institutions for collective investment (unit trust funds) a separate item in the Code.

On the other hand, certain kinds of flows are excluded from the Code's coverage, which means that govern-

ments have not committed themselves to abstain from regulating them. Short-term financial credits and loans are specifically omitted, as are the buying and selling of short-term treasury bills and other short-term money market

Mr Josselyn Hennessy will be away on a four-weeks' holiday. He will resume his column in our issue dated March 31.

securities, because they are the vehicle for hot money, and because control of such flows is often considered necessary to buttress domestic monetary policy. Certain long-term transactions are also excluded, notably commercial credits of five years or more which have often been the object of intense trade competition among the industrial nations.

III RESERVATIONS

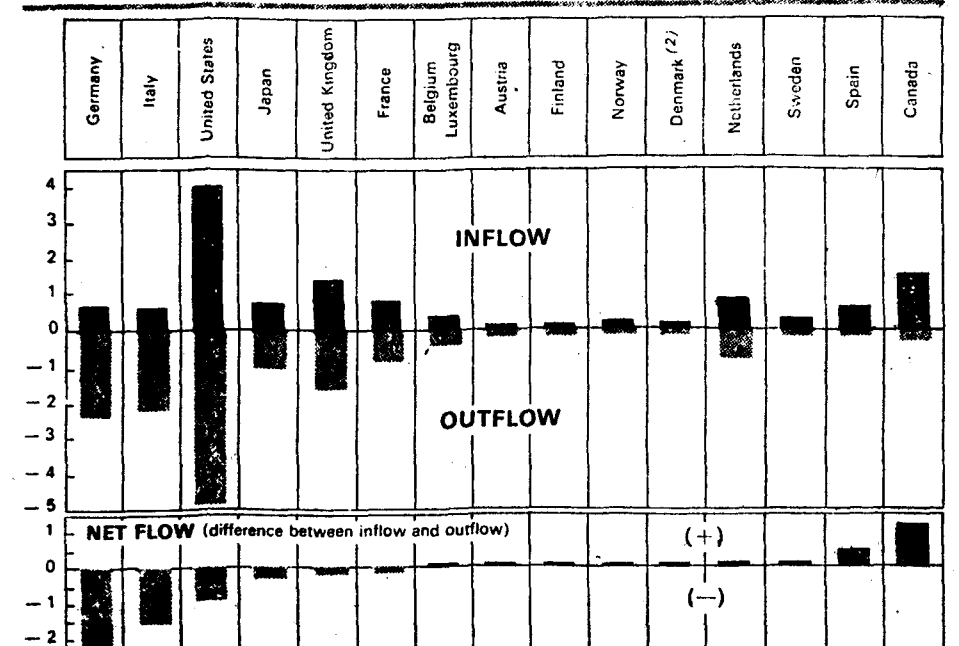
The drafters of the Code were aiming at constructing an instrument which would assist countries in moving in an orderly manner towards their common aim of freedom for international flows of private capital — as those flows are defined in the Code—whilst making practical arrangements to

meet the situation of countries which, for various reasons, consider that they are unable to apply liberalisation in full, and at all times. They sought to achieve this result, first by allowing for exceptions through lodging reservations or requesting derogations in respect of specific forms of capital movements and, secondly, by entrusting surveillance of the working of the Code to a special committee of independent experts, the Invisible Transactions Committee.

Countries are permitted to lodge reservations to specific items at the time that they adhere to the Code, when a new item is added or the scope of an already existing one broadened. Generally speaking reservations on the more important items cannot be extended or added to; they can only be withdrawn or their scope narrowed. Except on List B, which contains the issue of securities, operations in unlisted securities, credits and loans not connected with trade in goods or services, etc.; on List B items reservations can be lodged or reintroduced at any time.

Each country's reservations are periodically reviewed by OECD's Invisible Transactions Committee to see whether or not they are still justified. These reviews are carried out against the background of special country reports now being prepared on the overall financial policies of each country, including exchange control policy. ("The Capital Market, International Capital Movements and Restrictions on Capital Operations". Reports so far published cover Germany (1969), Austria, Den-

INTERNATIONAL MOVEMENTS OF PRIVATE MEDIUM AND LONG-TERM CAPITAL (1) Selected OECD Countries: annual average 1967-1970 (US \$ billion)



(1) Includes credits and loans having a maturity of one year or more
(2) Average 1967-69
Source: OECD-IMF Balance of Payments Statistics and national sources.

mark and Norway (1970), Spain, Sweden and Switzerland (1971). In the course of these reviews the Invisible Transactions Committee may find that the original reasoning behind the restrictions no longer holds or that the country's overall economic position has improved enough to justify the removal of some restrictions, and may urge that certain reservations be dropped.

IV

PAST & PRESENT DEROGATIONS

May 1964: **Switzerland**

Introduced regulations making it

illegal for financial institutions to be instrumental in net new investment of foreign funds in Swiss securities. Measures withdrawn in October 1966.

May 1966: **United Kingdom**

Restricted direct investment and cash gifts outside Sterling Area.

Restrictions withdrawn in January 1970 and March 1971 respectively.

January 1968: **United States**

Restricted transfers in connection

with direct investment abroad. Derogation still in effect.

May 1968: **France**

Restricted outward portfolio investment, outward commercial credits and outward financial credits and loans.

Restrictions withdrawn in September 1968.

November 1968: **France**

Reintroduced above restrictions plus restrictions on certain outward personal capital movements (family loans,

PRESENT RESERVATIONS*

	Australia	Austria	Belgium	Denmark	Finland	France	Germany	Ireland	Italy	Japan	Luxembourg	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom	United States
● Full Reservation																			
□ Limited Reservation																			
Inward direct investment.	●	□	●	□	□			□		□				□	□	□	□		□
Outward direct investment.	●				●				□	□				●	□	●	□		
Liquidation of direct investment in the country concerned by non-residents.																			
Introduction of domestic securities on a recognised foreign security exchange																			
Introduction of foreign securities on a recognised domestic security exchange	●		●	●	●	●			●			□	●	●	●	●	●		
Purchase in the country concerned by non-residents of listed securities.		□		□						□			●	●	●	●	●		
Sale in the country concerned by non-residents of listed securities														□	□	□	□		
Purchase abroad by residents of listed securities.	□				□	□							□	□	□	□	□		□
Sale abroad by residents of listed securities.																●	□		□
Sale of real estate by non-residents																	□		□
Inward commercial credits (in cases where a resident participates in the underlying commercial or service transaction).																			
Outward commercial credits (in cases where a resident participates in the commercial or service transaction).	□																		
Personal capital movements		□				□			□	□					□				□
Life assurance						□			□	□					□				□
Sureties and guarantees by residents in favour of non-residents.	□				●									●	□				
Use of blocked funds for operations of a capital nature																			
Cession of blocked funds between non-residents.																			

*As of December 1, 1971, On items included in List A of the Code. There is also a List B which contains the issue of securities, operations in unlisted securities, credits and loans not connected with trade in goods or services, etc.; on these items reservations may be lodged or reintroduced at any time. Greece, Iceland and Turkey are not included because they have obtained a general exemption from the Code under a derogation clause.

gifts and endowments, dowries, emigrants' assets). Derogation still in effect.

April 1969: **Italy**

Restricted outward investment in unit trusts.

Derogation still in effect.

July 1969: **Denmark**

Restricted outward portfolio investment. Some measures withdrawn so derogation no longer necessary, others covered by new reservation to Code.

September 1969: **Sweden**

Restricted outward direct investment, outward portfolio investment in Swedish securities and transfers of emigrants' assets.

Derogation still in effect.

November 1970: **Finland**

Short-term commercial credits by non-residents to residents restricted.

Derogation still in effect.

Many of the reservation have in fact been withdrawn or narrowed since member countries have adhered to the Code. Thus, for example, while reservations to cover the blocking of foreign-owned funds were numerous in the early sixties, today there are none. By the same token, some countries which started with many restrictions now have very few (See chart for the present situation). West Germany and Luxembourg have liberalised all items under the Code and in some cases, such as Belgium, Switzerland and the United States, the reservations are few in number. Japan is an example of a country that has made rapid progress in the last two years in removing reservations. Thus there is evidence of long-term progress towards liberalisation.

V

DEROGATION CLAUSE

However, there is another way in which a country can be relieved of some or all of its obligations under the Code — by invoking a Derogation clause (under Article 7); and recourse to this procedure has become more frequent since 1968.

There are several different types of situation in which derogation is permitted: Greece, Iceland and Turkey are completely exempted from their

liberalisation obligations, because of overall economic and financial problems related to their degree of development. (Other countries continue to apply the Code to the three).

The most common reason for derogating is that a country finds itself in balance of payments difficulties. If so, it may be permitted to withdraw temporarily a measure of liberalisation. In such a case, OECD must decide whether or not invocation of the derogation clause is justified. This means that the measure must be reported "forthwith" to OECD's Invisible Transactions Committee, along with the reasons for taking it. The actions itself and the context within which it has been taken will be discussed in this Committee as well as the probable efficiency of the measures in reaching the desired aims and the likely impact on other countries. The Committee may try to get the country to remove the measure and make specific proposals to this end or it may recommend granting the cover of the derogation clause. Since the Committee is an expert group, its findings do not commit governments. The final decision with regard to grant-

ing a derogation rests with the OECD Council.

If the derogation is accepted, it too is reviewed periodically until liberalisation has been restored. When a country derogates — and this is one of the essential features of the Code which applies to reservations as well — there must be no retaliation on the part of the other members; they will continue to apply the Code to the country in question.

Thus the Code provides not only a legal definition of the objectives agreed upon in the field of capital movements but also a mechanism for measuring performance against the objective. It also provides machinery to deal with what are considered to be unjustified restrictions and to exert pressure on member countries to liberalise their treatment of capital movements.

Sources and acknowledgments: The foregoing summarises a recent report published in the bi-monthly *O.E.C.D. Observer* (2 Rue Andre Pascal, F. 75 Paris 16, France) but the OECD is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Spectre of Increasing Unemployment

E. B. BROOK

VIENNA.

Two new areas of agreement between the United States and Europe's Common Market emerged this month. They could be as promising for world commerce as the simultaneous weakening of the US dollar in face of gold is menacing to the new world parities which were fixed in December.

The Common Market has accepted a US proposal for another global set of negotiations similar to the Kennedy Round of the mid sixties to find ways to lower trade barriers. While the Kennedy Round reduced industrial countries' tariffs, the new talks to be held next year will focus on other obstacles to freer trade. So much attention has been paid to tariffs that insufficient notice has been given to the growing array of other obstacles to trading of which there are now literally hundreds. A few examples are the so-called voluntary agreements that oblige countries to limit their exports of certain goods; others are the so-called safety rules that bestow advantages on domestic producers. Some of these "safety rules" are patently ludicrous, but the more stupid they are the greater impediment to sensible trading they become.

This new US-Common Market

agreement to hold these talks is no doubt a move forward but both parties have already reserved trading areas in which they will not be prepared to bargain away their existing advantages. The Europeans are sticking to their system of price supports for farm products and the associated tariffs that rise and fall as needed to protect the European farmers who, it should not be forgotten, make up at least half of west Europe's domestic voting forces. Similarly, the United States will not consider bargaining away its own price support techniques.

These reservations are a heavy initial limitation to the second "Kennedy Round" and, on the US side, the Congress will first have to give authority over how much the USA can bargain away in the limited field left for negotiations. So there is not much room initially for many hurrahs for the 1973 talks and much will depend on both sides on legislative steps taken this year to pave the way for discussions. Concessions by the Market are seen by the United States as a prerequisites for US Congressional approval of even the devaluation of the dollar.

The American attitude may have been

slightly mellowed by concessions made by the Market on imports from the USA of oranges and grape-fruit and some slight lessening of restrictions in Europe on stockpiling US wheat supplies.

As always, expectations were more generous than reality and if the Market Commission regarded the agreement as a "balanced package" the US negotiators were less enthusiastic. Many subjects were left unresolved. The US negotiators and, even more certainly the US Congress, were disappointed by the terms offered for European import relaxations over the citrus fruits and grain.

The Americans appear to have been almost equally unforthcoming, outlining no specific concessions and, particularly, disappointing the French over the US imports of their dairy products and cognac and the Italians over their almond exports. There was also no agreement on long-term international commodity agreements: the USA rejects the Europeans' arguments in favour of long-term agreements on such commodities as coffee and sugar, believing that long-term trading agreements in specific commodities are a hindrance to trade development. The French have already objected to the extent of concessions made to the Americans and are seeking to revive demands for greater export opportunities for their cognac and farm produce to America.

Anxiety All Round

The whole atmosphere has been grudging on both sides but the other Europeans are anxious lest the hard bargaining position taken by the French should persuade the USA to go back on other aspects of the agreement. The saving factor is that the French are as anxious as anyone to progress with Europeans and realise it is greatly in their interest to see that US trade and monetary legislation relaxing commerce and accepting the new parities passes safely through Congress. For this reason, France will not carry its restrictive attitude to a point when it becomes an obstacle to their main objective of European unity.

This catalogue of wrangling and of reserving positions in advance against concessions in next year's world trade talks reveals an attitude of extreme caution by the existing six members of the Market, led by France, at a time when the prospect of its early expansion into Ten and the imminent disappearance of its gentler rival EFTA might have been expected to make it more generous and venturesome. On the contrary, even to the non-member

European neutrals the Market continues to be difficult in fixing terms even of association.

Several factors help to explain this attitude, though not to excuse some of its meaner aspects. Europe remains very uncertain of the USA. The sharp rise in the price of gold against the dollar this month has amounted to a vote of no confidence in the American currency. There are doubts, probably unjustified, that the agreement on new exchange rates will not survive. Gold has reached its highest price since 1945 and the USA is expected to continue to run a big deficit in its balance of payments for at least another year.

The prospect of banks accumulating more inconvertible dollars is making for general nervousness, even though the US Treasury and the OECD in Paris issue reassuring statements. In the USA itself interest rates have been driven down to their lowest level for more than six years, increasing the threat to its reserves. The Europeans persist in expecting further speculative pressures against their currencies.

General Nervousness

At the same time the increase in unemployment in western Europe leads to some fear of a general recession. The joblessness is expected to get worse before it begins to mend. Europe does not derive much joy from the fact that its percentage of unemployment is still considerably less than the six per cent recorded in the United States. It realises, too, that the economic tolerance level of unemployment is lower on this continent than in the USA.

The worklessness is affecting the

poorer countries of south and south-east Europe first as more and more "guest workers" employed in more prosperous northern Europe are being laid off and sent home. The inequality in unemployment—less than one per cent in West Germany to four per cent in Italy and Britain and nine per cent in Ireland—reveals more fully the lack of a balanced regional and social policy in west Europe. The migration of labour from work-short areas to employment-rich areas is a strong disincentive to the development of such policies and puts off the day when Europe will legislate for its own more balanced overall development.

Poorer Nations Hit

While the Market countries worry irritably about the USA and grow more concerned about their own unemployment, their farmers are adding to their anxieties by calling for another all-round rise in agricultural prices of at least nine per cent. They are likely to get no less than six per cent in view of their voting value and trouble-making potential. No less do the six existing Market members feel concerned about two of their incoming members—Ireland, with its civil disorders and high unemployment rate and Britain, with a high workless level, frequent strikes and current power cuts. It is no comfort to the Six to realise they have these troubles also—falling industrial production, more workless and higher living costs—but the smiles of welcome on January 1, 1973, to the four new members will be thin and superficial unless prosperity and confidence pick up in the meantime.



Trade Winds

ASSISTANCE FROM DENMARK

AN AGREEMENT for Danish financial assistance to India of four crore rupees was initialled recently. The agreement followed talks between a Danish delegation headed by Mr Hans Jespersen of the Danish International Development Agency and Mr M.G. Kaul, Additional Secretary, Department of Economic Affairs, Ministry of Finance. The Danish loan of four crore rupees, like all previous loans from Denmark since 1963, will be completely free of interest and will be repaid over 25 years, including a grace period of seven years. The new agreement also covers a larger list of items that can be imported from Denmark than hitherto. These include machinery for fertilisers, petrochemicals and rubber industries, catalysts, electronic and electrical equipment, machinery and equipment for food processing, drying and storage and machine tools for small-scale, medium and large-scale industries. Since Denmark started extending financial assistance to India in 1963, there have altogether been five loans. Three of these, totalling Rs 7.5 crores, were general purpose loans while the other two, amounting to six crore rupees, were food loans granted in 1966 and 1968. The total Danish financial assistance to India excluding the loan for which an agreement was initialled recently, has so far been Rs 13.5 crores.

TRADE PACT WITH ROMANIA

On the conclusion of talks between the Indian and the Romanian trade delegations, a trade protocol for 1972 was signed recently. The Indian delegation was led by Mr H. Lal, Secretary, Ministry of Foreign Trade, and the Romanian delegation by Mr N. Nicolae, First Deputy Minister of Foreign Trade. The Protocol envisages trade turnover between the two countries to reach Rs 65 crores in 1972. India's exports to Romania will comprise engineering goods such as machine tools, wire ropes, steel pipes and fittings, chemicals, drugs and pharmaceuticals, paints and pigments, leather, etc. besides traditional items such as iron ore, coffee, tanned and semi-tanned hides and skins, jute manufactures, pepper and de-oiled cakes etc. Imports from Romania will include fertilizers, rolled steel products, synthetic fibres, caprolactum, dye intermediates for pharmaceutical industry, various chemicals,

petroleum products, oil prospecting and drilling equipment, calcium carbide and carbon black. Both governments have noted with satisfaction the steady growth of mutual trade between India and Romania and have agreed to bring about further expansion and diversification in the two-way trade exchanges.

TRADE WITH U.K.

Indo-British trade during 1971 turned considerably adverse to this country changing it from a favourable balance of about Rs 65 crores in 1970 to an adverse balance of over Rs 50 crores. According to trade figures released by the British Information Service recently, the principal factors which contributed to this big change in 1971 were increased imports from the UK of iron and steel, non-electrical machinery items and transport equipment. A total £17,197,000 worth of imports into India in December, 1971, took the overall total British exports to India in 1971 to £138,338,000 from £72,900,000 in the previous year. Total Indian exports to Britain in 1971 at £111,188,000 were only slightly better than the performance of 1970, when total exports amounted to £106,044,000.

VIJAYANAGAR STEEL PLANT

The techno-economic feasibility report on the Vijayanagar steel plant in Mysore has been submitted to the government. The report has been prepared by the Central Engineering Design Bureau of Hindustan Steel Ltd who were appointed as consultants for the project. The feasibility report on the Visakhapatnam steel plant, for which the consultants are Messrs M.N. Dastur & Co. has also been received by the government. Both Vijayanagar and Visakhapatnam are proposed to be integrated steel plants of about two million ingot tonne capacity each. For the Vijayanagar steel plant, iron ore supplies will come from the Bellary-Hospet deposits being exploited by National Mineral Development Corporation and for the Visakhapatnam steel plant from Bailadila. The feasibility reports envisage that metallurgical coking coal for both the plants will be supplied from the Bengal-Bihar region. Water supply requirements for the Vijayanagar steel plant will be met from the Tungabhadra reservoir. For the Visakhapatnam steel plant, the government of Andhra Pradesh has

prepared a scheme for diversion of Godavari waters and conveying it through an open channel, about 200 km long. The Ministry of Steel and Mines is examining the report.

KORBA FERTILIZER PROJECT

The Fertilizer Corporation of India has been given possession of 900 acres of land for its fertilizer project at Korba in Bilaspur district of Madhya Pradesh by the state government at a formal ceremony. The Rs 95 crore Korba project will be the tenth fertilizer unit set up by the Fertilizer Corporation of India and the third unit based on coal as feedstock. The other two coal based fertilizer plants are coming up at Talcher in Orissa and Ramagundam in Andhra Pradesh. The Korba plant, which is expected to be commissioned in the latter half of 1975, will produce 2,28,000 tonnes of nitrogen annually in the form of 495,000 tonnes of urea. The fertilizer produced at the plant would save Rs 34 crores in foreign exchange by replacing import of plant nutrients. The setting up of a fertilizer plant based on indigenously available raw material—coal—reflects Fertilizer Corporation of India's effort to acquire as large a measure of self-sufficiency as possible in the matter of feedstocks.

TANKERS FOR S.C.I.

The Shipping Corporation of India is to acquire six tankers with the help of an IDA credit of \$83 million. The negotiations for the credit have just concluded. This information is understood to have been given to the Parliamentary Consultative Committee attached to his Ministry at its meeting by the union Minister of Shipping and Transport, Mr Raj Bahadur, recently. He told the Committee that a team led by Mr G.C. Baveja, Joint Secretary in the Ministry of Shipping and Transport, had gone to Washington for negotiations with the International Development Association for loan to buy these tankers. The team is now back home. The IDA has agreed to put up the credit proposals to their Board of Executive Directors on February 29. As soon as the formal approval of the board of directors is obtained the Shipping Corporation of India will sign contracts with the lowest bidders. The loan will be routed through the Shipping Development Fund Committee, he added.

The minister is understood to have said that the purchase of the six tankers will be of considerable help to the country in the expansion of national shipping tonnage. The total tonnage added by these six tankers worked out

to 325,000 DWT or about 220,000 GRT. At present only five per cent of the petroleum traffic is handled by the Indian ships while for the remaining 95 per cent we have to depend on foreign ships.

Regarding the progress of the Cochin Shipyard Project, Mr Raj Bahadur informed the Committee that about 68 hectares, that is, about 170 acres of land has been acquired so far. Approximately 1.5 acres have been notified for further acquisition for the purpose of expanding a railway siding to the shipyard. All the earlier occupants of buildings, hutments, dwellers and encroachers on government land have since vacated. A church and cemetery situated in the project area have been shifted to the alternate site.

Preparatory work such as fencing of the shipyard estate, reclamation of the first priority area, construction of project roads, temporary water and electricity supply etc. have almost been completed. The construction of training school (workshop) has commenced. Contract for super-structure of the hull shop has been finalised and approved by the government. Work on loft foundation has recently been awarded. Tenders for repair docks, Quays Nos 1 and 2 and other shop-building have been invited. Generally, the project is proceeding according to the master construction schedule.

STEEL TECHNOLOGY

A major step towards technological self-reliance has been taken with the decision to set up a Rs 50-lakh sponge iron pilot project at the National Metallurgical Laboratory, Jamshedpur (NML). The project which has already been initiated is expected to be commissioned by the middle of 1973. Of over 100 processes patented all over the world for the production of steel direct from iron ore, only a dozen have passed the pilot plant stage. Some of them are not of immediate significance to India. A few others based on rotary kiln reduction have been developed on pilot plant as well as on commercial scale; their commercial viability is yet to be established. The NML took the initiative early in 1970 to develop a process for sponge iron production suitable to Indian conditions and using available iron ores and coals. The laboratory was able to produce high quality sponge iron on tonnage quantities by October 1970. For this purpose it adapted its existing 30 ft. kiln. The Planning Commission, however, recommended in December 1970 an increased capacity for the pilot project, which the NML will adopt. Sponge iron is a product of direct reduction

process which aims at bypassing the capital intensive coke oven blast furnace complexes requiring high quality coking coals for pig iron production.

RAILWAY IN IRAQ

The Iraqi railways team, which left Bombay for Iraq recently, has requested this country to have the final location survey of the proposed 404 kms long Baghdad-Hsaibah line on the Syrian border. After the final survey, this country has been requested further to take up complete construction of the project. An Indian railway team is expected to go to Iraq to start the work. An Indian team had earlier carried out a preliminary feasibility survey of this line and submitted report to the government of Iraq. After the study of the report, the Iraqi team arrived in India recently for further negotiations.

The Iraqi team, led by Mr Abdul Jabbar Saadi, Director General, Iraqi Railways, has also requested for economic study and a survey for another railway line for developing phosphate deposits in Iraq. The Iraqi team has expressed its desire to avail of the training facilities in India for their railway officers. The team has been assured of full co-operation from India.

EMERGENCY RISKS INSURANCE

The Emergency Risks (Goods and Undertakings) Insurance Acts, 1971 together with the schemes framed thereunder, which indemnify any loss or damage sustained in respect of the insured goods or properties due to enemy action upto the extent of the liability assumed by the central government, came into force with effect from December 10, 1971. In some cases goods or properties which were otherwise insurable under the acts sustained the loss or damage before December 10, 1971. Also, there may be some cases where the said loss or damage occurred after December 10, 1971, but before the parties concerned were able to take out insurance under the schemes. The union government has decided to consider payment in all such cases, on a suitable scale on ex-gratia basis, provided that the parties concerned applied for insurance under the schemes immediately upon their introduction.

Applications in form EXG, available from the nearest office of the Oriental Fire & General Insurance Company Limited or the Life Insurance Corporation where there is no office of the "Oriental" may be sent, as early as possible directly to Mr M.L. Wadhawan, Director, Emergency Risks In-

surance Schemes, Church Road Hutments, New Delhi-1.

LUFTHANSA

Lufthansa carried 7,538,951 passengers in 1971, an increase of 8.3 per cent over 1970. Freight at 180,267 tons was up 1.4 per cent over previous year, while mail registered 5.8 per cent increase to total 32,375 tons. Highest traffic increase was in cargo tons/km which at 548,300,000 were up 12 per cent on 1970, illustrating growing demand for Lufthansa's long distance cargo service.

POZNAN FAIR

This country will participate in the Poznan International Fair to be held at Poznan (Poland) from June 11 to 20, 1972. This has been decided by the union government, who will organise India's participation in this Fair. The Poznan Fair is an annual event organised by the government of Poland. During the Fair, Poland negotiates a large percentage of its annual purchases and the adjoining countries also take advantage of the Fair for transacting considerable business on the spot.

India's participation in the Fair has special significance as both countries have concluded a long-term arrangement for purchasing urea and sulphur from Poland in increasing quantities. Poland is expected to buy additional engineering and non-traditional goods from India. There are also promising prospects for Indian textile machinery, hand and small tools, electric equipment and installations etc. Exporters and manufacturers, who want to participate in the Fair, are required to forward their lists directly to the Ministry of Foreign Trade or through the concerned export promotion councils and commodity boards before March 1, 1972.

RURAL DEVELOPMENT STRATEGY

With the conclusion of the fourth Training Course of Field Personnel of the Pilot Research Project in Growth Centres, all the project personnel in the 20 research and investigation cells have now been trained. Prof Sher Singh, union Minister of State for Agriculture, observed recently in the course of his valedictory address that the Pilot Research Project in Growth Centres Scheme was essentially an exercise in regional planning. Through this work it was proposed to develop expertise in micro-level planning which would improve the operational efficiency in the rural sector by a correct assessment of resources and needs. The regional planning under this scheme aimed at the reconstruction and renewal of the

READY FOR SALE

MADRAS STOCK EXCHANGE OFFICIAL YEAR BOOK 1971-72

(Eighteenth Year of Publication)

- * Revised, Enlarged and up-to-date Edition incorporating Balance Sheets and other particulars received upto 10th December, 1971.
- ** Contains details of directorate, management, capital structure, objects, abridged Balance Sheet and comprehensive analysis of working results for the last seven years of all leading Indian companies, particulars of Central and State Government Loans, Schedule of Income-tax, Rates of Estate duty, Wealth tax and Gift tax, Stamp duty, Schedule of Brokerage, etc.
- *** An invaluable guide to investors, industrialists, entrepreneurs, government departments, economists and students of commerce and statistics.

Over 1,200 pages

Price : Rs. 20/-

Packing & Postage : Extra

Copies can be had from :

MADRAS STOCK EXCHANGE LTD.,

Post Box No. 183, 'Exchange Building',
16/17, Second Line Beach,
MADRAS-1.

community's economic, social, cultural and physical relations with natural environment. Prof. Sher Singh stressed that the regional development had to take due note of the unemployment situation.

RURAL ENGINEERING SURVEY

Seventeen senior engineers from twelve states have just completed a two-week orientation course under the scheme of Rural Engineering Surveys. The scheme has been sponsored by the union government with the twin

objectives of collecting data for rural development works and providing employment opportunities to the educated unemployed, particularly engineering and agricultural graduates and scientific personnel. Addressing the participants in the orientation scheme, the Deputy Minister for Irrigation and Power, Mr Baijnath Kureel, described them as pioneers in the field of the programme of rural development and the creation of a strong and dynamic rural base would virtually depend on their zeal in their job. The rural engineering surveys would make available at one

place the potential and possibilities of development of each area and give a correct idea of the magnitude of the problem.

LEATHER BOARDS FROM WASTE

A process for the manufacture of leather boards from leather waste has been developed at Central Leather Research Institute, Madras. Considerable quantities of vegetable and chrome tanned leather shavings and trimmings are available in the country. This leather waste could be converted to

leather board and profitably utilised in making insoles, counters etc in the footwear industry. The process has been successfully tested for six months in the laboratories of CLRI. The capacity of the minimum economic unit suggested by the Institute is one tonne of leather boards per day. The capital outlay for a plant of this size will be about Rs 6.75 lakhs.

OIL AT JORAJAN

Jorajan I, the seventeenth exploratory well in Oil India's new concession areas, has been drilled to a depth below 3,400 metres and the objective depth of 4,100 metres is expected to be reached very soon. Evidence obtained during drilling indicates the presence of several promising ranges. Two of these ranges (each about 15 metres thick) show indications of the presence of producible oil in one, and gas in the other, possibly in commercial quantities. The actual production potential of the well will be known after detailed tests are carried out following completion of drilling. From overall evidence it appears that this is likely to be a good well, on a small structure.

UDYOG BHAVAN TELEX

In pursuance of the recent streamlining of administrative procedures, the union Ministry of Industrial Development has installed in its precincts a telex facility so that the various central government departments, the governments of states and union territories, the recognised chambers and associations of trade and industry and all public sector undertakings under the charge of this Ministry can communicate with it expeditiously. The code number of the facility is INDMIN ND. 465. It became operative on February 17, 1972.

SWISSAIR

In 1971, Swissair offered 18 per cent more tkm than in 1970. Over half of this capacity increase stemmed from the two Boeing 747Bs used on the North Atlantic route to New York; in North Atlantic traffic Swissair boosted its supply from 400 million tkm in 1970 to 507 million. The total of revenue tkm was up 14 per cent. For the first time in Swissair's history, the number of passengers carried over all sectors of the 245,337 km long network exceeded the four million mark and climbed to 4,489,890, compared with 3,927,864 in 1970.

AIR FRANCE

All branches of commercial air traffic, including passenger travel cargo transport, and mail services of Air France continued to grow during

1971, according to provisional figures which have become available for the full year. The company reported carrying 6,420,000 passengers over its worldwide flight route network during 1971, this was 4.5 per cent more than the number of passengers carried in 1970—a respectable growth figure, considering that the French airline's flights were grounded for 26 days during February and March 1971 by strikes. If figures for the two years are compared while excluding the period of those 26 flightless days, the growth in the number of passengers from 1970 to 1971 rises to about 11 per cent.

TWA

Trans World Airlines marked the twenty-fifth anniversary of the first trans Atlantic all-cargo service on January 30 of this year. On the night of January 30, 1947, TWA's C-54 Sky-master, a four-engine propeller-driven aircraft named "Shanghai Merchant," began its history making flight from Washington. It stopped at New York's La Guardia Airport for a two-hour loading operation, then a short time after midnight took off into the silent sky with 14,688 pounds of cargo.

AGRICULTURAL CREDIT

Agricultural credit has been reorganised in a big way with an integrated approach to augment production by extending the facility to larger sections of the community, specially the marginal and small farmers. Under the multiple-agency scheme, all the commercial banks and the State Bank of India will offer timely credit on easy terms besides the existing agencies of the state departments of agriculture, co-operative and land development banks. The Reserve Bank of India has issued guidelines to the commercial banks to the

effect that for financing agricultural development, credit should be provided not only to already viable cultivators for further increasing their surpluses but more importantly to marginal and potentially viable cultivators.

MORE TOURISTS IN 1971

Three hundred thousand tourists came to India in 1971, in spite of the Indo-Pakistan hostilities and the huge influx of refugees from Bangla Desh, Dr Karan Singh, Minister for Tourism and Civil Aviation, revealed recently addressing the members of the Consultative Committee of Parliament attached to his Ministry. Although the tourist growth of 14 per cent in the previous year was not achieved in 1971, the minister said the target of 400,000 tourists by 1973 will be achieved as a result of the various measures being taken to strengthen the tourist infrastructure at home and tourist promotional efforts abroad. The earnings from tourism were estimated to be Rs 40 crores in 1971. The two airlines, the minister said had taken various measures to effect economy of Rs 2.95 crores in their expenditure. Air-India was expected to have a saving of Rs 1.90 crores during 1971-72. During the same period Indian Airlines will save Rs 1.05 crores. The minister said that terminal building facilities were proposed to be improved in a phased programme so that all the state capitals can boast of a really modern airport.

GENERAL ELECTIONS 1972

As many as 6,084 candidates will contest elections to Legislative Assemblies in eight states and one union territory. Following is the state-wise break up of nominations, rejections, withdrawals, uncontested returns and contestants:

State	No. of constituencies	Nominations	Rejections	Withdrawals	Uncontested	Contestants
Andhra Pradesh	287	1941	31	880	17	1013
Assam	114	500	4	97	2	477
Gujarat	168	1473	14	639	—	820
Jammu & Kashmir	75	614	65	207	5	337
Madhya Pradesh	296	2569	49	1109	—	1411
Meghalaya	60	238	2	38	3	195
Mysore	216	1512	—	693	—	819
Rajasthan	184	1662	18	769	1	874
Goa, Daman & Diu	30	238	5	95	—	138

Note: Details for the remaining eight states and one union territory are not available immediately.

WELCOME TO THE RICHBRU LIFE

It's good to be rich.

The Richbru life is your life. Come taste the good life with Lipton's Richbru. You'll love the great taste of this great tea and the extra cups you get from each pack of Richbru.

Only packaged teas retain their flavour and freshness.

LIPTON'S RICHBRU
TOP QUALITY LEAF TEA

Company Affairs

PHILIPS INDIA

PHILIPS INDIA Limited has obtained sanction from the Controller of Capital Issues for issuing 13,30,000 equity shares of Rs 10 each at a premium of Rs 15 per share as under: 294,000 equity shares to Messrs N.V. Philips, Holland, to be financed out of the outstanding loan with necessary marginal adjustments, 420,000 equity shares on a rights basis to the existing Indian shareholders, 92,400 equity shares, for cash, to the whole-time Indian directors and employees of the company and 523,000 equity shares to the Indian public through a prospectus.

CHEMICALS AND FIBRES

The directors of Chemicals and Fibres India Ltd have proposed a final dividend of 40 paise per share subject to tax making a total of Rs 2.50 per share for the year ended September 30, 1971 as against Rs 2.75 per share paid in the previous year. Although the company's sales are higher at Rs 33.89 crores against Rs 32.03 crores, the net profit is lower at Rs 336 lakhs against Rs 353 lakhs last year. The estimated tax liability is higher at Rs 216 lakhs as against Rs 186 lakhs. The allocation to general reserve is around Rs 38 lakhs.

SKOL BREWERIES

SKOL Breweries Limited, promoted by Shaw Wallace and Co. Ltd., will shortly enter the capital market with a public issue of Rs 70.50 lakhs, comprising 4,05,000 equity shares of Rs 10 each and 30,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each, both at par. The subscription list will open on February 28 and close on March 3. The entire public issue has been underwritten. The company is setting up a new brewery near Bombay for the manufacture of beer with a capacity of 50,000 hectolitres at a cost of Rs 2.15 crores. The State Industrial and Investment Corporation of Maharashtra Ltd. (SICOM) is actively participating in this issue and will be subscribing Rs 15 lakhs worth of equity shares, while New India Assurance will take up Rs 1.75 lakhs worth of equity shares. The authorised capital is Rs 120 lakhs comprising Rs 99 lakhs in equity and Rs 30 lakhs in preference shares. The company has arranged term loans from the Bank of America for Rs 75 lakhs and SICOM Rs 20 lakhs to meet the balance

of the projected capital outlay of Rs 215 lakhs.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the three weeks ended January 1, 1972. The list contains names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU); New Articles (NA); Substantial Expansion (SE); Carry on Business (COB) Shifting and annual installed capacity

LICENCES ISSUED

Ferrous Industries

M/s. Evergreen Wirecloth Factory: 151/155, Princess Street, Bombay. (Bombay-Maharashtra) 1. — Welded Wire Mesh. — Expansion from 0.50 million Sq. Metres (120 Tonnes) to 1.00 million Sq. Metres. (240 tonnes) per annum. 2. Barbed Wire — 240 tonnes (after expansion)(SE); M/s Hindustan Development Corporation Ltd.: 27, Sir R. N. Mukherjee Road, Calcutta. (Calcutta — West Bengal)—Tin Containers of 18 litre capacity for captive use only. —1800 tonnes p.a. (CO.B.).

Non-Ferrous Industries

M/s. Coventry Metals Rajasthan Pvt. Ltd.: Babuji Ki-Kothi, Nirvan Marg, Jaipur-6, (Jaipur—Rajasthan). 1. Rolled brass/copper coiled strips. 2. Rolled brass/copper sheets. 3. Rolled strips of nickel-silver-cupronickel, phosphor bronze and gun metal, naval brass, cupro-manganese, manganese bronze and aluminium bronze. Rolled non-ferrous alloy Sheets of pure zinc, pure nickel, zinc alloys, pure lead, antimonial lead and other lead alloys sheets. —415 tonnes per annum. (C.O.B.); M/s. Bhandary Metallurgical Corporation Private Ltd.: Bhandary Estate, Behind Central Training Institute for Instructors, Sion-Chembur Road, Kurla (East), Bombay-70 AS. (Maharashtra). —Brass and bronze wires and rods. —1000 tonnes p.a. (S.E.); M/s Arim Metal Industries (Pvt.) Ltd.: 23, Convent Road, Calcutta-14. (Faridabad—Haryana). Rods and Wires of nickel and nickel alloy (monel metal)—300 tonnes p.a. (N.U.); M/s Lallubhai Amichand Pvt. Ltd.: (Tube Division) 104, Sion-Matunga Estate, Sion, Bombay. (Bombay — Maharashtra). — I. Substantial Expansion. Aluminium

Collapsible Tubes—Expansion from existing capacity of 11.54 million Nos. per annum. to 35.6 million nos. p.a. II. New Article. Aluminium Monobloc Bottles—2.7 million Nos. p.a. (N.A./S.E.).

Electrical Equipments

Shri P. Obul Reddy: 31, General Patters Road, Madras-2. (Nelore—Andhra Pradesh).—Dry Cell Batteries 60 millions nos. p.a. (N.U.); Shri D. D. Lakhanpal, 29, New Queen's Road, Bombay-4. (Baroda—Gujarat). — Dry Cell Batteries—60 million Nos. per annum. (N.U.); M/s Systronics: 89-92, Industrial Area, Naroda, Ahmedabad. (Ahmedabad—Gujarat) — (A) Textile Instruments (i) Industrial PH Meters—200 units p.a., (ii) Conductivity Bridge for Dye Houses—200 units p.a., (iii) Flame Photometer—100 units p.a., (iv) Ultrasonic Cleaners—100 units p.a., (v) Golorimeters—100 units p.a., (vi) Slub Catcher—200 units p.a., (vii) Densitometers—100 units p.a. (B) Electronics Instruments. (i) Standard Signal Generator—50 Nos. per annum. (ii) Vacuum Voltmeter—100 Nos. per annum, (iii) Precision Audio Oscillator—100 Nos. per annum, (iv) Transistorised Power Supply—100 Nos. per annum (C.O.B.); M/s American Universal Electric (India) Ltd.: Model Town, Faridabad. (Haryana).—Electrical Stampings for Transformers and Electric Motors—3,000 tonnes p.a. (N.A.); M/s MacNeill & Barry Ltd.: 2, Fairlie Place, Post Box No. 61, Calcutta-1. (Calcutta—West Bengal) —1. Air Break Circuit Breakers—660 volts upto 3000 amps. 2. Flame Proof Air Circuit Breakers rating 100-300 amps. of 660 Volts—300 Units (N.A.).

Telecommunications

M/s. Electronics Corporation of India Ltd.: Industrial Dev. Cherlapalli, Hyderabad (Andhra Pradesh).—Television Sets—20,000 Nos. p.a. (N.A.).

Industrial Machinery

M/s. David Brown Greaves Ltd.: 1, Forbes Street, P.B. No. 91, Bombay. (Maharashtra)—Radicon Worm Reduction Gear Boxes—7,540 Nos. p.a. (S.E.).

Machine Tools

M/s. Indian Sugar and General Engineering Corporation: B-16, Greater Kailash, New Delhi-48. (Yamunanagar—Haryana)—Plate Levelling Machines—20 (Twenty) Nos. per annum. (N.A.); The Managing Director, Praga Tools Ltd.: 6-6/32 Kavadiaguda Road, Secunderabad-3. (Secunderabad—Andhra Pradesh)—Copying Latex

This symbol:



the hallmark of quality and expertise in the fields of industrial gases and welding

Indian industry needs
INDIAN OXYGEN



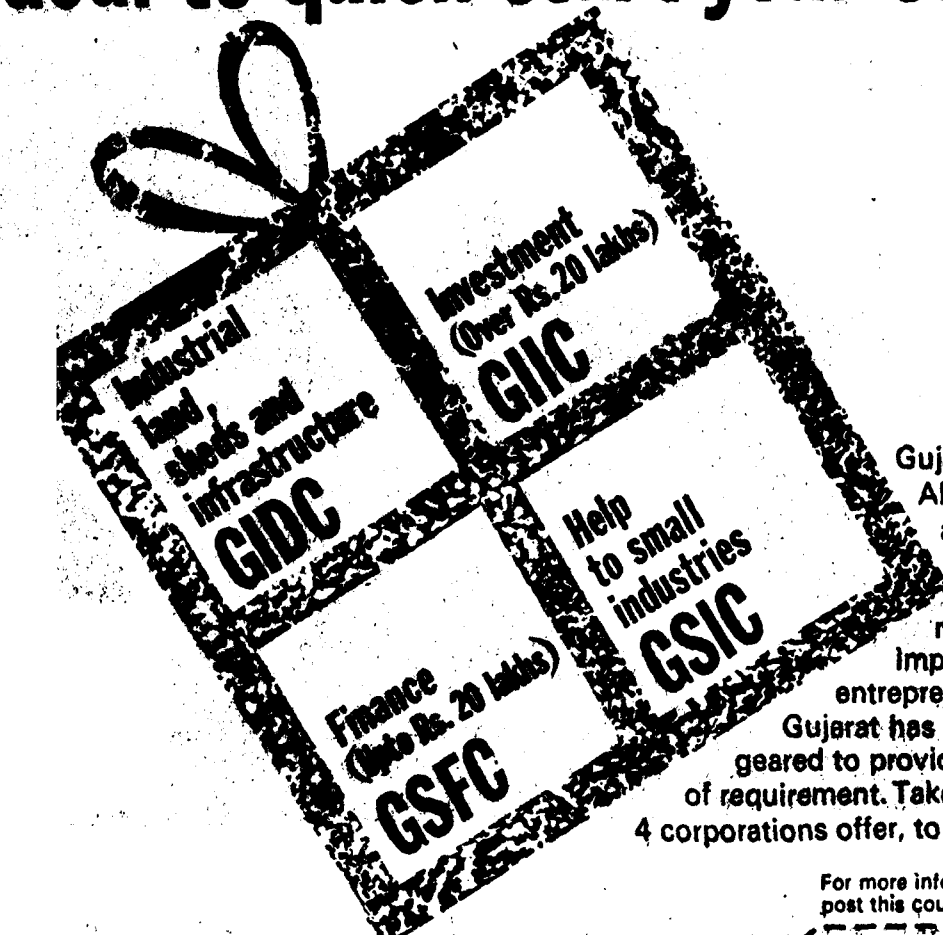
The pioneer in the manufacture of industrial gases, welding equipment and consumables in the country, IOL keeps abreast of the latest advances all over the world.

The Research and Development Wing of IOL adapts what is relevant in international expertise to the Indian environment and introduces it in the Indian market.

That is why IOL is playing such an important role in the Indian economy. Today IOL has become indispensable to industry—in the private, the public and defence sectors alike.

No wonder the IOL symbol is a hallmark today.

Gujarat gives you a full speed package deal to quick-start your own industry



Gujarat is awakening to a new era. All round the lush green agricultural landscape scores of industrial sheds mark the beginning of a giant industrial revolution. And, to provide impetus to the enthusiasm of new entrepreneurs, the Government of Gujarat has set up 4 corporations. Each geared to provide help in a specific area of requirement. Take a look at what each of the 4 corporations offer, to help you take-off, right away!

GIDC

Gujarat Industrial Development Corporation
Provides loans (upto Rs. 20 lakhs) for fixed assets; deferred payment guarantee on purchase of machinery in India; underwrites capital issues; subscribes to debentures; provides soft loans for industries in backward areas; low interest loans for small scale industries; finance for manufacturing or processing industries, cold storages, mining, trucks, industrial estates, hotels.

GIC

Gujarat Industrial Investment Corporation
Long term loans (Rs. 20 lakhs and above) to all industries; underwrites and subscribes to capital issues; guarantees advances and participates with All-India Finance institutions and banks; operates a Technician Scheme (upto Rs. 3 lakhs); Rural Workshop Scheme; Entrepreneurship Development Scheme.

GSFC

Gujarat State Financial Corporation
Provides loans (upto Rs. 20 lakhs) for fixed assets; deferred payment guarantee on purchase of machinery in India; underwrites capital issues; subscribes to debentures; provides soft loans for industries in backward areas; low interest loans for small scale industries; finance for manufacturing or processing industries, cold storages, mining, trucks, industrial estates, hotels.

GSIC

Gujarat Small Industries Corporation Ltd.
Distributes raw materials to small industries; helps in procuring machinery on hire purchase; provides import assistance through bulk imports; renders marketing assistance; creates opportunities for ancillary industries.

For more information on the 4 Gujarat Corporations, post this coupon to any one of them today!

Please send me a booklet on "The wheels that gear industrial growth in Gujarat"

Name _____

Address _____

Nature of industry proposed/existing _____

I have seen this advertisement in _____

(Name of Publication) _____ Dated _____



"The wheels that gear industrial growth in Gujarat"

Gujarat Industrial Development Corporation
Fadia Chambers,
Ashram Road, Ahmedabad 9
Gujarat Industrial Investment Corporation
Wafar Chambers,
Ashram Road, Ahmedabad 9

Gujarat State Financial Corporation
'Jaldarshan',
Ashram Road, Ahmedabad 9
Gujarat Small Industries Corporation Ltd.
Ambica Nivas,
Ashram Road, Ahmedabad 9

February 25, 1972

(George Fischer Model (KDM/18)—60 Nos. per annum (N.A.).

Chemicals

M/s Bird & Co. (Pvt.) Ltd.: Process Engineering Divisions, Dakhindari, Calcutta-48. (Calcutta—West Bengal). — Polystyrene based Exchange Resins—10,000 Cu. ft. per annum; M/s. Western Chemicals Industries: Sonawala Cross Road, Goregaon (East), Bombay-63 (NB) (Bombay—Maharashtra).—Sodium Bisulphite—6.0 tonnes p.a. (N.A.); The Dharamsi Morarji Chemical Co. Ltd.—Prospect Chambers, 317-21, Dr. Dadabhoy Naoroji Road, Bombay-1. (Kumhari—Madhya Pradesh).—Alumina Sulphate—Expansion from existing capacity of 16764 tonnes to 33528 tonnes per annum (S.E.); M/s Mettur Chemical and Industrial Corporation Ltd.: Mettur Dam-2, Salem Dist., Tamil Nadu, (Mettur Dam—Tamil Nadu)—1. Calcium chloride—900 tonnes p.a., 2. Aluminium Sulphate—1800 tonnes p.a., 3. Chlorinated Paraffin Wax—150 tonnes p.a. (C.O.B.); M/s. Godrej Soaps Pvt. Ltd.—Eastern Express Highway, Vikhroli, Bombay-79. (Bombay—Maharashtra).—Synthetic Detergents—10,000 tonnes only (N.A.); M/s Southern Agrifurane Industries Ltd.: "South India House", 99, Armenian Street, Madras-1. (Tamil Nadu)—1. Furfural—6,000 tonnes p.a., 2. Furan Resins—600 tonnes p.a. (N.U.).

Paper

M/s. Star Paper Mills Ltd.: Seth B.D. Bajoria Road, Saharanpur. (Uttar Pradesh).—Pulp Expansion from 39,200 tonnes p.a. to 46,200 tonnes p.a., Paper—Expansion from 39,200 tonnes p.a. to 46,200 tonnes p.a. (S.E.); M/s N.S.P. Straw & Paper Products Pvt. Ltd.: P.O. Digendranagar, Via: Rarkuva (W. Rly.) Dist. Bulsar (Gujarat).—Straw Board and Mill Boards—Expansion from Existing capacity of 3000 tonnes to 7200 tonnes per annum (S.E.); M/s Rohtas Industries Ltd.: P.O. Dalmianagar, Bihar. (Dalmianagar—Bihar). —1. Pulp (Mechanical & Chemical)—60,000 Tonnes per annum. 2. Writing and Printing Papers, M.G. Paper, including M.F. Kraft & Base Paper for Vulcanised film sheets, Coated Board & Paper—60,000 tonnes p.a. (C.O.B.).

Sugar

M/s. Gobind Sugar Mills Ltd.: P.O. 'Aira Estate, District Kheri, Uttar Pradesh. (Aira, Distt. Kheri—Uttar Pradesh). Sugar—Increase in Crushing capacity by 300 tonnes of sugar canes per day (capacity after expansion will

EASTERN ECONOMIST

321

b2 1,500 tonnes of sugar cane per day) (S.E.).

Processed Foods

M/s. Himachal Preserved Foods Pvt. Ltd.: 2, Nizamuddin East, New Delhi-13. (Nalagarh—Himachal Pradesh).—1. Apple Juices and Cider—2,500 tonnes p.a., 2. Pectin—12 tonnes p.a., 3. Other Food and Vegetable Products—1,200 tonnes p.a. (N.U.).

Vegetable Oils and Vanaspati

M/s. Keeran Vegetable Products Ltd.: 94, Lower Chitpur Road, Calcutta. (Hissar—Haryana).—Vanaspati—50 tonnes per day (N.U.); M/s Kamal Kishore Aggarwal. G. D. Industrial Engineers: 13/7, Mathura Road, Faridabad, Haryana. (Haryana). Vanaspati—25 tonnes per day. (N.U.).

Ceramics

M/s. The Parshuram Pottery Works Co. Ltd.: Morvi-2. (Thangadh—Gujarat)—Porcelain Crockery—1440 tonnes per annum (after expansion) (S.E.).

LETTERS OF INTENT

M/s. B. R. Steel Products Pvt. Ltd.: 29-30, Vaswani Mansion, Dinshaw Vachha Road, Bombay-20 (Maharashtra). Tyre bead wire, high Carbon and high chrome steel for ball bearing and other alloy steel wire, tyre cord wire Bead wire/Air craft cord wire, high tensile spring steel wire, cold heading (high tensile) wires, P.C. wires and strands, Heald wire, stainless steel wire etc. (25 mm to 0.56 mm)—10,000 tonnes p.a. (N.U.).

Non-Ferrous Industries

M/s. Davidayal Rolling & Refineries Pvt. Ltd.: Gupta Mills Estate, Reay Road, Bombay-10 (Maharashtra). Bimetallic strips—50 tonnes p.a. (N.A.).

Fuel

M/s. The Tata Iron & Steel Company Ltd.: Bombay House, 24, Burce Street, Fort, Bombay-1. (Bihar). Coal 1. Jamadoba Colliery—1.20 million tonnes p.a. after expansion. 2. Sijna Colliery—0.80 million tonnes p.a. (after expansion) (S.E.).

Prime Movers

M/s Mahindra & Mahindra Ltd.: Gateway Building, Apollo Bunder, Bombay-1. (Bombay—Maharashtra). Industrial Petrol Engines—500 Nos. per annum. (N.A.).

Electrical Equipment

M/s Siemens India Ltd.: 134-Dr. Annie Besant Road, Worli, Bombay-1.8 (Bombay—Maharashtra). Electronic Stencil

Scanning Machines (Electrical)—1,000 Nos. per annum. (N.A.); M/s. English Electric Co. of India Ltd.: P.O. Box No. 2, Palavaram, Madras-43. (Pallavaram—Tamil Nadu). Control Panels, Control Desks and Out door Circuit Breaker Control Kiosks—780 Nos. per annum (S.E.); M/s Pankaj Chimanlal Parikh and N. H. Talsania: 16, Sayani Road, Bombay-25-DD. (Tarapur—Maharashtra). 1. Transformer Laminations—1,200 tonnes p.a., 2. Rotating Machines Stampings—1,800 Tonnes per annum. (N.U.); M/s. The English Electric Co. of India Ltd.: P.O. Box No. 2, Pallavaram, Madras-43. (Pallavaram—Tamil Nadu). Instantaneous, Time Current, voltage and auxiliary relays etc.—45,000 Nos. per annum (after expansion) (S.E.); M/s. Usha Rectifier Corp. (India) Ltd.: Jeevan Tara, 5-Parliament Street, New Delhi. (Balbagarh—Haryana). 1. Selenium Rectifier Plates. Existing capacity 48,000 Sq. meters (Capacity now approved), 24,000 sq. meters 2. Silicon Diodes (upto 1 amp. capacity) 2 millions Nos. 3. Power Diodes and Silicon controlled rectifiers. (10 amps. to 200 amps. capacity) 30,000 Nos. (N.A.).

Transportation

M/s. United Motors of Rajasthan: Jaipur-6. (Rajasthan). 1. Clutch Plates—1,50,000 Nos. p.a., 2. Clutch Cover Assembly—50,000 Nos. p.a. (N.U.); M/s. Forbes Forbes Campbell & Co. Ltd.: Forbes Building, P.B. No. 79, Bombay-1. (Bombay—Maharashtra). Spark Plugs—12 Lakh Nos. (after expansion) (S.E.); M/s Fitwell Industrial Corporation: Fitwell House, Lal Bahadur Shastri Marg, Vikroli, Bombay-79. (Bombay—Maharashtra) Propeller Shafts and components thereof. —35,000 Nos. and 2,00,000 Nos. respectively per annum (N.U.); M/s. Fritz and Singh Pvt. Ltd.: B-29/B, Kailash Colony, New Delhi-58. (Faridabad—Haryana) 1. Oil, Air and Fuel Filters, of Internal combustion Engines of Agricultural Tractors, Trucks, Jeeps, Cars, Scooters—2,80,000 Nos. Filter assemblies and 20,00,000 Nos. Filter elements p.a. (N.A.); M/s. The Sunrise Industrials: Vth Main Road, Srirampuram, Post Bag No. 5, Bangalore-21. (Bangalore-Mysore). Three wheelers-scooters. —3,000 Nos. per annum (N.U.); Shri G.D. Bengard: Flat No. 6, Makani Manor, 16, Poddar Road Bombay-26. (Rajasthan). Steering gears—75,000 Nos. per annum. (N.U.); M/s. Sethi Crown (P) Ltd.: "Dilbahar" Plot No. 491, 17th Road, Khar, Bombay-52. (Nasik—Maharashtra) Crown Wheel and Pinions and Bevel Gears—1,000 tonnes per annum. (N.U.); M/s. Crescent Agencies (Pvt) Ltd.: 27/33, Nodows Street, Bombay-1. (Maharashtra—Gujarat) Fuel Pumps—One Lakh Nos.

p.a. (N.U.); M/s. Orient Automotive Products: 24, Chandrappa Mudali Street, Madras-1. (Jodhpur—Rajasthan) Three Wheeler Scooters—30,000 Nos. per annum (N.U.); M/s. Ramon and Damm Ltd.: 79, Apollo Street, Fort, Bombay-1. (Thana—Maharashtra) Steering Gears—20,000 Nos. per annum. (N.A.); M/s. Sankey Wheels Ltd.: Feeder Road, Durgapur-1. (Durgapur—West Bengal) Wheels for commercial vehicles, tractors, cars and jeeps—3,80,000 Nos. (after expansion) per annum. (S.E.); M/s. Kalyandas Kanhaiyalal: 12, Park Lane, Lucknow. (Lucknow—Uttar Pradesh) Three Wheeler Scooters—20,000 Nos. per annum (N.U.); Shri Jagdish Prasad: Tej Bahadur Sapru Marg, Lucknow. (Lucknow—Uttar Pradesh) Three-wheeler scooters—24,000 Nos. per annum. (N.U.); M/s. Gujarat Small Industrial Corporation Ltd.: Ambica Nivas, Ashram Road, Ahmedabad-9. (Ahmedabad—Gujarat). 3-Wheeler Scooters—6,000 Nos. per annum. (N.U.); M/s. Kamalash J. Shah: 1067, Chaturshringi Road, Poona-16. (Maharashtra) Three Wheeler Scooters—5,000 Nos. p.a. (N.U.); M/s. U.P. Scooters Ltd.: 79/10, Latouch Road, Kanpur. (Unnao—Uttar Pradesh) Three Wheeler Scooter—10,000 Nos. p.a. (N.U.); The Kerala State Engineering Technicians (Workshops), Industrial Cooperative Society Ltd.: S. Ind. (ST) No. 1, Sujatha, Pattom Place Junction, Trivandrum. (Trivandrum—Kerala) Three Wheeler Scooters—10,000 Nos. p.a. (N.U.); M/s. Jeewan Auto Corporation: 2/2, Narayana Mudali Street, Madras-1. (Gujarat—Mysore). Three Wheeler Scooters—24,000 Nos. per annum. (N.U.); M/s. Kerala Auto and Industries Pvt. Ltd.: Quilon-9, Kerala (Quilon—Kerala) Three Wheeler Scooters—15,000 Nos. per annum. (N.U.); M/s. Usha Automobile and Engineering Pvt. Ltd.: 2, Ramgopal Gosh Road, Cossipore, Calcutta-2 (Ghaziabad—Uttar Pradesh). Steering Gears—20,000 Nos. per annum. (N.A.); M/s. Enfield India Ltd.: Royal Enfield Building, Post Bag No. 5284, Tiruvettiyur, Madras-9. (Tamil Nadu) 1. Motor Cycles (500 cc, 350 cc and 173 cc) 27,000 Nos. p.a., 2. Scooters of 173 cc—1,200 Nos. p.a., 3. Three Wheelers—1,800 Nos. p.a. (after expansion) (S.E.); M/s. Hyderabad Allwyn Metal Works Ltd.: Sanatnagar, Hyderabad-18. (Sanat Nagar—Andhra Pradesh) Steering Gears—1,00,000 Nos. per annum. (N.A.); The Madhya Pradesh Audyogik Vikas Nigam Ltd.: 'A' Block, Old Sectt., Bhopal (Jabalpur—Madhya Pradesh) Steering Gears—50,000 Nos. per annum. (N.U.); M/s. Bimetal Bearings Ltd.: Kapur Gardens, Sembiam, Madras-11. (Madras—Tamil Nadu) Thin walled bearings bushings and washers—100

Lakh pieces (after expansion) (S.E.); M/s. Allied Motor Company: 2/5, Vaikunta Vadhya Street, Near Elephant Gate, Madras-1. Madras/Jaipur (Tamil Nadu—Rajasthan) Three Wheeler Scooters—36,000 Nos. per annum. (N.U.); M/s. Rajasthan State Industrial & Mineral Development Corporation Ltd.: 100-Jawaharlal Nehru Marg, Jaipur-4. (Rajasthan)—Three Wheeler Scooters—6,000 Nos. per annum. (N.U.); M/s. Allied Engineering Corporation: Cherry Road, Salem-7. (Tamil Nadu)—Modified version of passenger cars—10,000 Nos. p.a. (N.U.).

Industrial Machinery

M/s. Holman Climax Mfg. Ltd.: 1-India Exchange Place, Calcutta-1. (West Bengal) 1. Drill Rigs—50 Nos. per annum. 2. Dust Extractors—500 Nos. per annum. 3. Holman Vole Drills—50 Nos. p.a. (N.A.); M/s. Laxman Electro Mechanical Private Ltd.: 15/1, Asaf Ali Road, New Delhi-1. (Delhi) 1. GLS Lamp Making machinery. 3 complete chains Rs. 60 lakhs. 2. Miniature Lamp Making Machinery. 2 complete chains Rs. 32 lakhs. 3. High Wattage Lamp making machinery. 2 complete chains Rs. 24 Lakhs. 4. Glass Product making machinery. 2 sets Rs. 15 Lakhs. (N.U.); M/s. Cement Distributors Ltd.: 4-Scindia House New Delhi. (Rajganur—Orissa) 1. Heavy Duty Hydraulic Toggle Press upto 600 tonnes Pressing capacity—10 Nos. 2. Designing & Manufacture of Equipments for Tunnel Kilns, upto 25,000 tonnes capacity each—firing capacity 1600°C.—5 Nos. (Total capacity in value being Rs. 130 lakhs) (N.U.); M/s. The K.C.P. Ltd.: Central Workshops, Tiruvottiyur, Madras-19. (Madras—Tamil Nadu) Rubber Machinery—Rs. 150 lakhs per annum. (N.A.); M/s. Holman Climax Mfg. Ltd.: 1-India Exchange Place, Calcutta-1. (Calcutta—West Bengal) 1. Rock Drills—1,400 Nos. p.a. 2. Air legs—500 Nos. per annum (after expansion) (S.E.); M/s. Victory Iron & Works Ltd.: 48, Biplabi Rash Behari Basu Road, Calcutta-1. (Howrah West Bengal) Complete Plants for processing vegetables fruits, etc.—Rs. 80 lakhs p.a. (N.A.).

Machine Tools

Shri Tapan K. Roy: 20, Stephen Court, 19, Park Street, Calcutta. (Uttar Pradesh) Incandescent (including) Miniature types, Gas Discharge & Fluorescent Lamp making machinery, accessories and spare parts—Rs. 108 lakhs per annum. (N.U.); M/s. India Pistons-Repro Ltd.: Hazur Gardens, Sembiam, Madras-11. (Madras—Tamil Nadu) 1. Heavy Duty Refacing Machines 100, Heavy Duty Refacing Machines (Synco Fa-

cor) 300 Nos.; 2. Heavy Duty springs Testors—150 Nos. 3. Con Rod & Rocker Arm Conditioner—80 No. 4. Brake Drum Lathes—100 Nos. 5. Balancer—50 Nos. 6. Crankshaft Rebuilding Machines—30 Nos. 7. Clutch Pressure Plate Grinding Machines—35 Nos. 8. Cutch Rebuilding Machines—20 Nos. 9. Clutch Testing Machines—20 Nos. (N.A.).

Agricultural Machinery

Shri G. D. Saraogi: C/o Century Metals Ltd.: 41- Bungalow Road, Kamla Nagar, Delhi-7. (Ghaziabad—Uttar Pradesh)—Tractors (10 to 15 HP)—6,000 Nos. per annum. (N.U.); M/s. Agricultural Discs (India) Ltd.: U.B.I. Bldg., 3rd Floor, Sir P. Mehta Road, Bombay-1. (Nasik—Maharashtra) Agricultural Discs—Expansion from 1.0 lakh Nos. to 2.0 lakhs Nos. per annum. (S.E.); M/s. Jessop & Co. Ltd.: 63, Netaji Subhas Road, Calcutta-1. (Dum Dum—West Bengal) Crawler Tractors with Dozer & Loader attachments upto 100HP Hanomag K5 (50 HP) and K7 (84 HP)—400 Nos. per annum. (N.A.).

Engineering Industries

M/s. Dagger Forst Tools Ltd.: Post Box No. 94, First Pokhran Road, Thana (Bombay) (Thana—Maharashtra) Broaches—9,000 Nos. per annum. (after expansion) (S.E.); Shri Basudev Agarwal: 'Sunil Bhawan' Model Town, Delhi Road, Hissar (Haryana) 1. PVC Films/Sheets—750 tonnes p.a. 2. PVC Containers—15 million Nos. per annum (870 Tonnes). 3. Supported & laminated PVC Products—8200 Kms. (15.00 Tonnes) per annum. (N.U.); M/s. Nanavati Man Made Leather Manufacturing Co. Ltd.: 41-New Marine Lines, Bombay 20 BR (Maharashtra) Manmade Leather from P.V.C.—106.8 lakh square meter per annum. (N.U.).

Chemicals

M/s. Jay Shree General Agencies: 10/183, Moideen Palli Road, Calicut (Kerala) (Calicut—Kerala) 1. Oxygen gas—0.90 million cu. metre spa. 2. Dissolved Acetylene gas—0.20 million cu. meters per annum. (N.U.); M/s. Alkali and Chemical Corporation of India Ltd.: 18, Strand Road, Calcutta-1. (Madras—Tamil Nadu) Bipyridilium herbicide—2,500 KL per annum. (S.E.); M/s. United Carbon India Ltd.: NKM International House, 178-Backbay Reclamation, Bombay-20 (Thana—Maharashtra) Carbon Black—Expansion from 17850 tonnes to 22750 tonnes per annum (S.E.); M/s. The Industrial Development Corporation of Orissa Ltd.: Bhubaneswar-1. (Orissa) Nylon Filament Yarn—2,100 tonnes

p.a. (N.U.); M/s. Garware Nylon Ltd.: Chaupatty Chambers, Sandhurst Bridge, Bombay-7. (Pimpri-Poona—Maharashtra) Nylon Filament Yarn—1840 tonnes p.a. (Capacity, after expansion being 3840 tonnes p.a. (S.E.); M/s. Asam Industrial Development Corporation Ltd.: 26-A, Cantonment, Shilong (Assam) Nylon Filament Yarn—2,100 tonnes p.a. (N.U.); M/s. M.P. Audyogik Vikas Nigam Ltd.: 'A' Block, Oil Secretariat, Bhopal. (Madhya Pradesh) Nylon Filament Yarn—2,100 tonnes p.a. (N.U.); M/s. Haryana State Industrial Development Corporation Ltd.: PNB House, P.B. No. 22, Sector-17, Chandigarh. (Haryana)—Nylon Filament yarn—2,100 tonnes p.a. (N.U.); M/s. Mysore State Industrial Investment & Development Corporation, Ltd.: 36-'Harinivas', Cunningham Road, Bangalore-I B (Mysore) Nylon Filament yarn—2,100 tonnes p.a. (N.U.); M/s. Gujarat Industrial Investment Corporation, 4th Floor, Natraj Chambers, Ashram Road, Ahmedabad, (Baroda—Gujarat) Nylon Filament yarn—2,100 tonnes p.a. (N.U.); M/s. Tamil Nadu Industrial Development Corporation Ltd.: 150-A, Mount Road, Madras-2. (Tamil Nadu) Nylon Filament yarn—2,100 tonnes p.a. (N.U.); M/s. Andhra Pradesh Industrial Development Corporation Ltd.: B-1-174, Fateh Maidan Road, Hyderabad-4. (Andhra Pradesh) Nylon Filament yarn—2,100 tonnes p.a. (N.U.); The Kerala State Industrial Development Corporation Ltd.: P.B. No. 105, Vellayambalam, Trivandrum-1. (Kerala) Nylon Filament yarn—2,100 tonnes p.a. (N.U.); M/s. Kerala State Industrial Development Corporation Ltd.: Trivandrum. (Kerala) 1. Soda Ash—74,000 tonnes per annum. 2. Ammonium Chloride—73,000 tonnes per annum. (N.U.); The Industrial Gases Ltd.: 15-Ganesh Chandra Avenue, Post Box No. 853, Calcutta-1. (Lucknow, Uttar Pradesh) Nitrous Oxide Gas—32.04 million litres per annum (N.A.); M/s. Bihar State Industrial Development Corporation Ltd.: Punaichak, Patna-1. (Barauni—Bihar) Nylon Filament yarn—2,100 tonnes per annum (N.U.); M/s. Nirlon Synthetic Fibres and Chemicals Ltd.: 115, Mahatma Gandhi Road, Bombay-1. (Bombay—Maharashtra) Nylon Filament yarn—1,320 tonnes per annum. (Capacity after expansion being 3840 tonnes per annum) (S.E.); M/s. Punjab State Industrial Development Corporation Ltd.: UCO Bank Bldg., 3rd Floor, Sector 17-B, Chandigarh. (Ludhiana/Amritsar Punjab) Nylon Filament yarn—2,100 tonnes per annum. (N.U.); The Kerala State Industrial Development Corporation Ltd.: P.B. No. 105, Vellayambalam, Trivandrum-1. (Kerala) Nylon Filament yarn—2,100 tonnes per annum. (N.U.); Shri P.M. Bodas: 38, Vijay-

nagar Colcny, Poona-30 (Maharashtra) Reflex Blue—120 tonnes p.a. (N.U.); M/s. The Baroda Rayon Corporation Ltd.: Great Western Building, 130-132, Apollo Street, Fort, Bombay-1. (Gujarat) Soda Ash—144,000 tonnes per annum. (N.U.); M/s. Rajasthan State Industrial & Minerals Development Corporation Ltd.: (Rajasthan) 1. Soda Ash—66,000 tonnes p.a. 2. Ammonium Chloride—66,000 tonnes p.a. (N.U.); M/s. Punjab State Industrial Development Corporation Ltd.: Chandigarh, (Punjab) 1. Soda Ash—60,000 tonnes per annum. 2. Ammonium Chloride—60,000 tonnes per annum. (N.U.); Shri A. C. Gulati: M-17, NDSE Part-II, New Delhi 1. Soda Ash—66,000 tonnes p.a. 2. Ammonium Chloride—66,000 tonnes per annum. (N.U.); M/s. The Bombay Burmah Trading Corporation Ltd.: 9, Wallace Street, Fort, Bombay-1. (Gujarat) 1. Soda Ash—132,000 tonnes per annum. (N.U.); M/s. Laxman S. Agarwal: 30, Malcha Marg, Diplomatic Enclave, New Delhi. 1. Soda Ash—1,20,000 Tonnes per annum. (N.U.); M/s. The Industrial Development Corporation of Orissa Ltd.: Bhubaneswar (Orissa) 1. Soda Ash—60,000 tonnes per annum 2. Ammonium chloride—60,000 tonnes p.a. (N.U.); M/s. Madhya Pradesh Oxygen Company, 65/8, Roh-tak Road, New Delhi-5. (Indore—Madhya Pradesh) 1. Oxygen gas—0.45 million cu. metres per annum. 2. Dissolved Acetylene gas—0.10 million Cub. metres per annum. 3. Nitrogen gas—0.18 million cu. metres per annum. (N.U.); Shri Mohan Gobindram Mukhi: Sukhmani 2, Flat 69, 5th Floor, Bamanji Petit Road, Bombay-36. (Maharashtra) 1. Oxygen Gas—0.45 million cu. metres per annum. 2. Dissolved acetylene gas—0.10 million cu. metres per annum. 3. Nitrogen gas—0.18 million cu. metres per annum. (N.U.); M/s. Bajaj & Co., (India), 2nd Floor, Behramji Mansion, Sir P. Mehta Road, Fort, Bombay-1. (Thana—Maharashtra) 1. Oxygen Gas—0.90 million cub. Metres per annum. 2. Acetylene gas—0.20 million cub. Metres per annum. (N.U.); M/s. Aurangabad Oxygen Gas Co.: C/o Shri Durga Trading Co., 23.0 Dr. Dada Bhai Naroji Road, Bombay-(Aurangabad—Maharashtra) 1. Oxygen Gas—0.45 million cub. Metres per annum. 2. Dissolved Gas—0.10 million Cub. Metres per annum. (N.U.); Shri Avtar Singh Salh: 17, Industrial Area, Chandigarh. (Chandigarh) Oxygen Gas—0.55 million cub. Metres p.a. (N.U.); M/s. Industrial Oxygen Company (P) Ltd.: 39(A), Vaddaen Sheri, Off Nagar Road, Poona-14. (Poona—Maharashtra) Hydrogen Gas—4,00,000 cub. Metres per annum. (N.A.); M/s. Qabul Singh & Sons: 5189/90, Sadar Bazar, Delhi-6. (Ghaziabad—Uttar Pradesh) Nitrous Oxide—27 million

litres per annum. (N.U.); M/s. Western Indian States Motors Private Ltd.: Railway Road, Jaipur (Rajasthan). (Bombay—Maharashtra) 1. Dry Ice—1500 tonnes p.a. 2. Carbondioxide Gas—6,000 cu. Metres per annum. (N.U.); M/s. Sharda Industrial Gases: 5/B-1, Roop Nagar, Delhi-1. (Solani—Himachal Pradesh) Oxygen Gas—0.45 million cub. Metres per annum. (N.U.); Shri Badri Narayan Aggarwal: (Hyderabad Oxygen & Equipment Co.), 5-4-187/5, Karbala Maidan, Mahatma Gandhi Road, Secunderabad-3 (AP) (Hyderabad—Andhra Pradesh) 1. Oxygen Gas—0.45 million cub. Metres per annum. 2. Acetylene Gas—0.10 Million cub. Metres per annum. (N.U.); M/s. Mittal Industrial Gases: 1750, Dariba Kalan, Delhi-6. (Mandi Gobindgarh—Punjab) Oxygen Gas—0.45 million cu. meters per annum. (N.U.); Shri Krishan Lal Wedlwa: A-75-A, Kirti Nagar, New Delhi-15. (Ghaziabad—Uttar Pradesh) 1. Oxygen Gas—0.777 million cub. Metres per annum 2. Dissolved Acetylene gas—0.17 million cub. Metres per annum. 3. Nitrogen gas—0.18 million cu. metres per annum. (N.U.); M/s. Mukand Sons Alloys Ltd.: Post Box No. 7, G.T. Road, Ghaziabad (Ghaziabad—Uttar Pradesh) Oxygen gas—0.45 million cub. Metres per annum. (N.U.); Shri N. S. Mittal & V.K. Agarwala: (Northern Oxygen Pvt. Ltd., (proposed), C/o 76, Block F, New Alipore, Calcutta-53. (Faridabad—Haryana) Oxygen Gas—0.90 million cub. Metres per annum (N.U.); Shri Naveen Chand Sawhney: B-3/66, Safdarjung Enclave, New Delhi. (Ghaziabad—Uttar Pradesh) 1. Oxygen Gas—0.45 million cub. Metres per annum. 2. Acetylene Gas—0.10 million Cub. Metres per annum (N.U.).

Drugs & Pharmaceuticals

M/s. Merck Sharp and Dhome of India Ltd.: New India Centre, 17, Copetage, Bombay-1. (Maharashtra) Mintezol Suspension—20,000 litres per annum. (N.A.); M/s. Indian Drugs and Pharmaceuticals Ltd.: N-12, South Extension Part-I, New Delhi-49. (Andhra Pradesh) Capacity (in Tonnes after expansion in each case) 1. Phenacetin 350, 2. Sulphanilamide 150, 3. Sulphaquinoxaline 250, 4. Sulphadimidine and Sodium Sulphadimidine 500, 5. Vitamin B1 60, 6. Vitamin B12 15, 7. Folic Acid 3.5, 8. Phenobarbitone and Sodium Phenobarbitone 15, 9. Hydrazine Hydrate 210, 10. Cyano Acetic Ester 30, 11. Malonic ester 125, 12. Phthalyl Sulphacyl 10, 13. Monoethylamine 500, 14. Triethylamine 30, (S.E.)

Textiles

M/s. Ludhiana Woollen and Silk Mills: 24, Chander Mahal, Thakur-

dwar Road, Bombay-2(BR) (Kandla Free Trade Zone) 1. Embroidered Solverson cloth—10,000 metres, 2. Embroidered stretched nylon Gorgette—2,00,000 metres, 3. Embroidered Shama Satin—50,000 metres, 4. Embroidered terricot—50,000 metres, 5. Cotton piece goods—50,000 metres (N.U.)

Paper

M/s. Ajanta Paper & General Products (P) Ltd.: P.O. Kalyan, Distt. Thana, Maharashtra. (Kalyan—Maharashtra)—Industrial Filter Paper.—1,200 tonnes p.a. (N.A.); M/s. Haryana State Industrial Development Corp.: Bank of India Building, P.B. No. 22, Sector 17-C, Chandigarh, (Hissar—Haryana)—Cigarette Paper and other Allied Tissue Paper—2,000 tonnes p.a. (N.U.); M/s. Chemosyn Pvt. Ltd.: 38, Suren Road Andheri (East) Bombay-69. (Vapi—Gujarat) 1. Pulp—36,000 tonnes p.a. 2. Paper (writing printing and wrapping paper)—36,000 tonnes p.a. (N.U.); M/s. The Straw Paper Mills of India Ltd.: 3-6-27/3, Basheer Bagh, Himayatnagar, Hyderabad-29. (Karimnagar—Andhra Pradesh) Straw paper and Liner paper—7,500 tonnes per annum. (N.U.)

Food Processing Industries

M/s. Lyka Laboratories: Subhash Road-A, Ville Parle East, Bombay-57 A.S. (Kabilpur—Gujarat)—Freeze dried fruits Juices in powder form—60 tonnes p.a. (N.U.); M/s. Tanza Beverages (P) Ltd.: 19/21, Shakti Nagar, New Delhi-7. (Delhi)—Soft Drinks—57.6 million bottles per annum (N.U.); M/s. Nath Brothers: 101, Shivaji Road, Meerut. (Meerut—Uttar Pradesh) Dehydrated Fruits and Vegetables—1,000 tonnes per annum. (N.U.); M/s. Haryana Bottling Ltd.: (In formation), C-42, Jangpura Extension, New Delhi-14. (Haryana) Soft Drinks, fruit juices & other beverages—127 million bottles per annum. (N.U.); M/s. Jammu & Kashmir State Industrial Development Corporation Ltd.: Half Chinar, Srinagar. (Jammu & Kashmir)—1. Starch—10,950 tonnes p.a. 2. Mixed cattle feed.—2,100 tonnes p.a. 3. Crude germ oil—375 tonnes p.a. (N.U.)

Rubber Goods

M/s. Hindustan Robbin Industries: 35, Canal East Road, Calcutta-11.

(Uttar Pradesh) Synthetic Rubber Cots and Synthetic Rubber Aprons—Four Lakh Metres of each per annum. (N.U.); M/s. Fenner Cockill Ltd.: Pandyan Building, P.B. No. 117, Madurai-1. (Tamil Nadu)—1. 'O' Rings—Expansion from 24,70,000 Nos. per annum to 40,00,000 Nos. p.a. 2. Synthetic and Natural Rubber and Moulded Products and Synthetic Rubber to Metal Bonded Products—Expansion from 24,80,000 Nos. to 5,00,000 Nos. p.a. (S.E.)

Glass

M/s U.P. Glass Works Ltd.: Station Road Bahjoi, Distt. Moradabad (U.P.) (Bahjoi—Uttar Pradesh)—Sheet Glass—5 million Sq. Meters (capacity after expansion six million Sq. Meters) (S.E.)

Cement

M/s. West Bengal Industrial Corporation Ltd.: India Exchange Place Extension (8th Floor), Calcutta. (Jhalda—West Bengal)—Portland Cement—200,000 tonnes per annum. (N.U.)

SUBSCRIPTION ORDER FORM

MANAGER
THE EASTERN ECONOMIST LTD.,
New Delhi.

Please register my/our name for a copy of Eastern Economist Weekly/Records and Statistics Quarterly for a period of one year/six months from—

A sum of Rs. _____ is being sent by M.O.
sent herewith

Address (block letters) _____

Signature _____

RATES OF SUBSCRIPTION

	Inland	Foreign
EASTERN ECONOMIST (Published every Friday)		
Annual Subscription	Rs. 85.00	£ 7.00 \$ 17.00
Half-Yearly Subscription	Rs. 45.00	£ 3.50 \$ 9.00
RECORDS & STATISTICS (Quarterly)		
Annual Subscription	Rs. 16.00	£ 1.50 \$ 3.50
Single Copy	Rs. 4.00	£ 0.40 \$ 1.00

Note: Subscription may commence, for the sake of convenience, from the first of any calendar month.

The back issues of previous years available; rates on enquiry.
It is requested that payment for the required period be sent along with instructions.

Foreign air mail rates on application.

There is a shortage of 82 million houses in India

LIC is building homes— doing what is most needed today

A growing population, a growing gap in housing. LIC has already invested over Rs. 300 crores in housing loans.

Loans to State Governments have financed housing schemes all over the country, in cities, towns, industrial townships.

Total loans granted to Housing Boards and Housing

Co-operatives amount to Rs. 87.22 crores during recent years. The 'Own Your Home' Scheme gives policy-holders

an opportunity to build their own homes.

A new venture by LIC is the Township started at Borivli, Bombay, which will provide for 4,000 flats. This is the first of the model townships that LIC plans to build and would be followed up at Bangalore, Lucknow, Hyderabad, Calcutta, and other places soon.

LIC believes in providing essentials. And a decent home is among the most vital.



RECORDS AND STATISTICS

Interim Report on Unemployment

THE EXPERTS COMMITTEE on Unemployment, set up by the government of India in December 1970, has in its interim report suggested a financial outlay of Rs 2,000 crores for the various schemes which would generate four million jobs in different sectors in the next two years.

Forwarding the report to Mr R.K. Khadihar, Minister for Labour, Mr B. Bhagavati, Chairman of the Committee has said: "The basic issues considered by the Committee relate to the necessity of a substantial restructuring of the Plan and its priorities, as also the fiscal and financial policies for tackling the problem of unemployment. Another important question which has been raised is as to the extent to which employment-oriented schemes would require resources raised by taxation or public borrowing, and whether some schemes could be financed from credit specially created for the purpose as they would be quick yielding and would result in development of essential infrastructure or production of consumer necessities".

Total Financial Outlay

The Committee has endeavoured to outline some programmes for generating employment in the short-term, particularly for the rural unemployed and under-employed. It has suggested that these should be implemented forthwith over the next two years. The Committee has expressed the hope that a speedy and effective implementation of these programmes will generate considerable volume of employment in the rural areas. The total financial outlay on the programmes suggested by the Committee for implementation over the next two years should be of the order of Rs 2,000 crores. Since all these schemes (with the exception of the scheme for rural housing as outlined by the Committee) are already included in the fourth Plan and specific provisions for them have been included in the Plan outlay, the Committee's proposal would involve during the next two years a net addition of the order of Rs 740 crores for all these programmes including that for rural housing. Out of this amount, the sum required from the budgetary resources of government would be about Rs 280 crores, while a sum of equal order would be required from the financial institutions leaving a sum of Rs 180 crores to

be invested by the residents of rural areas on houses.

The Committee has observed that it was extremely difficult to estimate in precise terms the contribution to the growth of employment that would result from the proposed programmes. The Committee felt that in many cases, for example in rural housing, it may not be possible to have any reliable figures of the present level of employment and hence of the additional employment likely to be generated. The rough estimate of additional employment in respect of some of the programmes is as follows: Roads and inland water transport: Rs 8.50 lakhs; minor irrigation programmes: 27.50 lakhs comprising roughly 4.5 lakhs skilled and 23 lakhs unskilled workers; rural water supply schemes: 52,000 out of whom 8,000 will be for engineers and skilled persons and 44,000 for the unskilled workers; education including adult literacy: 2.8 lakhs—all for the educated persons. The Committee's suggestions for the promotion of self-employment through banks as well as the implementation on a priority basis of the scheme of Agro-Service Centres and the construction programmes in the rural areas relating to minor irrigation, road construction etc. would also provide employment to a large number of engineers and other technical personnel.

Direct Employment

The direct employment as a result of the programmes suggested by the Committee would be of the order of four million over the next two years. These estimates are based on the essential promise that the resources adequate to meet the original Plan outlay on these programmes are, in fact, found and that additional investment as indicated by the Committee is also made by raising resources from different sources.

Besides direct employment, the programmes involving construction have generally an indirect employment potential also and a ratio of 1:1.6 is normally taken as the ratio for measuring the direct and indirect employment in such programmes. There should, therefore, be indirect employment also of considerable magnitude as a result of the Committee's proposals.

The main recommendations of the

Committee are summarised as follows:

(1) The committee would like to reiterate the importance of ensuring that adequate arrangements are made for the marketing of the produce of supplementary occupations as most of the products like milk, eggs and meat are perishable. Studies may be undertaken by the states to examine the suitable type of organisation necessary for the processing and marketing of dairy, poultry and piggery products of small farmers and agricultural labourers.

(2) Practical steps need to be taken by the SFDA and MFAL agencies to assist share-croppers and tenants without recorded rights in land by their identification for the purpose of enabling them to obtain short-term and medium-term loans for cultivation as well as supplementary occupations such as dairying, poultry farming and piggery.

(3) The allocation of funds for each district under the Crash Scheme for Rural Employment should be suitably refixed after taking into account its population, the state of agricultural development and other relevant factors. It is desirable to take up works of reasonable size in some selected parts of the district having regard to the severity of the problem.

(4) Pilot projects should be undertaken in small compact areas in selected districts to deal with all aspects of development and they should progressively be able to provide employment in different economic pursuits to every person offering himself for work in that area. Such projects should be undertaken as action-cum-study programmes to highlight the problems faced in their implementation under differing conditions and make available lessons and data for planning a more comprehensive programme of employment in the future.

(5) The implementation of the scheme for Agro-Service Centres should be given a high priority as it has potential for providing employment/self-employment to engineering graduates and technicians in the rural areas.

(6) As the employment potential of minor irrigation is large, an additional area of about half a million hectares at a total cost of Rs 100 crores could be covered during the next two years. This would be in addition to the fourth Plan programmes already under implementation.

(7) In view of the employment and wealth generation potential of rural

electrification programme, this programme, should be extended to cover 37,000 villages and to provide for three lakh pumpsets over and above the existing plan targets, with an investment of Rs 235 crores.

(8) The programme should be so formulated and implemented that the comparatively backward states are assisted to take up the electrification projects selected for these areas, the underlined intention being to bring them up to the national level.

(9) The Committee considers that the central government in consultation with the state governments should devise appropriate measures by which any diversion of funds from the roads programme is completely eliminated and the funds earmarked for the programme are in fact spent on it.

(10) If a state has been able to fully utilise its Plan provision on roads and if it is in a position to execute further programmes of road construction, the Committee feels that an additional sum of Rs 110 crores should be made available for these programmes during the remaining part of the fourth Plan.

(11) Keeping in view the employment potential of a system of inland water transport, we consider that the government should take an early decision on the remaining recommendations of the Committee on Inland Water Transport headed by Mr B. Bhagavati.

(12) Taking into account the deplorable housing condition in rural areas and the resources generated in these areas by growth of production in the agricultural sector in recent years, efforts should be made to undertake a rate of construction of 0.8 unit per thousand persons or 3.6 lakh new units in 1972-73 and 0.9 unit per thousand persons or 4.1 lakh new units for 1973-74 making a total of 7.7 lakh units at an estimated investment of the order of Rs 230 crores over the next two years.

(13) A large scale programme of construction of rural houses should be formulated, initiated and launched by the government. Government should provide the necessary institutional framework and actively promote the programme through rural publicity media and the government agencies operating in the rural areas, e.g., the officials at the block levels, the Panchayati Raj organisations, etc.

(14) The Committee considers that the requirements of the situation demand that there should be in existence in each state a suitable institutional agency to

undertake in the rural areas the types of functions which the housing boards are at present undertaking in respect of the urban areas, viz. the acquisition, development of land, formulation and execution of housing schemes, etc.

(15) The Committee recommends the setting up of a Rural Housing Finance Corporation in each state with the task of providing financial assistance to co-operative societies, panchayati raj institutions and individuals, for housing projects, individual houses etc. The Housing and Urban Development Corporation (or a separate corporation, if necessary) at the centre may function as the apex organisation for financing rural housing.

(16) The LIC should play its part in fostering and promoting the programme of housing in rural areas.

(17) The pace of execution of the existing programmes of rural water supply should be accelerated and its coverage extended. The programme should be extended to 21,000 more villages, with a total outlay of Rs 61.55 crores (over and above the current Plan provision of Rs 125 crores) over a period of two years.

(18) The designing of suitable schemes and preparation of plans and estimates for the remaining 41,000 permanently disadvantaged villages should also be taken up immediately.

(19) A more comprehensive programme of expansion of primary education should be undertaken in the immediate future. This programme should be suitably phased so as to provide educational facilities for 95 per cent of the children of age group 6-11 and for 45 per cent of the children of the age group 11-14 by 1975-76.

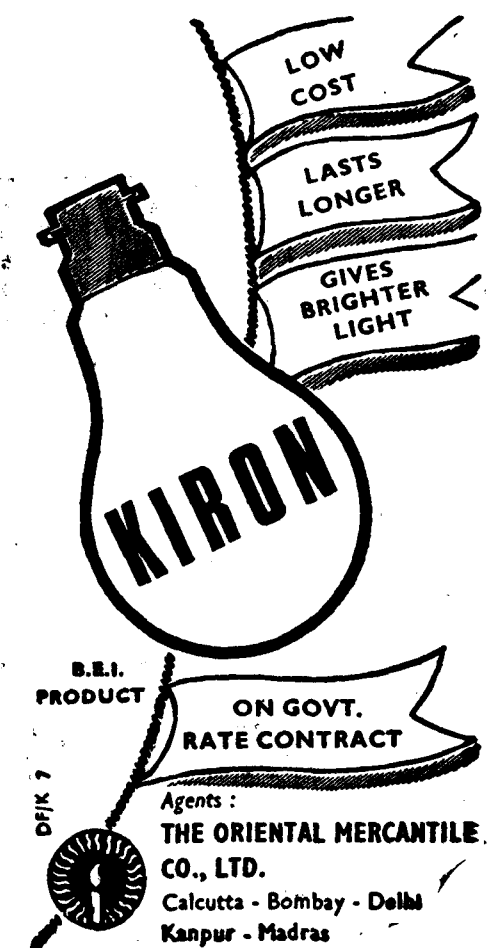
(20) The Committee considers that it is essential to undertake immediately a programme of mass literacy. This programme may be launched in 100 selected districts where the number of educated unemployed is comparatively large.

(21) In order to generate employment in the industrial field, it is essential that the under-utilisation of installed capacity in various industries be reduced to the maximum extent possible. Recently it has been decided that in respect of 54 specified industries additional production to the extent of 100 per cent above their licensed capacity would be allowed subject to certain conditions. The Committee suggests that the cases of other industries should also be examined on their individual merits and they should be allowed si-

milar facilities if this would demonstrably lead to creation of substantial employment.

(22) To deal with the problem of closure of 'sick' units, the government should set up an agency charged with the duty of overseeing the economic health and state of affairs obtaining in such industries where closures have taken place or are apprehended. Such an agency should organise a proper system of timely reporting for this purpose and it should keep government apprised of the developing situation from time to time. The Ministry of Industrial Development should initiate steps to identify the industries which require to be brought within the scope of such organisation from time to time. It is also important that remedial and timely action by the authorities concerned in the matter may not be stalled on account of the non-availability of requisite financial resources, adequate provision for which should, in our view, exist. The Committee would recommend the setting up of a separate corporation for the purpose with adequate revolving fund.

(23) With their increasing resources it should be possible for the banks to play an increasingly purposive and fruitful role in providing assistance to the



various categories of self-employed persons. The banking authorities should themselves set targets of sponsoring employment-oriented projects which each branch of a bank should be expected to attain. A suitable portion of the additional resources should be earmarked for such schemes. The amount to be earmarked in a year for these schemes could be reasonably placed at 25 to 30 per cent of the additional resources.

(24) In the view of the Committee the banks should also take a broad and liberal view of the categories of self-employed persons to be eligible for assistance and should extend it to the entire range of the employment field so as not to deny credit facilities to any class of persons wanting to set up as self-employed persons in a profession or business activity.

(25) In order that the measures of special credit assistance should be really efficacious, it is also essential that the terms of the loans, e.g., the rate of interest, period of repayment, security margins, etc., should be made softer and take into consideration the requirements and limitations of such borrowers. The Committee considers that a decision on the recommendations of the Committee on Differential Interest Rates should be taken very early by the authorities concerned.

(26) Some institutional arrangements should exist to look after the difficul-

ties in the matter of raw materials, working capital, marketing etc. in a more organised and systematic way, on behalf of the entrepreneurs working in a particular locality or industry. For this purpose, the entrepreneurs might organise themselves into an association or body which will tackle the problems of the small industries like raw materials, finance, marketing of products, etc. and take them up with the appropriate authorities, where necessary. The formation of such voluntary organisations should be encouraged by the government.

(27) Unemployed persons should be exempted from the payment of application fees. A selective approach may, however, be adopted in regard to the payment of travelling expenses. Only in such cases where an interview is an essential step in the process of selection of unemployed candidates called for an interview should be paid travelling expenses to enable them to appear for it. However, in case a competitive examination/test of all the applicants is an essential step in the process of selection, it should not be necessary to pay travelling expenses to all the candidates.

Deeper Study Planned

About 8,000 copies of two questionnaires were issued by the Committee to organisations, learned bodies, employers' organisations, state and central government agencies inviting their

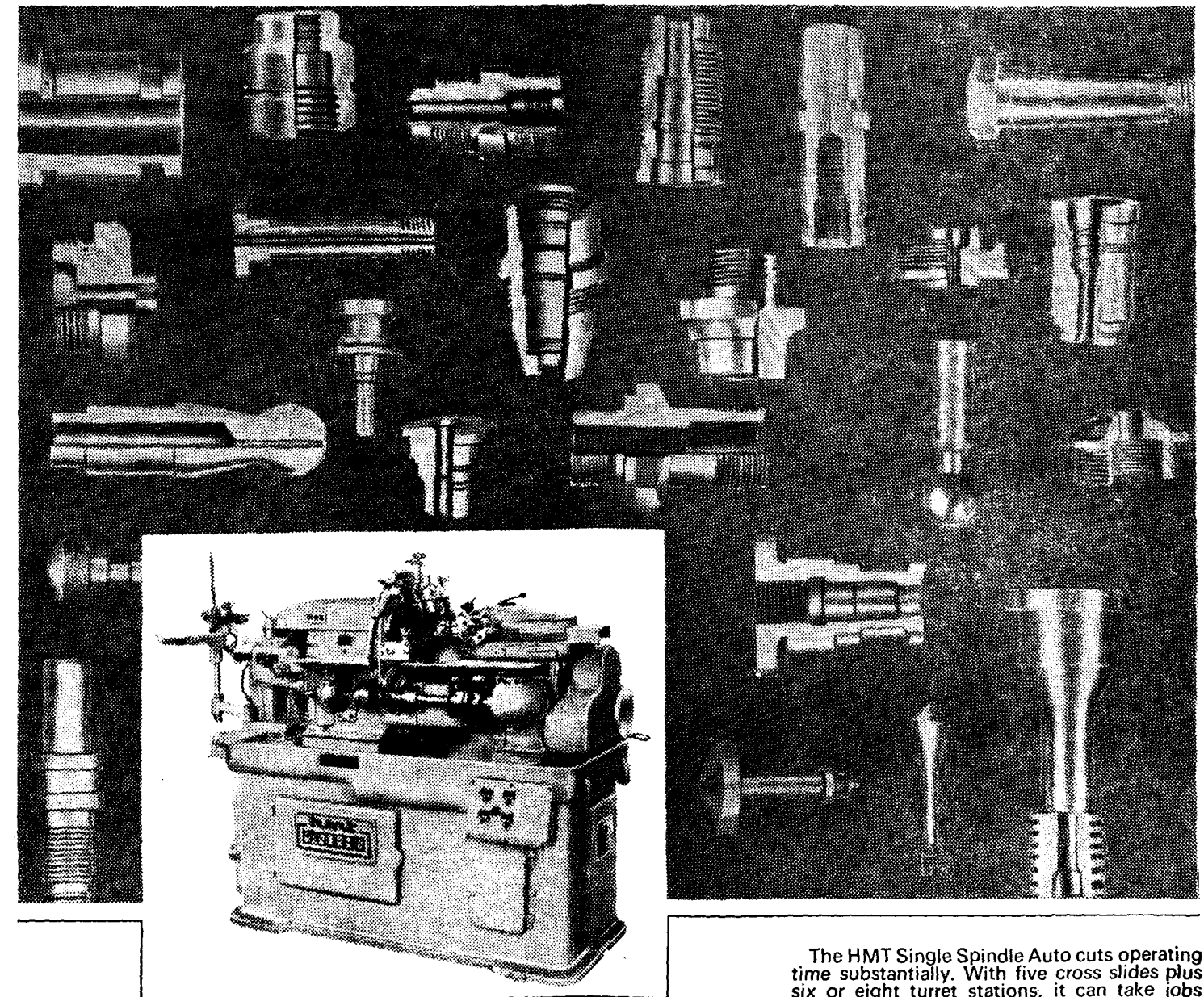
views on different aspects of the problem.

The Committee has set up one panel and five working groups to go deeper into one or more of the issues entrusted to them by the government. The working groups will study in depth various facets of the problem, e.g., assessment of the extent of unemployment and under-employment, financial and fiscal measures, industries, agriculture, education and the fourth five-year Plan and submit their report to the Committee.

A programme of visits to the states for on the spot study of different facets of the problem was worked out. The Committee visited Kerala, Andhra Pradesh, Mysore, Tamil Nadu and West Bengal during the period from August 1971 to November 1971.

The Committee had a series of discussions with the Prime Minister and other personalities particularly the ministers, members of Parliament and of state legislatures etc. to obtain their suggestion and comments.

A number of universities and learned institutions have been contacted with a view to exploring the possibility of conducting some studies on specific aspects of the problem so that the data and material may be collected which will be of help to the Committee in its task. The Committee is expected to submit its final report by October 1972.



The HMT Single Spindle Automatic means versatile performance, shorter cycle times, fast changeover.

HINDUSTAN MACHINE TOOLS LIMITED
HMT P.O., Bangalore 31
Factories at: Bangalore - Pinjore - Kalamassery - Hyderabad
Showrooms at: New Delhi - Bombay - Poona - Calcutta - Madras
Sales Engineers at: Ahmedabad - Jabalpur - Kanpur - Jamshedpur - Visakhapatnam

hmt

The HMT Single Spindle Auto cuts operating time substantially. With five cross slides plus six or eight turret stations, it can take jobs requiring five external operations and six to eight internal operations. It can be set for simultaneous operations as well.

Powered by a 4.1/5.6 kw motor, it is ideally suited for jobs that demand heavy depth of cuts on turning of external diameters, plunge forming, internal and combination operations.

Easy setting reduces idle time

The cam shaft allows quick change and adjustment of cam discs. The cam discs are also interchangeable and radially adjustable. It is possible to machine a variety of components of similar design and similar operations with a single set of cams.

The in-built accuracy and indexing methods ensure that the machine repeats accurately, enabling tolerances in the region of 0.02 mm. to be held consistently.

Extras are standard

Equipment generally sold as extras are standard on our Single Spindle Auto, like the two additional vertical slides, longitudinal turning attachment, swing stopper for vertical slides and feed accelerator.

Accessories such as the setting attachment, rear end drilling attachment, thread chasing attachment, traverse drilling attachment and high speed drilling attachment, mounted on turret, make the machine infinitely versatile.

Bar capacity: 16, 22, 25, 32, 42 or 60 mm.
For complete details with reference to your job specification, ask us.

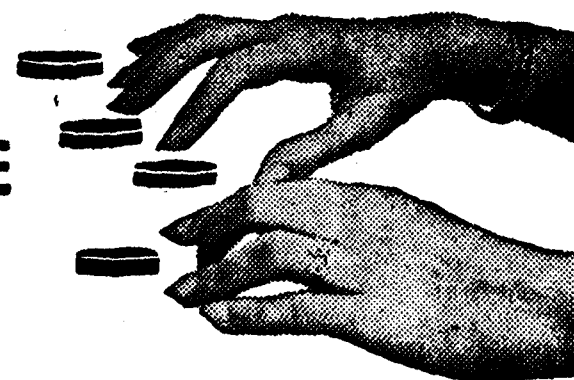
HMT-473

KORES

(INDIA) LIMITED

Stencils - Carbon Papers - Typewriter Ribbons - Duplicating Inks - Teleprinter Rolls

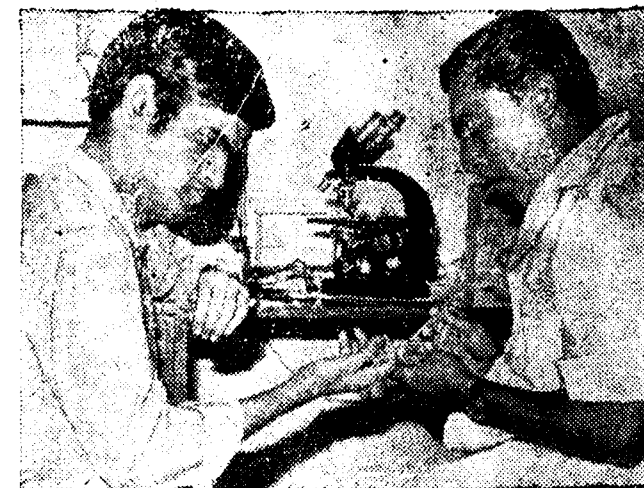
FOR OFFICE ACCESSORIES



Kores (India) Limited, Post Box No. 4558, Plot No. 16, Off Malabar Road, Worli, Bombay 18, W.B.

Gopal works for Century Rayon 8 hours a day

Century Rayon looks after
Gopal the other 16 hours



Gopal is one among 7000 workers at Century Rayon. He works an 8-hour shift. When he's off duty, Century Rayon strives to keep him off the everyday worries.

Like lunch-break, for example, He doesn't have to worry if his food has not arrived from home. He gets his, at the subsidised canteen. A wholesome meal at a fraction of its cost.

After work hours, Gopal returns home—a subsidised house in the Century Rayon Colony, to have his family under a roof. The next-to-factory colony also saves him the bother of transportation.

Medical help is within a 'calling' distance. Leisure finds Gopal & his family playing indoor or outdoor games. Or, watching a movie with the family, once a week. Courtesy: his welfare club. So the next day, Gopal returns to work a happy man.

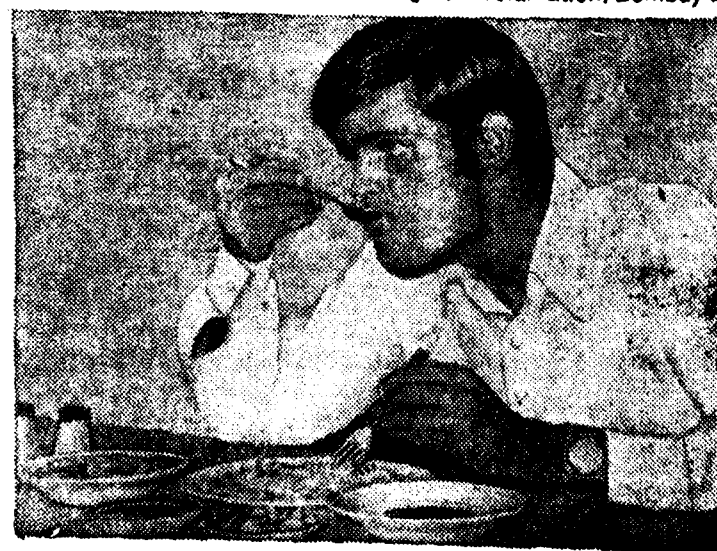
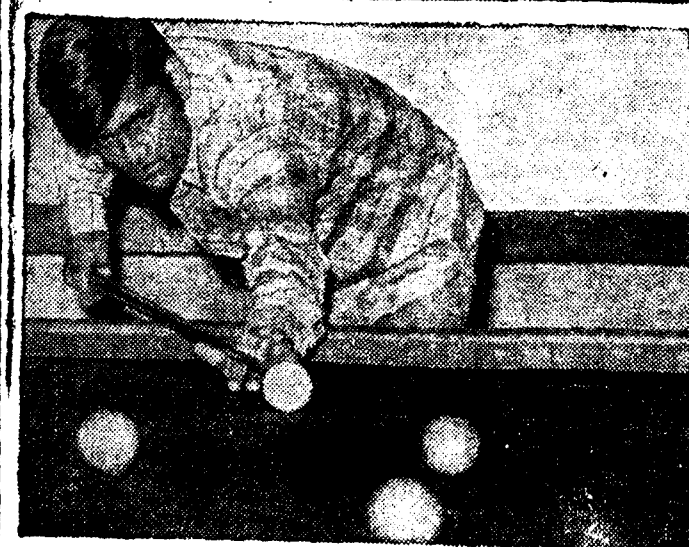
It takes a lot more to keep Gopal and his 6999 colleagues happy. During the 16 hours they aren't working.

Belief of Century,
a happy worker is a happy company.



Century Rayon

Industry House, 159, Churchgate Reclamation, Bombay-20.



EASTERN 9 ECONOMIST

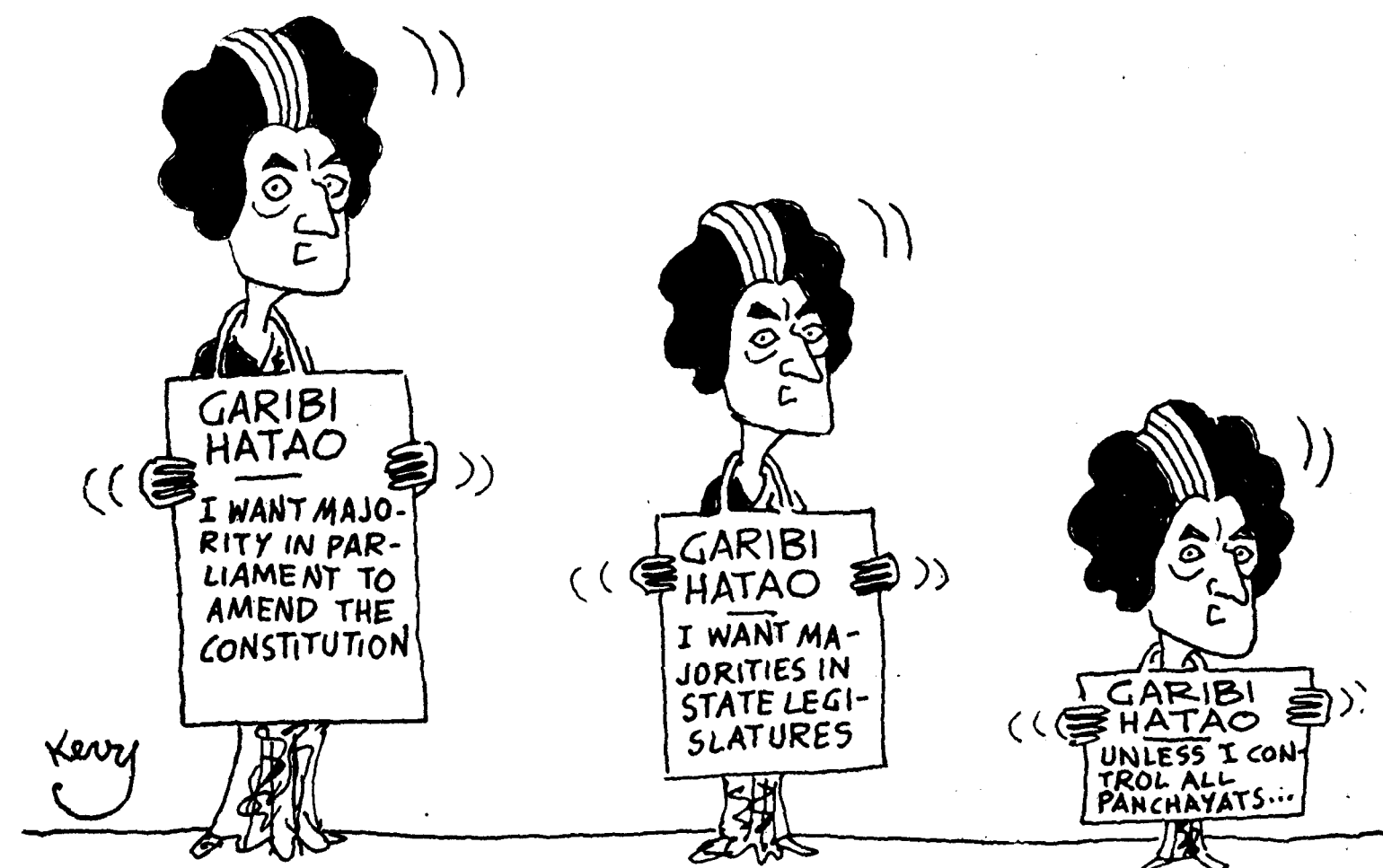
US\$ 1.50 MARCH 3, 1972 VOL. 58

Cart Before the Horse

Perspective on Power

Detering Voluntary Disclosures ?

Politics Bedevils Hindalco's Expansion



Yesterday, Today and Tomorrow

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

**manufacturing Rayon-grade Dissolving Pulp out of
bamboo, eucalyptus and wood**

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

MARCH 3, 1972

Cart Before the Horse	333
No Case for Further Taxation	334
Perspective on Power	335
Have-Nots Join Hands	336
Politics Bedevils Hindalco's Expansion —R. C. Ummat	338
Detering Voluntary Disclosures ? —P. V. Ramana Murthy	340
Cost Structure in Indian Industries —Damodara Krishna Pothuval	343
WINDOW ON THE WORLD	347
Canada in World of Electronics. World Population Growth.	
TRADE WINDS	349
Tax on Farm Income; Foreign Majority Companies; Textile Mills Takeover; Trade with Afghanistan; Environmental Planning; Self Remo- val Procedure; Trade Talks with N. Korea; Liberalised Licensing Policy; Small-Scale Sector; Income-Tax Assessments; Import Substitution; Rural Employment Seminar; Break- through in Rice.	
COMPANY AFFAIRS	352
Madras Rubber; Ductron Castings; Hind Ceramics; Bharat Gears; Puna- lur Paper; Licences and Letters of Intent	
BOOK BRIEFLY	358
Tenancy Reform in Gujarat; All About Agriculture; Public Sector Yearbook; Books Received.	
RECORDS AND STATISTICS	367
Foreign Collaborations.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

CART BEFORE THE HORSE

THE EXPERTS committee on unemployment which submitted its interim report some time ago to Mr R.K. Khadilkar, Minister for Labour, has suggested a financial outlay of about Rs 2,000 crores for various schemes which would, in its opinion, generate four million jobs in different sectors of the economy in the next two years. This committee was appointed in December 1970 and is currently engaged in studying various aspects of this knotty problem; the final report might become available in another year or so.

Before taking up the recommendations of the committee, it is necessary to ask the question: What is the order of current unemployment or under-employment in our country? The five-year Plan documents used to record its magnitude till the third Plan but this practice was dropped in the fourth Plan. The Reserve Bank of India undertook a study of this subject and its findings were published in the December, 1969, issue of the RBI monthly Bulletin. The broad conclusion of this study was that despite massive investments, the number of jobless persons in the country went on increasing from plan to plan.

At the beginning of the first five-year Plan, i.e. in 1950-51, unemployment was estimated at 3.3 millions. By the beginning of the second five-year Plan, i.e. in 1955-56, it was reported to have risen to 5.5 millions and at the start of the third five-year Plan in 1960-61 to 7.5 millions. At the end of 1965-66 (the last year of the third five-year Plan) the backlog of unemployment was estimated to have risen to 9.5 millions. Then followed holiday in planning but the number of jobless went on increasing. According to the RBI study, it rose to 12.6 millions in 1968-69. The ranks of the unemployed continued increasing and according to the latest figures of employment exchanges regarding applicants on the live registers as many as a million additions were made between July 1970 and July 1971. It is safe to presume that more than two million persons joined the ranks of the unemployed every year in the three-year period ending in 1970-71. The number of unemployed at present should, on this basis, be very near to 20 millions.

Though the committee on unemployment has not dilated upon the subject of the number of unemployed in its report, it has put forward recommendations for the creation of four million additional jobs which implies that even if the suggestions of this committee were accepted by the government (though there does not seem to be a high probability of this) only one out of the five jobless persons will be able to procure a job. This is indeed not a very high rate of achievement keeping in view the size of the investment involved.

The various schemes outlined by the committee are designed to generate employment in the short-term in the rural areas. The emphasis has been put on the development of roads and inland water transport, minor irrigation, supply of drinking water in rural areas, education, etc. The committee has assumed that considerable indirect employment would be generated (over and above the four millions mentioned earlier) because of this investment but it has shied away from putting forward any concrete estimates in this regard.

Among the various suggestions put forward by the committee, special mention needs to be made of the role of nationalised banks in providing facilities to the self-employed persons. For the last more than two years, nationalised banks have been shouting from house tops that they are moving heaven and earth in order to help engineers and technocrats in getting established in small-scale industries. No firm estimate exists of the achievements of these banks in this regard though it is known that through all their publicised (and not publicised!) efforts, the additional jobs created by them do not add up to a significant total. There is more noise and more publicity and propaganda than achievement in this activity of the nationalised banks.

It may be recalled that in all the five-year Plans employment was rated low in the list of priorities on the understanding that this problem would take care of itself once the economy was in a position to grow through its self-generated momentum. A few years ago, it was fashionable to talk of a take-off in the economy, but this word has now joined the debris of old and worn-out expressions and

is no longer current coin. The essence of the philosophy behind the priorities was that efforts would be made to increase production both in agriculture and industry which would result in the multiplication of tertiary activities and open up increased employment opportunities for surplus manpower.

Agriculture in this country has performed reasonably well during the last four years but it is the disappointing performance of the industrial sector — thanks to the unimaginative policies pursued by the government under the influence of certain economists who profited by the frequent use of the word monopoly — that the wheels of industry are grinding at a very slow pace. Corrective action taken half-heartedly at the beginning of this year has still to quicken the pace of industry.

The investment envisaged by the

committee on unemployment might succeed in creating the promised number of jobs but it would not give that push to the economy which would result in an all-round increase in economic activity leading to the absorption of increasing numbers of new entrants to the ranks of the unemployed. A grim warning in this regard has been given by Mr Bhaskar Mittar, President of the Association of Chambers of Commerce and Industry in India, who has estimated that during the seventies the new entrants in the labour force would be about 60 millions, i.e. six millions a year. Along with the backlog of unemployment it would make a formidable figure. A weak-kneed policy of creating jobs deliberately, while ignoring the wider issue of taking constructive steps for hastening industrial activity amounts to putting the cart before the horse.

No Case for Further Taxation

THERE IS considerable confusion over the budgetary position of the central government and as a result of un-informed reports that aggregate deficit financing in the current financial year will be even Rs 1,000 crores, it has been seriously suggested in some quarters that the centre's financial position is in a precarious condition and the union Finance Minister will again be obliged to levy fresh heavy taxation when he presents the budget estimates for 1972-73 to Parliament on March 16. There could have, of course, been a serious deterioration in the ways and means position and there could have even been a disequilibrium if the war with Pakistan had been prolonged and there was no early prospect of the millions of refugees returning to their homes in Bangla Desh. A continuance of the Indo-Pakistan conflict would also have had a disrupting effect on the economies of the border states particularly and resulted also in a general slowing down of industrial production.

Happily, the recent developments have been extremely favourable and the massive effort made by Mr Y.B. Chavan, when he presented the central budget for 1971-72 in May last year to raise additional revenues, the subsequent promulgation of ordinances in November for gathering through various measures Rs 70 crores in equal proportions by the centre and the states and the supplementary budget, have been helpful in boosting tax receipts. There has at the same time been a drive for collecting arrears of direct taxes while revenues also have been buoyant. The levies announced on three occa-

sions in 1971-72 are capable of fetching for the exchequer Rs 489 crores in a full year and Rs 288 crores in the current year. It is quite likely that actual collections will be much higher than the estimates. Besides, borrowing through open market loans has been very successful and apart from completing the budget estimates for the year, the issues of Defence Bonds have brought in Rs 110 crores. The small savings campaign also has yielded good results and annual collections may turn out to be more than Rs 225 crores net.

The exchequer could thus expect to mobilise additionally Rs 650 crores on revenue and capital accounts from internal sources. Foreign aid receipts also may not be much below earlier estimates in spite of the suspension of aid by the USA as assistance against earlier commitments has been quite satisfactory. Aid utilisation too has been more effective leading to the realisation of larger rupee resources from users in the private sector. It will therefore be seen that the central government could manage a ticklish situation without much difficulty especially as it has been latterly indicated that assistance from friendly countries for maintaining refugees was over Rs 170 crores. There is no precise estimate of the expenditure incurred on refugees or the aid given to Bangla Desh after its liberation. It has, however, been stated in an aide memoire that expenditure on refugees up to the end of December was around Rs 340 crores against which there was committed foreign aid of Rs 170 crores.

In the last quarter of 1971-72 expan-

sion on refugees would be about Rs 50 crores and assistance to Bangla Desh including the grant of Rs 25 crores probably Rs 75 crores. The cost of the war with Pakistan is anybody's guess but the immediate strain may not be more than Rs 250 crores while non-Plan expenditure would have accounted for Rs 100 crores. The additional strain on the central budget was therefore Rs 815 crores and could be Rs 850 crores if it is assumed that relief had to be given to the states for overcoming the damage on account of floods and drought. Against this extra expenditure of Rs 850 crores, there were additional receipts of Rs 650 crores as stated above. As it had been estimated that there would be an overall deficit of Rs 220 crores, the revised deficit should be around Rs 420 crores including the gap of Rs 200 crores between expenditure and fresh receipts on account of unexpected developments.

It must however be pointed out that the estimates of revenue were extremely conservative and it will be a surprise if the actual deficit for the current year is more than Rs 400 crores. If there is talk of a deficit of Rs 1000 crores, it must be including the gap of Rs 350 crores in the state budgets and the increase in procurement credit through the Food Corporation and other agencies for maintaining buffer stocks to the extent of Rs 200 crores in the past year.

The centre cannot be blamed for the profligacy of the states and their unwillingness to raise additional resources. It is also wrong to exaggerate the difficulties arising out of intensive procurement of foodgrains, as it cannot be expected that budgetary resources can be found for this purpose in the present difficult circumstances. There would, of course, have been a serious accentuation of inflationary pressures if the banking system had been obliged to borrow heavily from the central banking institution for financing procurement operations and currency had to be created against stocks of foodgrains.

The scheduled commercial banks, however, have not experienced any undue pressure as the result of an increase in procurement credit during the 12 months ended January 28, 1972, to Rs 418 crores from Rs 234 crores. The borrowings of these banks even allowing for a seasonal increase in demand for funds were only Rs 147.29 crores and these can be expected to be completely wiped out before the end of the ensuing slack season even if the Food Corporation and other agencies are to carry out unprecedented procurement operations against the rabi crops in April-July.

The central government will, of

course, have the embarrassment arising out of the adjustments that will have to be effected with the Reserve Bank in respect of unauthorised overdrafts of the state governments. No useful purpose will however be served by the centre trying to take over the liability of the states on its own account as it would be only a transfer entry without any net reduction in the overall liability so far as the Reserve Bank is concerned. On the other hand, if there could be direct negotiations with the states, and the reserve bank, with the help of the central government and it was agreed that the unauthorised overdrafts should be extinguished over a period, there would be a greater sense of discipline and the states might behave better where bankings transactions have to be honoured. It is unlikely that this course will be adopted because the states may not be agreeable to abide by any rigid schedule. Ultimately, it will mean an addition to the total of the public debt of the centre and the amortisation of the unauthorised overdrafts may have to be completed over a long period.

It is, of course, expected that the state budgets for 1972-73 will not disclose any large uncovered deficits and the newly formed state governments, after the elections have been completed, will be raising substantial additional revenues for meeting increases in Plan and non-Plan allocations. In any case there may not be any net increase in central assistance to the states though there may be a larger transfer of tax revenues as their share of central receipts with a proposed levy on agricultural incomes. There may also be an attempt to mobilise about Rs 100 crores through higher and new indirect taxes for discouraging consumption or soaking certain classes of consumers.

The union Finance Minister, Mr Y.B. Chavan, has therefore to take care, only of the net overruns in expenditure on account of a higher Defence budget, non-Plan expenditure, larger Plan outlay and assistance to Bangla Desh. These may call for extra resources of the order of Rs 850 crores. The taxes levied in the current year will by themselves fetch Rs 250 crores as they will be effective throughout 1972-73. There will be a normal growth in revenues by Rs 200 crores while borrowing through open market loans and sales of the National Savings Certificates will bring in easily an additional Rs 300 crores.

For the first time in the past decade, the scheduled commercial banks will have ample surplus resources and they may have a problem of utilisation of these resources if new loans and bonds are not issued on a large scale by the

central and state governments and the public bodies. There can also be direct loans to the state electricity boards, housing societies and others on a negotiated basis from the lending institutions. Tax revenues and capital receipts will, therefore, be higher by Rs 750 crores while there will be a saving in expenditure on account of refugees by Rs 230 crores. Even without additional taxation, the overall deficit will not, therefore, be more than Rs 270 crores in 1972-73 and if it is accepted that the earlier deficit was exaggerated the actual uncovered gap may be only Rs 200 crores.

In these circumstances, is it necessary

Perspective on Power

ONE OF the poorest performance records of all our Plan projects is undoubtedly in the field of power generation and supply. We are already abreast of many developing countries in preparing perspective plans, not for five years, the supposed duration of each five-year Plan, but for decades. The latest perspective decade power plan, to which Dr K.L. Rao, union Minister for Irrigation and Power, referred recently relates to the 10-year period, 1971-81. This is believed to have been based on a study of the rate of growth in demand for electric power in the country during the five-year period 1966-71, an essay undertaken, we are told, "with a view to organising indigenous manufacturers of equipment, arranging funds, developing designs and engineering capacity, manpower and materials". The perspective decade plan envisages a total power-generating capacity (there is no reference to a simultaneous increase in power-distributing capacity, though!) of 52 million KW by 1981, or an addition of 35 million KW over the decade. An increase of 35 million KW over a decade is certainly not ambitious. For, according to a World Bank Sector Paper on Power Projects in Developing Countries, released recently, demand for electrical power in developing countries doubles every five to eight years.

Earlier, addressing a meeting of chairmen and members of state electricity boards, convened specifically to consider priority measures for augmenting power supply and meeting periodical shortages, the union Minister for Power opined that the total installed power-generating capacity should be doubled in the next five years to meet the needs of the country estimated at 35 million KW by March, 1977. If between 1971 and 1981 this capacity is

to be raised, according to the government's Perspective Decade Power Plan, to 52 million KW, there has to be an increase from 35 million KW between March, 1977 (assuming that this level is achieved by then which is doubtful) and March 1981, that is, over the next four-year period only. If between now and 1977, that is, over a five-year period, if not more, the target we are supposed to reach is 35 million KW, the rate of growth has to be about five million KW per year. And if that assumption is accepted, the annual growth rate in installed capacity between 1977 and 1982 must be higher — nearly seven million KW — and, unless a miracle happens, this rate seems doubtful of achievement as things stand at present. It would be impossible without substantial aid from the World Bank as such expansion, it is said, entails about a sixth of the country's public investment, of which the foreign exchange component represents about 50 per cent of the total cost in the case of hydro-electric installations and 75 per cent in the case of thermal power plants.

Meanwhile, reports of power shortage continue to pour in from state after state. The latest state which apprehends a power shortage is Maharashtra, or, more particularly, Bombay and other parts of western Maharashtra. It has been estimated that the shortage for Bombay city alone would be some 50-60 MW, while the BEST, the main source of power distribution, would be short of about seven MW out of its total needs of 210 MW. The people of Bombay have received reassurance, from the state government that there would be no power cut but only some load-shedding during peak hours. And to make this appear as of not much consequence, official spokesmen add that this is nothing unusual.

Whether or not this is nothing unusual, it is certainly something unusual that, between the short interval of a week—from February 8 to February 15—the power position should have so changed as to have become not so serious as feared earlier. While one hopes this is really so, one cannot accept such a facile assumption without a pinch of salt. For conditions have not appreciably improved since the first report of a possible power cut appeared in the press on February 9. This report followed a press conference on the previous day, by Mr Bhave, Secretary to the government of Maharashtra, Department of Industries and Labour, and Chairman, Maharashtra Electricity Board.

At the press conference on February 8, Mr Bhave told that there was a power shortage and that it might be due to unscheduled closure of both the 140 MW units at Nasik for repairs. He also referred to the fact that one of the two 200 MW units at Tarapur was not generating any power, while the other unit was generating only about half its installed capacity. He further added that the wholly non-generating unit was not likely to come into production for a time. At the press conference, Mr Bhave also said that one of the units in Nasik had developed a leakage in one of its boiler pipes, while the other was in the process of repairs with the help of French experts. He did not say which of these would be restarted, but he did vouch that one would be restarted by February 15. So far, there has been no statement either by him or the concerned people at Nasik that such has in fact been done.

That Mr Bhave himself must have had serious doubts when he made the above statement should be evident from the fact that the government of Maharashtra was trying to find out whether power could be got from the neighbouring states of Mysore, Madhya Pradesh and Gujarat. Already Maharashtra has been receiving some power from Mysore and it is not on the cards that Mysore will immediately be able to augment its quota to Maharashtra. Mr Bhave hoped to have some power from the Gujarat Electricity Board, but Mr Kantilal Dave, the Gujarat Board chairman has indicated that Gujarat also would be short of power, and this is understandable, especially when Tarapur is not able to generate enough power as is the case now. As for Madhya Pradesh, one has to keep one's fingers crossed, at any rate until the assembly elections are over.

The power shortage business in Maharashtra is becoming curiousest and curiousest. The people are told to expect a cut, but the very next

week, they are told it is not a cut as such but only a regulation of power distribution during peak hours, as if the latter does not connote any shortage. If there is really no shortage, where was the necessity, one may ask, to revive the practice of normal maintenance closure, as the official spokesmen themselves admit? The only explanation according to a wag is that somebody must have been pulled up for raising a power shortage scare when the elections to the state assembly were so near and he was, therefore, obliged to eat his own words and give a revised and, at the same time, a more reassuring picture of the power position. This may or may not be true, but there can be no

hiding the stark reality of a power shortage in Maharashtra today. But this is not peculiar to the state of Maharashtra only. There are other states like the UP where industries providing large scale employment like the Hindustan Aluminium Corporation are crying for more power, and the state governments are doing nothing about it. And yet the innocent doctor (Dr K.L. Rao) goes about talking of perspective power plans. No plans, certainly not perspective power plans, can have any chance of implementation, unless those in power have the vision and the imagination to view the country's grave economic problems in their right or proper perspective.

Have-Nots Join Hands

IN A draft report submitted to the Commission on Asian and Far Eastern Affairs of the International Chamber of Commerce, the Secretary of the All-India Shippers' Council has focussed attention on a programme of action for regional co-operation in shipping. This report will be discussed at the 20th session of the Commission which is proposed to be held in Taipei (Taiwan) in the first week of April this year. The report has assumed poignancy in view of the recent trends in the behaviour of the governments of the rich maritime nations which have continued to make determined efforts to bypass the UNCTAD in a bid to keep their hold on international shipping.

Countries in Asia and Oceania (including India) have fully realised the importance of the promotion and development of external trade which in turn depends on the availability of adequate shipping services. About 18 per cent of world trade in terms of value is accounted for by Asia and Oceania though their share is significantly larger in terms of the volume of goods handled. Latest estimates for 1970 show that 36 per cent of goods loaded and 26 per cent of goods unloaded in international trade were from Asia and Oceania. As against nearly one-third share in the quantum of goods handled in world trade in 1970, the share of Asia and Oceania in the world merchant fleet was only 17 per cent. This discrepancy has existed despite rapid expansion of merchant fleets in a large number of Asian countries in recent years. The merchant shipping fleets in the world increased from 130 million GRT in 1960 to 227 million in 1970, Asia's share increased from 10.6 million GRT in 1960 to 38.4 million GRT in 1970. India's share improved in the same period from a little less than a million GRT to 2.4 million GRT.

Despite the comparatively fast rates of growth in the acquisition of ships during the last 10 years, the developing countries in general and those in Asia in particular have had to incur heavy expenditure in foreign exchange for external trading of goods.

It will be relevant to state here that the Economic Commission for Asia and the Far East (ECAFE) has played a useful role in the promotion of regional co-operation in shipping during the last eight years. In 1963, the first ministerial conference on Asian Economic Co-operation held at Manila, made a number of suggestions designed to promote the interests of this region in shipping. It was suggested, for example, that facilities should be pooled and national plans should be co-ordinated for setting up new shipping lines or for expanding the existing ones. The establishment of joint shipping lines on a sub-regional as well as regional basis and the setting up of consultation machinery and organisation of joint negotiations with the conference lines for rationalisation of shipping routes and rates were some of the other major recommendations. Though not much progress was made immediately in this regard yet countries in this region started increasing their outlays on the acquisition of shipping facilities.

A working group of experts on shipping freight rates was convened by the ECAFE in Bangkok in February, 1965. Subsequently, the ECAFE convened a working party on shipping and ocean rates in January 1968 in Bangkok. This was followed by a Regional Port Seminar under the auspices of the ECAFE at Singapore in October 1968. The Kabul declaration on Asian Economic Co-operation and Development adopted by the Council of Ministers for Asian Economic Co-operation re-

commended in February 1970 that high priority should be given to the improvement of shipping facilities and development of ports for promoting inter-regional trade. As a result of all these activities, some half-hearted measures for regional co-operation were initiated but much greater efforts were needed to give both content and meaning to the aspirations of the nations in this region. The programme of action suggested by the All-India Shippers' Council covers 10 major points—all equally important—which need sympathetic treatment at the hands of not only the members of the region but also the richer nations which have a strong control over international shipping.

In the ECAFE region, Japan is the only ship-building country which has the capacity to supply ships to other countries. The council has suggested that it should reserve at least 10 per cent of its ship-building capacity for developing countries of the region on a preferential basis. Furthermore, the financial assistance provided at present to the shipyards should be utilised for the grant of credit to the buyers of ships in the developing countries. This suggestion does not imply any formidable strain on Japan's export trade in ships because it has emerged recently as one of the most prosperous industrialised nations in the world and it has shown willingness in providing assistance to the struggling developing countries.

Regarding the establishment of joint ship-building industry, docking and repair facilities by two or more countries of the region, the council has urged that the ECAFE should get examined the feasibility of this proposition through a working group. In other words, unless some solid desk as well as field research is conducted in this regard, the concept of joint ship-building industry is likely to lack substance.

The Central American Port Authorities Commission set up some time ago is reported to be doing useful work. The council has suggested that on the same lines an Asian Port Authorities Commission should be established to disseminate port information including the latest technological developments, to suggest standards for simplifying and rationalising port procedures and documentation, to assist the countries of the region and co-ordinate their efforts in the matter of training facilities for staff and workmen connected with port operation and to provide common facilities whenever required for the improvement of ports in the region. Once the countries in the region agree in principle to the formation of this commission, the

process of increased co-operation would follow automatically. The central point is the degree of success which the ECAFE is likely to achieve in persuading the governments in this region on the establishment of the proposed commission.

One of the major disputes between the rich and the poor countries relates to rate agreements in overseas trade. The council has suggested that the conference and rate agreements operating in the overseas trade of the region should be so structured that the shipping lines of the regional countries provide at least half of the membership and are able to carry at least 50 per cent of the overseas trade. There is likely to be stiff resistance to this proposal from the committee appointed by the European National Shipowners' Association (CENSA) which has a strong hold over international trade in goods. Recently this association is reported to have drafted a code of conduct for the liner conference system which gives ship-owners the final authority in any dispute. This is indeed high-handedness on the part of the shipping lines of industrialised countries which are keen to hold on to the advantages which they have enjoyed since the colonial days. At a meeting of the UNCTAD working group on International Shipping Legislation held in January at Geneva, the representatives of the developing nations are reported to have protested against the attempt

by the industrialised nations to impose the new code on the rest of the world. Rightly it was stressed that any code of conduct must emerge from discussions conducted in an international forum. It follows that the suggestion of the council that 50 per cent of the overseas trade should be earmarked for the shipping lines of the developing countries would not be acceptable to the rich countries.

The remaining suggestions of the council relate to the survey of inter-regional trade by a study team, the desirability of utilising by other countries of the region the central chartering organisation set up by the government of India, the establishment of a regional freight study unit under the ECAFE Centre for Shipping Information and Advisory Services and the establishment of a regional shippers' council. All these recommendations are designed to promote a study of the problems of the countries in the region in greater depth and are not likely to encounter much resistance. It is only when decisions taken by the study groups are to be implemented that stiff opposition would be put up by those countries which have held substantial control over shipping for the last many decades. Despite the unhelpful attitude of the rich maritime nations it is through a process of mutual co-operation among countries in the region that they can hope to capture an increasing share in shipping services.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from:

The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

Politics Bedevils Hindalco's Expansion

R. C. UMMAT

AS A MEMBER of a press party, I had an opportunity of visiting a few days ago Hindalco's Renukoot works — the premier aluminium manufacturing unit in the country—built up in the hard, rocky terrain of the Vindhyas in the country's most backward region, the eastern Uttar Pradesh. When expanded to 120,000 tonnes capacity, as programmed, this integrated plant, having facilities to produce the "white gold"—alumina—the reduction facilities to extract the most versatile non-ferrous metal—aluminium—from this "white gold", and milling and extrusion facilities to manufacture various products from primary aluminium—electric transmission cables, sheets, angles, etc.—will rank among the largest units in the line in the world.

But bigness, even though it be fully justified on economic considerations, appears to have become a curse for a private entrepreneur in the country, thanks to the vitiation of the political atmosphere during the last three years. There can be no objection to the government attempting to reduce economic disparities or trying to obviate the concentration of economic power in the hands of a few. But this does not mean that just because an industrial project of vital national importance has been undertaken by a large industrial house, and that too squarely within the ambit of the government's industrial licensing policy, all sorts of spokes should be put in the wheel of its implementation.

Government's Threat

The execution of Hindalco's project for expanding its capacity from 60,000 tonnes to 120,000 tonnes ran into difficulties for the first time about two and a half years ago when a notice was served on the company by the government threatening to revoke the letter of intent for the expansion plan on the plea that effective steps had not been taken to implement it. This was despite the fact that, notwithstanding the grant of official permission to obtain the necessary foreign exchange to finance the import of certain vital items, for the preparation of the feasibility report, to disburse engineering fees, etc., only in August, 1967, the company had implemented one-third of the expansion

scheme by the time the above notice was served. It took the government more than a year to satisfy itself about the fact that not only effective steps had been taken by Hindalco to implement the expansion programme but also the capacity of the company had been actually raised from 60,000 tonnes to 80,000 tonnes.

It is interesting to note that before the government satisfied itself about this, it kept on insisting for several months that the addition to capacity had been only to the extent of 15,000 tonnes and not 20,000 tonnes. In this insistence lay hidden the effort to thwart expansion, for if the additional capacity had been only of the order of 15,000 tonnes, it could have been construed to have been effected not in terms of the letter of intent for the expansion programme but in terms of the relaxation provided in the industrial policy in 1965 under which all industrial units could expand or diversify their production up to 25 per cent of their approved capacities before the announcement of the relaxation.

Cat-and-Mouse Game

Now that a regular licence for the expansion of Hindalco to 120,000 tonnes capacity has been duly issued, the state government seems to have decided to take a hand at this cat-and-mouse game. It is postponing entering into a formal agreement with the company for the supply of electric power for the expansion scheme, even though it had agreed in writing before the actual start of the construction of facilities to carry the capacity to beyond 80,000 tonnes, that it would make available the requisite amount of electricity at the rate of four paise per unit till the capacity of the company's own 135 MW thermal power station was doubled. Electricity is one of the most important inputs in the aluminium industry and its tariff has to be kept the lowest possible if the production of aluminium is to be economical. An increase of one paise in the electricity tariff, it is estimated, raises the cost of aluminium manufacture by as much as Rs 200 per tonne.

Even though the four paise tariff agreed to by the company for the expansion programme is twice as much

as that for the 55 MW supply from the State Electricity Board for the original 20,000 tonnes capacity of Hindalco and is also much higher than what is being charged by the other state governments from Hindalco's competitors as well as the tariff proposed to be charged by the Madhya Pradesh government from the Korba unit of the public sector undertaking, the Bharat Aluminium Company, the UP government is delaying the signing of the agreement, presumably to raise the tariff, reportedly to 7.5 paise per unit in order to satisfy the critics of the government. If the agreement is not concluded expeditiously, the nearly Rs 10 crores investment on the creation of facilities to raise Hindalco's capacity from 80,000 tonnes to 100,000 tonnes — this is expected to be done by May this year — would remain infructuous. The expansion to 120,000 tonnes capacity is scheduled to be completed by the end of next year. The entire expansion programme is anticipated to cost about Rs 30 crores. This estimate may go awry if the construction schedule is upset because of the wrangle over power supply rates leading to delays in the commissioning of the 80,000-100,000 tonnes expansion by May next.

Importance of Cheap Power

How important cheap electricity is for aluminium manufacture can be gauged from the observations of the Nagaraja Rao Committee, which was constituted in the mid-fifties by the then Ministry of Commerce and Industry, and the Tariff Commission in its 1964 report on the continuance of protection to the aluminium industry. The Nagaraja Rao committee pointed out that "power constitutes a major element in the cost of production of aluminium. In fact, the importance of cheap power for aluminium manufacture requires to be stressed as much as possible. A variation in the cost of electric power of even one pie per kwh gives rise to a variation in the price of aluminium metal by about Rs 115 per ton. In our conditions, any price above Rs 135 per kw/year (equivalent to 1.54 paise per kwh) is considered uneconomical". The Tariff Commission observed in 1964:

"Aluminium is an industry of national importance. It is desirable that power rates applicable to this industry, whose progress depends upon cheap, abundant and assured supply of electrical power, should, as far as possible, be uniform all over the country so that the new units could be set up wherever power is available, without fear of unfair competi-

March 3, 1972

tion from other producers of the metal. The whole question should be examined in consultation with the state governments and representatives of the state electricity boards and aluminium producers so that means may be devised to assure the industry of reasonably low tariff rates and uniformity and constancy of duties over long periods. Considering the high load factor, it should be in the interests of the states themselves to encourage this industry and to keep the rates chargeable to it constant and at a low margin of profit."

Comparative Rates

Against the background of the above observations, let us examine the power rates paid by the different aluminium manufacturers in the country. In Kerala, the Indian Aluminium Corporation is said to be paying for the first block of seven MW power for its Alwaye smelter at the rate of 1.27 paise per kwh, for the second block of seven MW at the rate of 1.33 paise per kwh and for the supplies beyond the first 14 MW at the rate of 1.65 paise per kwh. For its Hirakud plant, in Orissa, this company pays 1.71 paise per kwh for the first block of 20.50 MW power and 2.10 paise per kwh for the second block of 23.50 MW. The Madras Aluminium Company pays 1.52 paise per kwh of electricity for the requirements of its Mettur plant. The rate of 1.52 paise per kwh is also paid by the Aluminium Corporation of India for power supplies to its Asansol plant in West Bengal. The public sector concern, Bharat Aluminium Company, is stated to have entered into a 30-year agreement with the Madhya Pradesh government for power supply to its proposed Korba project at the rate of 2.5 paise per unit.

Hindalco, on the other hand, has to pay for the electric supply from the UP government at the rate of about two paise per unit for the first block of 55 MW (required for producing aluminium to the company's original capacity of 20,000 tonnes primary metal) and at about 11 paise per unit for additional supplies. These additional supplies are effected under the parallel agreement which was necessitated after the company set up its own 135 MW power plant at Renukoot to cater for the electricity requirements of the Renukoot project's expansion from 20,000 tonnes to 60,000 tonnes aluminium. This supply is needed in the case of any breakdown at the Renukoot power plant. The tariff for this portion of electric supply has been recently raised by 1.25 paise per unit. The cost of power from the Renukoot plant comes to about five paise per unit, but this

EASTERN ECONOMIST

should go down to about three paise a unit in about five years when the capital block of the plant is written down through depreciation,

These comparisons make it abundantly clear that Hindalco has to pay much more for its electricity requirements than any other competitor in the field. To cap this, the UP government has recently started levying a duty of one paise per unit of power supply even from the company's captive plant, notwithstanding the fact that the UP State Electricity (Duty) Act (1952) specifically exempted from any duty the energy drawn by an industrial consumer from its own source of generation.

Since the prices of aluminium are statutorily controlled, high power rates payable by Hindalco obviously put it at a great disadvantage vis-à-vis its competitors. This anomalous position, apparently, needs to be rectified. In the interest of bringing about some uniformity in power supply tariffs for aluminium manufacturing units in different states, it is imperative that the union government lays down certain norms and guidelines.

Resort to the Law

This is not the only headache of Hindalco on the electricity front. It had to take resort to the law court for having a stay order against the threatened discontinuance of electricity by the State Electricity Board under the parallel supply agreement with effect from February 1, when this agreement was to be renewed. Although the question of the renewal of the agreement had been taken up several months ago, it has not yet been renewed by the State Electricity Board even though the tariff applicable to the supplies under it now is as high as 12.25 paise (including some other charges, the effective rate comes to 15 paise). But for the stay order, it would have been impossible for Hindalco to even keep up its present production of 80,000 tonnes aluminium per annum.

As mentioned earlier, Hindalco has to double the capacity of its captive power plant to cater for the power requirements of the 80,000-120,000 tonnes expansion programme. The successful implementation of the power plant's expansion plan would depend on how expeditiously the various governmental clearances are given and also how soon the final decision is taken on the grant of exemption from the electricity duty of one paise per unit. Undue delays in regard to the above two points can upset the construction schedule of the powerplant's expansion scheme, leading to unnecessary further complications.

339

The expansion of the power plant is otherwise expected to be completed in four to five years.

Whereas the expansion of the aluminium manufacturing capacity of Hindalco, thus, is currently facing uncertainties because of the state government's attitude, its programme for the expansion of the fabrication facilities has been affected by the central government's refusal to consider it till the Sarkar Commission (which is going into the affairs of Birla concerns) submits its report. At present, Hindalco's fabrication facilities aggregate to 37,000 tonnes. With the expansion of the primary metal manufacturing capacity by 60,000 tonnes, the additional fabrication facilities which the company will be entitled to is 30,000 tonnes. In the absence of additional fabrication facilities, not only will the profitability of Hindalco be affected but also the interest of the consumers of these fabrications would be jeopardised, as the prices of fabricated materials would rise if for no other reason than for the fact that fabrication elsewhere would entail movement of primary metal at considerable cost.

Fabrication facilities for producing such items as properzi rods are even otherwise limited in the country; they have to be augmented expeditiously in view of the rapidly growing demand for these rods. Hindalco has developed indigenously the requisite equipment for augmenting the capacity to produce properzi rods. It has asked for permission to augment its capacity in this line of fabrication. But the decision of the government is still awaited. Probably it is also linked with the Sarkar Commission's deliberations.

Reasonable Solution

Could it be hoped that a reasonable solution to all the above problems would be found out soon so that the accentuation of the shortages of aluminium and its products, which have already started developing fast, are obviated? We do not have adequate resources of other non-ferrous metals. They are therefore being substituted by aluminium. If the indigenous production of this versatile metal is affected, the programme of substituting this metal for the other scarce non-ferrous metals, particularly copper, would receive a serious setback. This substitution programme also warrants that the cost of manufacturing aluminium should be kept as low as possible. The key to the cost of aluminium manufacture is low electricity rate. This fact has to be fully appreciated not only by the central government but also state governments.

Detering Voluntary Disclosures?

P. V. RAMANA MURTHY

THE DECISION of the Kerala High Court in *C. K. Babu Naidu vs. Wealth Tax Officer* (1971 82 ITR 410) seems to have implications beyond the point the case has decided.

By section 68 of the Finance Act, 1965, Parliament has provided for voluntary disclosure of secreted income and settlement of income-tax liability on the amount so disclosed on a concessional basis, by which it has given legislative sanction to a scheme already in existence. This section was given retrospective effect from March 1, 1965.

In response to the scheme, the two assessee in this case made voluntary disclosure of income amounting to Rs 5.5 lakhs in one case and Rs 8.3 lakhs in another and distributed the income over four and five years respectively. They paid income-tax on these amounts as required by the section.

Assessee's Contention

Seeing escaped income come to light, the Wealth Tax Officer reassessed the income of both the assessee as wealth which escaped assessment. The only contention of the assessee was that the net wealth taxable to wealth tax was the amount declared by them less the amount of income-tax payable in respect of these amounts. The Wealth Tax Officer refused to uphold this contention, as did the other officials in the hierarchy. In a writ petition, a single Judge of the Kerala High Court, giving judgment in favour of the Revenue, held that when the assessee availed himself of the scheme envisaged under Sec. 68 of the Finance Act, 1965, and compounded the income-tax liability under the said scheme, he subsequently becomes liable to assessment under the Wealth Tax Act, 1957, in respect of the income so disclosed and attributed by him as income accrued during different financial years, and there was no question of any debt owed by him on the valuation dates concerned. The whole wealth, according to the learned judge, escaped assessment and so became chargeable. The reason given is that the section under consideration is a special provision to compound the income-tax liability in respect of an income which an assessee may choose

to disclose and by such disclosure he does not incur a liability to pay any tax and that it is not a debt owed as contemplated by Clause (m) of Section 2 of the Wealth Tax Act.

With the utmost respect, it is difficult to accept the reasoning of the High Court on this point. It is a well-known fact that there is in the country a great deal of black money although its volume has not been assessed with any approach to precision. It is also well known that this money is largely responsible for the inflationary tendencies in the country. It is to mop up all such hidden money that Parliament has enacted the section under consideration and it could not have been the intention of Parliament to harass those who make voluntary disclosures in accordance with the law.

Provisions in the Income-tax Act and other taxation acts threatening severe penalties having failed to click and the government also having failed to net all such hidden money by other means, has given legislative recognition to a scheme already in force. When the income-tax authorities and courts give a narrow and constrictive interpretation to such well-meaning provisions of law, it becomes difficult to enforce the intention of Parliament and such provisions stand as dead letters on the statute book. It is anybody's guess that if this interpretation is accepted as correct the assessee would think twice before coming out with their secreted income.

Logic of the Case

This apart, it is difficult to see how the tax paid on voluntary disclosure does not become a debt owed which can be deducted from the gross wealth of the assessee. It is not that the assessee has not to pay any tax on this amount. The section allows a concessional rate for voluntary disclosures and he has to pay the tax on such voluntarily disclosed income. The mere fact that it is a special provision to compound income-tax liability in respect of undisclosed income does not make the tax paid on such voluntarily disclosed income any the less of a permissible deduction. Logically it should not.

In cases of this kind the Supreme Court has taken a realistic and practi-

cal stand and has given interpretations which balance the interests of the assessee with those of the Revenue. To cite one most recent example, in *Kedarnath Jute Mfg. Co. Ltd v. C.I.T.* (1971 82 ITR 363 SC) the point in dispute was about the deduction of a certain amount of sales tax payable by the assessee. In its earlier return the assessee did not show this amount as a permissible deduction nor has it shown this amount in its accounts—which were maintained on mercantile system of accounting—as an expenditure. After the submission of the return, the sales tax authorities sent a demand notice whereupon the assessee submitted a revised income-tax return claiming the amount as deduction. At the same time, it contested the claim of the Revenue for the amount. Ultimately the tax had to be paid and was in fact paid.

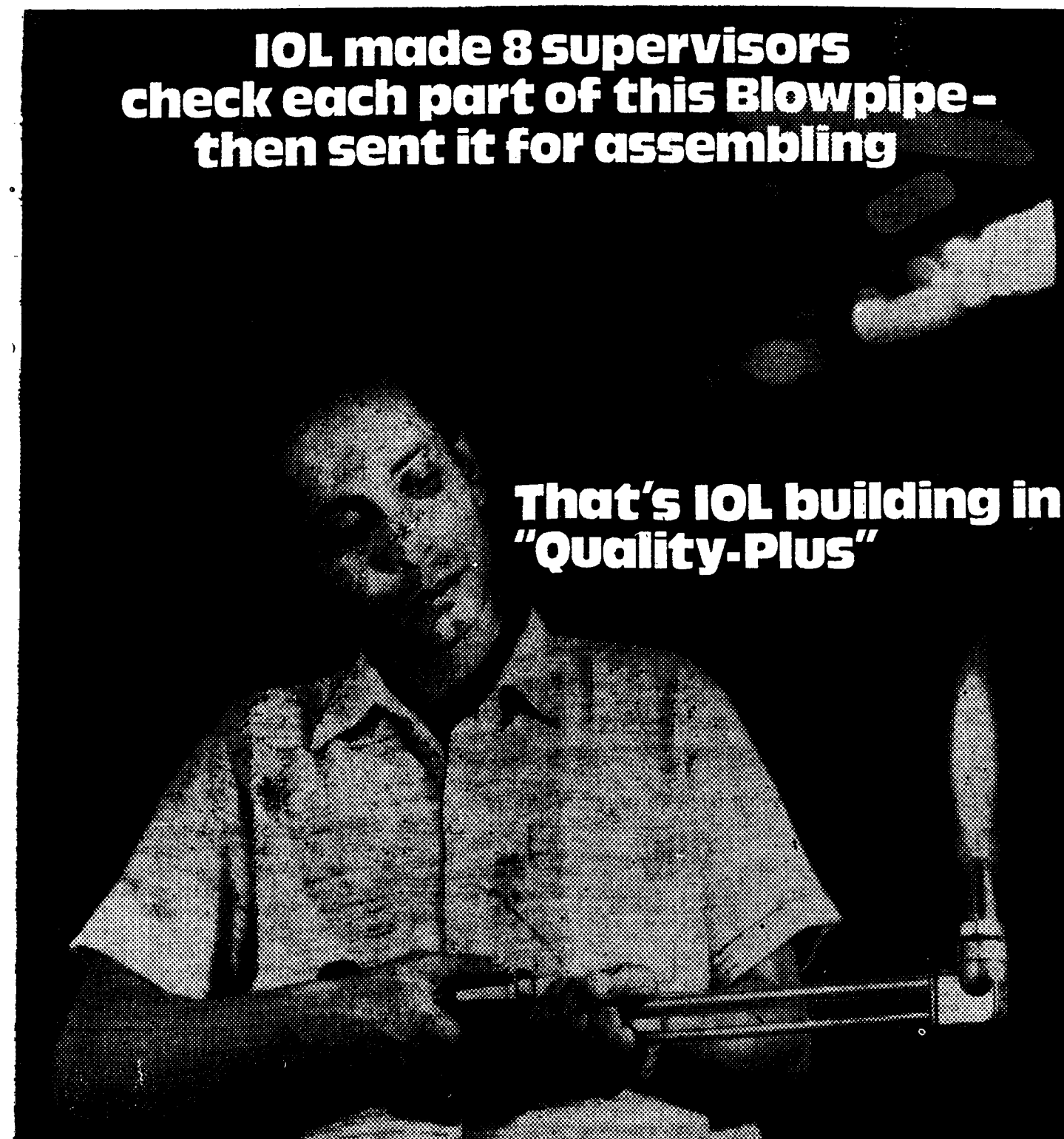
The Moat Question

The question was whether, firstly, in view of the contest of the assessee before the sales-tax authorities and, secondly, because the amount has not been shown in the books of accounts as an expenditure, such sum should be deducted under Sec. 10(2)(xv) of the Income-Tax Act, 1922, as expenditure wholly and exclusively laid out or expended for the purpose of the business. At all levels, including the High Court, the assessee failed. The Supreme Court has held that the obligation to pay sales tax arises whenever there is a sale or purchase, as the case may be, and taxability is attracted. Although that liability cannot be enforced till the quantification is effected by assessment proceedings, the liability for payment of tax is independent of the assessment. It is not possible, said the court, to comprehend how the liability would cease to be one because the assessee had taken proceedings before higher authorities for getting it reduced or wiped out so long as the contention of the assessee did not prevail with regard to the quantum of liability.

On the second point too the court was "unable to appreciate the suggestion that if an assessee under some misapprehension or mistake fails to make an entry in the books of account and although under the law a deduction must be allowed by the ITO the assessee will lose the right of claiming or will be debarred from being allowed that deduction." There is nothing in Sec. 68 of the Finance Act, 1965 or in the Wealth Tax Act to debar the assessee from claiming it as debt owed. Again, if one views the whole scheme in the background of the object with which Parliament has enacted this section, it becomes obvious that

IOI made 8 supervisors check each part of this Blowpipe—then sent it for assembling

That's IOI building in "Quality-Plus"



The design of IOI Blowpipes is only half the story. The other half is in making absolutely sure, to the last detail, that the product matches not only the design but meets the unmatched IOI quality standards. That's why the supervisors stand guard over each stage of manufacture and check every part several times over. IOI supervisors, who put quality first and last on their job list. And only

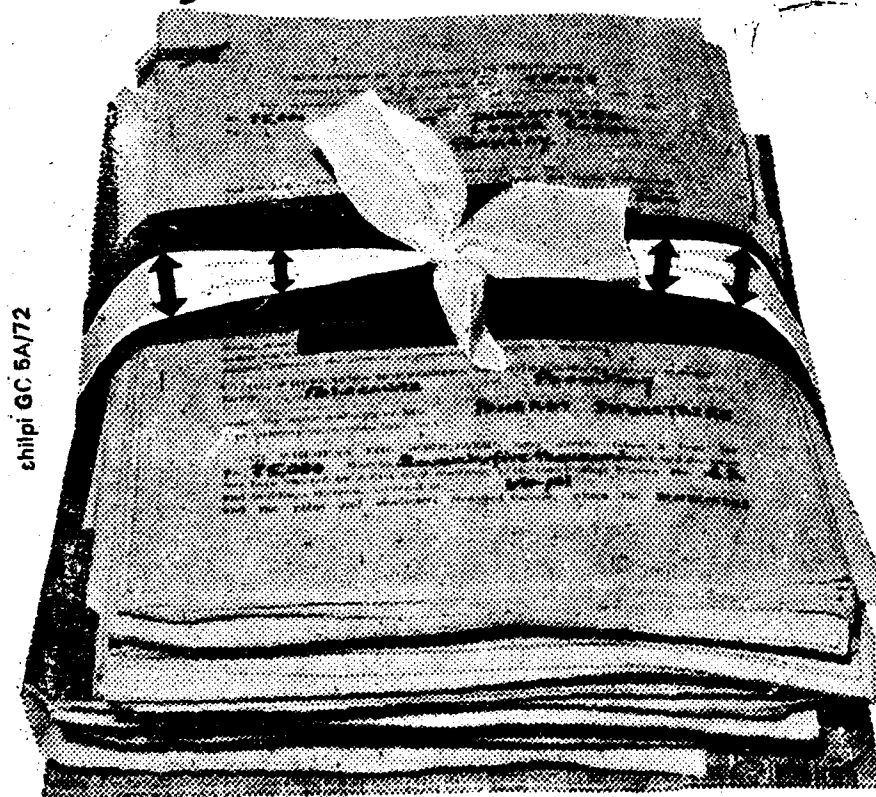
after they are satisfied is a Blowpipe sent finally for assembling. All this, coupled with the world-wide expertise and latest know-how and processes, build into each IOI Blowpipe the well-known IOI "Quality-Plus". A coupling of the finest materials into the finest products with the help of the most advanced welding technology which others can't beat!

IOI builds in "Quality-Plus" others can't beat.



INDIAN OXYGEN LIMITED

The red-tape for starting an industry in Gujarat is now cut at 4 places



Get rid of that red tape—that's what the Gujarat Government endeavours! And it has set up 4 corporations to combat every industrial problem. At all stages: GIDC for industrial land, GIIC for capital assistance (above Rs. 20 lakhs), GSFC for finance (upto Rs. 20 lakhs) and GSIC for personal help to small industries. Substantial assistance at every juncture! With quick attention and least delay. (Some applications have been sanctioned in just 12 hours!)

Now take a quick look at what each corporation offers:

GIDC Gujarat Industrial Development Corporation

At 60 choice locations throughout Gujarat readymade sheds and plots on deferred payment basis with facilities for water, power, road, drainage and also programmes for post office, telephone, bank, canteen; where necessary and possible, housing and effluent disposal schemes.

GSFC Gujarat State Financial Corporation

Provides loans (upto Rs. 20 lakhs) for fixed assets; deferred payment guarantee on purchase of machineries in India; underwrites capital issues; subscribes to debentures; provides soft loans for industries in backward areas; low interest loans for small scale industries; finance for manufacturing or processing industries, cold storages, mining, trucks, industrial estates, hotels.

GIIC Gujarat Industrial Investment Corporation

Long term loans (Rs. 20 lakhs and above) to all industries; underwrites and subscribes to capital issues; guarantees advances and participates with all-India finance institutions and banks; operates a Technician Scheme (upto Rs. 3 lakhs), Rural Workshop Scheme, Entrepreneurship Development Scheme.

GSIC Gujarat Small Industries Corporation Ltd.

Distributes raw materials to small industries; helps in procuring machinery on hire purchase; provides import assistance through bulk imports; renders marketing assistance; creates opportunities for ancillary industries.

For more information on the 4 Gujarat Corporations, post this coupon to any one of them today!

Please send me a booklet on "The wheels that gear industrial growth in Gujarat"

Name _____

Address _____

Nature of industry proposed/existing _____

I have seen this advertisement in _____

(Name of Publication) _____ Dated _____



Gujarat Industrial Development Corporation
Fadia Chambers,
Ashram Road, Ahmedabad 9

Gujarat Industrial Investment Corporation
Nataraj Chambers,
Ashram Road, Ahmedabad 9

Gujarat State Financial Corporation
'Jaldarshan',
Ashram Road, Ahmedabad 9

Gujarat Small Industries Corporation Ltd.
Ambica Nivas,
Ashram Road, Ahmedabad 9

the tax paid on voluntary disclosure is a debt owed by the assessee and should be allowed as a permissible deduction under the Wealth-Tax Act as income-tax paid in the normal course. It is only when such interpretation is

given do courts give force to Parliament's intention. It is to be hoped that some day the Supreme Court will have occasion to pronounce its considered opinion on this important point.

Cost Structure in Indian Industries

DAMODARA KRISHNA POTHUVAL

THE TERM 'cost structure' refers to the anatomy or edifice of all the factors entering into cost in an industry. The need for a closer examination of the cost structure of industries for taking effective steps to achieve economies in production was never more urgent than it is today. The seminar held recently in Madras did not throw fresh light on this aspect, i.e., reasons for excessively high industrial costs in India. It is true that production has increased, but those successive increases in production in several fields have witnessed only a rise in the prices of industrial products instead of a decline.

The performance of a business—whether in the private or public sector—sets the tone of progress at the national level. The national criteria of GNP, per capita income, level of employment, capital output ratio, return on investment and balance of payments are all, in the ultimate analysis, determinants of the wisdom of decision making, soundness of planning and efficiency of implementation by the thousands of individual business units in the country.

Main Strategy

Lack of competition in a well-protected domestic market, scarcity of raw materials due to indiscriminate ban on imports in the name of import substitution, the urge to produce at all cost, indiscreet licensing policy which has led to the creation of idle capacity in several sectors and the setting up of industrial units in new regions in the name of regional development, the compulsive need to employ surplus labour in order to relieve unemployment without deterring the work-loads of workers, all form part of such a strategy.

In an economic system, including the private sector there is as yet no economic compulsion for efficiency nor a deterrent punitive discipline for inefficiency.

The modernisation of the economy and the formation of a technostucture, i.e., a highly trained force of workers with varying skills and qualifications fully employed, and using up-to-date techniques, must necessarily extend to

all sectors of the economy, to agriculture as well as manufacturing. Exports must be increased as to indicate efficiency.

As long as the financial needs bulk large in the development programme and present a special burden on monetary and fiscal policy and development finance, they will place an additional burden on the rest of the economy, reflected both in the need for financial subsidies and the high cost of materials supplied to other industries.

The start-up costs in developing countries are very high. They may even exceed fixed plant costs.

Influencing Factor

Another factor influencing the cost level is the size of the plant or, more generally, the scale of operations. A greater volume of production may make possible economies through better utilisation of existing plant.

Some industries which seemed to be having high costs have in practice become competitive after adjustments made in exchange rate policies.

There are a number of causes which are responsible for the high cost of products. They are: very high project costs; slow progress in completion of projects according to schedule; idle capacity; scarcity of essential raw materials; strained labour relations; late supplies; foreign exchange and import difficulties; absence of control over financial expenditure and absence of measuring financial performance system.

In public sector industries, there is an apparent need for cost consciousness. It would be fair to say that while our achievement has been to have laid the foundation—a no mean achievement in a short 16 years—the cost of the infrastructure has been higher than it should have been or it need have been, for there is no denying the fact that our industrial and social investment has been inefficient. The same framework could have been built at a substantially low cost. It will be clear if we take, for

instance, the total investment in the three new public sector steel plants where the fixed investment even when the current expansion plans are complete, will not give an input-output ratio of better than 2:1 where it should have been at least 1:1. Being resource-scarce, we can ill-afford investments that do not produce results to the maximum.

Reducing Overheads

There is scope for reducing overhead costs. Long periods of construction, commissioning and gestation, over-capitalisation, hasty expansion schemes, subsidised welfare facilities, high costs of land acquisition—all these are the causes for the high cost of public sector projects. After all, the philosophy and ethics of these projects do not warrant that these industries must necessarily be judged, like the private industry, by the yardstick of profit. It can be suggested that the prices should be fixed in such a way as to cover full cost, i.e., on the average cost concept rather than on the basis of marginal cost.

Some other reasons for price rise are high government levies, inefficient working due to lack of demand, continuously rising wages, too many controls distorting the proper distribution of materials in the country, run shortage due to foreign exchange difficulties, etc.

Cost and Price: The price of a commodity is reckoned by its utility as well as scarcity irrespective of the cost of production. Even if cost of production is nil, a commodity will surely claim a price because supply is less than its demand. On the other hand, if the demand of the commodity is absent, it would remain unsold no matter what the cost of production is. So we see that cost of production fixed by the ceiling on price, for at any price above the cost of production it always pays to increase output assuming it can be increased to meet demand. It also sets the lower limit as such production no longer pays at any lower price which is worth considering for the best utilisation of the production resources of the country. In fact, the cost of producing a commodity is nothing but the cost of resources that could have been employed in some other opportunity.

Let us discuss the role of management at length at the end. Cost is a monetary symbol of efficiency and productivity. It is the sum total of all factors that go into production of a unit. Control of unit costs of production can be effected through improved sophisticated mana-

gerial techniques, effective control on project costs, fuller use of idle capacity improved material management, modernisation of units in order to take advantage of advanced techniques of production on a mass scale, etc.

The Bureau of Industrial Costs and Prices is entrusted with cost structure vigilance studies especially in India where inflationary trends influence to a greater extent the economy which involve detailed investigation of many problems, such as optimum use of plant and machinery, proper allocation of resources, optimum level of inventory, laying down norms of performance standards in terms of a manpower utilisation, material as well as machine utilisations etc. Sound principles are to be evolved for price fixation by the experts. It can also accelerate research consciousness and speed up the process of research and development in Indian industries. It will advise the government on the general price situation in the manufacturing sector and will be expected to suggest steps to improve productivity and keep down costs.

Import Substitution Efforts

The Bureau is established to complement and not to supplement the existing Tariff Commission. Its basic function is to compare existing costs with those that would prevail under conditions of optimum efficiency and to examine import substitution efforts from a long-term perspective, by observing potential cost trends in industries in which such efforts are planned.

The functions of the Bureau of Industrial Costs and Prices can be mentioned as follows:—

- (1) Determine the cost of production and cost standards in different industries.
- (2) Indicate the various weaknesses in an industry and the manner in which such weaknesses could be removed.
- (3) To determine the comparative economies of different techniques of production.
- (4) Help exercise more effective cost control at the enterprise level.
- (5) Present comparative cost data over a period of time and for various volumes of output.
- (6) Compare the price of Indian products with those of similar products in other countries and to determine the price differential and the methods of reducing such differences.
- (7) Disseminate relevant information

to industrial concerns for their guidance.

In contrast to trends in 1966 and 1967, when industrial output was adversely affected by the recession, recovery seems to have been well sustained since 1968. There was an increase of 6.2 per cent in industrial production in 1968-69 and a further rise of around seven per cent in 1969-70.

Tobacco Industry

Let us study the tobacco industry by taking the cost structure of four companies in a tabular form:

COST STRUCTURE AS PERCENTAGE OF VALUE OF PRODUCTION IN TOBACCO INDUSTRY

Items	1968-69	1969-70
1. Raw materials and other manufacturing expenses	68.9	68.5
2. Salaries and wages	10.6	10.1
3. Employees' welfare expenses	1.6	1.6
4. Interest	1.3	1.4
5. Depreciation	0.8	0.9
6. Others	7.1	8.4
Total	90.3	89.9

Total expenses expressed as a ratio of value of production declined to 89.9 per cent in 1969-70 against 90.3 per cent during the previous year. The raw materials and other manufacturing expenses declined from 68.9 per cent to 68.5 per cent and salaries and wages for 10.6 per cent to 10.1 per cent. However there was slight increase in the interest charges, depreciation and expenses on sales promotion and other selling expenses. Inventories formed 56 per cent of the total assets.

The companies are India Tobacco, Vazir Sultan, National Tobacco Co. and Godfrey Philips.

Sugar Industry in Western UP

Table I indicates the total cost of sugar (excluding central excise) in the region and the different cost components. Data are collected from different mills of varying crushing capacities working in the region. Simple average

is used to show the cost components for the entire region.

DIFFERENT COST COMPONENTS OF THE TOTAL COST OF SUGAR (PER QUINTAL) MANUFACTURED IN WESTERN U.P.

Particulars	Amount in rupees	% total cost
Cane	72.04	67.32
Power, steam & manufacturing stores	3.56	3.32
Salaries and wages	10.79	10.08
Packing	2.67	2.49
Repairs and maintenance	3.55	3.31
Depreciation	4.73	4.42
Overheads	9.99	9.33
Selling & despatching expenses	0.61	0.56
Total	107.94	100.83
Credit for receipts	.89	.83
	107.05	100.00

It is clear from the statement that the biggest cost head is cane that goes to cover 67.32 per cent of the total cost of sugar. The next important cost head is 'salaries and wages' that forms 10.08 per cent in the total cost. The overheads form 9.33 per cent of the total cost. Thus these three go to cover 87 per cent of the sugar total cost.

Pharmaceutical industries involve extensive clinical trials and tests before samples are approved by the foreign buyer. The costs are thus high resulting in high prices.

Raw materials account for as much as 60 per cent of the product cost of the

Indo-Spanish joint venture to promote Indian exports to Spain (incl. Andorra, Canary Islands) of specialised electrical/electronic products on sole agency basis. Good references provided and good prospects assured.

Write: INDEX S. A. (LTD.), (Manager: S.G. Pendse.) 2, Cristo Rey Road, Sardanyola, Barcelona.

hosiery industry and cost of packaging ranges from 2 to 8 per cent. Labour costs are around 10 per cent, with factory overheads making another 13 per cent. As cost reduction measures are essential to augment exports, it is suggested that the Ministry of Commerce may set up a costing committee to examine the possibility of regular and adequate supply and reduction in the types of hosiery yarn to make the goods competitive both in quality and price.

Registered Factories

In 1965, there were 48,456 registered factories in the country employing about 4.7 million people. They accounted for a fixed capital of Rs 4,832 crores and produced goods worth Rs 7,596 crores.

The cost of production per tonne of ingot steel in the Durgapur plant was the highest during 1968-69 according to a study made by the government on the working of the five steel plants. Situation has not changed since then due to labour trouble.

If we study the cost structure, it will be noted that the higher works cost of production which was reckoned at Rs 355.19 per tonne has been mainly attributed to the lower level of production resulting in higher incidence of fixed and overhead charges, higher cost of fuel consumption and lower usage of sinter.

As per the study, the works cost of production (excluding depreciation and interest) per tonne of steel ingot in the five integrated steel plants in 1968-69 was as under:

TISCO—Rs 320.00; IISCO—Rs 336.95; Bhilai Rs 286.30; Rourkela (OH)—Rs 316.75, (LD)—Rs 323.02; Durgapur—Rs 355.19.

It is significant that while on an average no more than 4,000 workers are employed in a one-million-ton-steel ingot mill in west Europe, Canada and the USA, the number employed in India is between five to six times more than that number.

The manufacturing costs of public sector undertakings rose at a faster rate of 40 per cent in 1968-69 compared with the rise of only 32 per cent in sales. The gross profit of Rs 150 crores earned by 55 running companies was not sufficient to meet the interest liability, with the result that there was a loss of Rs 18 crores in 1968-69. However, compared to the previous year the quantum of loss showed a decline of Rs 17 crores. Despite the fact that some of the companies improved their sales,

the profits showed a big fall due to a large increase in costs.

The study of cost structures of certain public sector companies throws light on some aspects—out of the 55 units, eight units spent a net amount of more than Rs one crore each on township and maintenance. The total inventory of the 51 companies rose from Rs 832 crores in 1967-68 to Rs 1,047 crores in 1968-69, a rise of 25.8 per cent. Despite many steps taken to reduce it, the piling up of stocks continues. At least there is scope for cutting down the inventory sizeably which would result in a large saving of the inventory carry-over charges and consequently reduce losses.

A Case for Cost Reduction

Jute: Cost reduction has become a necessity for jute industry. An interim wage increase of Rs 30 per month has been accepted (IJMA recommended) and as a result the prices per tonne of finished products will rise by: Hessian—Rs 70; sacking—Rs 45, and carpet backing—Rs 98.

Rubber Companies: All the expenditure items in rubber manufacture recorded increases during 1969-70. The cost of raw materials consumed and manufacturing expenses rose from Rs 90.4 crores in 1968-69 to Rs 100.8 crores in 1969-70. Salaries and wages were marked up by Rs 1.5 crores to Rs 15.4 crores. Consequent upon large borrowings, the interest charges showed a spurt of 39 per cent from Rs 1.73 crores to Rs 2.40 crores.

The following table depicts the cost structure of ten rubber companies:

COST STRUCTURE (PERCENTAGE TO VALUE OF PRODUCTION)

Expenditure	1968-69	1969-70
1. R.M. consumed and other manufacturing expenses	67.2	67.4
2. Salaries, wages and other welfare expenses	11.6	11.5
3. Depreciation provision	2.3	2.4
4. Interest charges	1.3	1.6
5. Other expenses	8.0	8.2

There was no notable change in the cost structure of these companies bet-

ween 1968-69 and 1969-70. Raw materials consumed and other manufacturing expenses accounted for over 67 per cent of the value of production during both the years.

The petrochemical industry is of comparatively recent origin. Production of organic chemicals based on petroleum feedstock started on a commercial scale only some time after the second world war.

The total cost for the project, including the cost of the cracker and the cost of the associated downstream processing units, would be around Rs 150 crores—Rs 70 crores for the crackers at Rs one crore per 1000 tonnes ethylene capacity per year and additional Rs 75 crores for the downstream operations.

The industry is capital intensive in comparison to the other conventional branches of the chemical industry but not more than the heavy engineering industry.

Soap: The government has ordered an inquiry by BICP into the cost structure of the soap industry which recently asked for and obtained an increase in the prices of toilet and laundry soaps.

It should be noted that there is a lot of difference in productivity and cost ratios in different regions. Thus we need different industrial policies for different regions keeping in view the economic background.

Wages and Salary

Generally, it is said that the total wage bill (wages and salaries and other benefits) on each unit of value added is increasing. But if we divide this total wage bill into salary-cost and wage-cost then we find that the all-India salary cost per unit of value added is increasing continuously from 60 to 64 and the wage cost is declining. Wage cost per unit of value added has declined 25 per cent and the increase in salary cost per unit is of 19 per cent. Salary cost has shown an increase in Madras, Maharashtra, Punjab, Bihar and wage-cost per unit of labour has declined in all other regions.

If we take the case of real wages, it will be rather disturbing to note that, taking 1961 as the base, though money wages of industrial workers increased by 44.4 per cent in 1967, the index of real wages came down to 87.0 whereas the index of net national product at constant prices (with 1961 as base) increased to 124.7 during the same period.

Profit maximization is possible

only under the situation of most economic production cost and economic price of the end-product to the consumer. With the active assistance of the cost accountants, the management is in a position to find out what various jobs or processes have actually cost and also what they should have cost.

Various measures have been taken in recent years to bring about an expansion in the country's industrial production, in order to bring down expenses in the form of tax concession, credits, rebates and subsidies, besides official insistence that certain minimum percentage of their output must be exported especially by new ventures. The union Ministry of Finance has brought down inventories of 11 public sector undertakings to Rs 115 crores as part of a campaign to reduce capital cost of projects and increase their productivity and profitability.

We have seen that inputs of labour, capital and raw materials do not by themselves ensure growth; they require the catalyst of management of a high order to maximise the results.

The industry, whenever there is need,

is expected to take advantage of protection to improve quality, reduce costs and progressively liberate itself from dependence on imported components.

It has been found that the application of PERT has reduced time of projects by up to 30 per cent and cost by up to 20 per cent in comparison with similar projects not using PERT.

A good management is dependent upon good cost structure of the industry. It is more so under the present situation of economic instability. The Management should adopt a proper inventory keeping to effect lower product costs by realising economies resulting from longer manufacturing runs and from buying larger quantities per order. Make-or-buy decisions are also important here. Breaking the cost squeeze is not difficult if it is done by creative executive action.

It is true that neglect of costing jeopardises economic growth. The importance of 'Cost Analysis' as a tool of management control needs no emphasis.

The taxing of raw materials at every intermediate stage is the main cause

of the mounting fiscal burden on industries. It is found in several industries that raw materials account for 70 per cent of the costs. High cost of labour also has been a cause of grave concern. The Madras Seminar felt that more reliable facts on labour costs could be obtained only through research. Nevertheless, it is clear that no attempt to fix workloads for workers has been made and any attempt at job specification and work load determination has been resisted.

A well-reasoned case can be made for inclusion of bonus to employees in the cost structure for fixation of prices. It is, however, reasonable to allow only bonus of our per cent of the wage bill to be included in cost and not the whole as the remaining portion is dependant highly on net profits. This is the view generally held by cost accountants. Coming to indirect taxation, excise and sales tax, mainly, have deeply gone into the cost structure of industries forming a substantial portion of ex-factory costs or final selling prices.

The present time is such that we should be running to remain in the place because the world is moving fast.

WINDOW ON THE WORLD

Canada in World of Electronics

COMMUNICATIONS REPRESENTS ONE of the foremost Canadian electronic capabilities. Skills in this field grew from the need to provide a network for broadcast, message and television transmission across the 3,361-mile (5,443.41 km) expanse of Canada from Newfoundland on the Atlantic to British Columbia on the Pacific, with spur links to serve the growing needs of Canada's northlands—a 17,000 mile (27,370 km) broadband system spanning six time zones.

Similar high-performance microwave relay systems of Canadian design and manufacture have been installed in at least 18 countries in north, south and central America, Europe, the middle east and Africa for a total of more than 40,000 route miles (64,400 km). A Canadian tactical radio relay system has been adopted by NATO countries to serve military defence communications requirements.

Canadian-made marine airborne and mobile communications equipment has become an integral part of commercial and military operations around the world. Marine radio equipment of Canadian design and manufacture is in wide use aboard ships sailing on practically every ocean and major waterway of the world. Canadian-built mobile radio has become a day-to-day necessity with police and fire departments, transportation and other essential services. Commercial and military aircraft, flying across Canada and many other countries, depend on Canadian airborne radio equipment for accurate communication and navigation.

In the Forefront

Satellites are the communications systems of the future and Canada has been in the forefront of research and development in this field for many years. It was in 1961 that Canadian industrial experience in satellite electronics began, with the design and manufacture of the transponder system for the NASA relay satellite which, with Telstar, pioneered global satellite communications.

Today Canada is one of the first nations in the world to start work on its own domestic satellite communications system, planned for operation in the early 1970s. The system will have at least 50 ground receiving and relaying stations and two synchronous

satellites to provide improved message and television distribution for the country. The satellites will have a capacity of six television channels for broadcast coverage across Canada.

Canada is already a foremost supplier of earth stations for the global satellite system, with equipment installed in at least 12 large satellite terminals. The Canadian-designed and built satellite terminal facility at Mill Village, Nova Scotia, on Canada's east coast, has two stations to serve the heavy commercial traffic via Atlantic-placed satellites. The first station, completed in 1965, consists of an 85-foot (25.9 m) radome-enclosed antenna. The second, completed in 1969, has a 97-foot (30-m) exposed and heated reflector. At Bouchette, Quebec, 70 miles (112.7 km) north of Ottawa, a further earth station has been built to test such equipment under Arctic conditions for domestic communications.

In the Orbit

Canada was the third country to have a satellite in orbit. That was Alouette I, launched successfully 625 statute miles (1,006.25 km) above earth in 1962. Alouette I and its successor, Alouette II, launched in 1965, are topside-orbiting satellites designed for ionospheric and other upper atmospheric investigations. They pioneered such developments as space-craft radio antennas 150 ft (45.7 m) and more in length. More than six years after its launching, Alouette I had set records for continuous performance and is sending back more information than any other comparable satellite.

Part of a continuing International Satellite for Ionospheric Studies (ISIS) programme, ISIS-I (originally called ISIS-A) was sent into an elliptical orbit in 1969. Larger than its two predecessors, it was designed to carry out at least 10 separate ionospheric exploration tasks. It was followed by an even more sophisticated version—ISIS-II—in March of last year.

Long a leader in the marine navigation-aids field, Canada has greatly increased its capabilities to cover ground and air navigation. To achieve this, facilities have been built to provide the critically controlled environment for the development and production of precise, highly sophisticated equipment.

Canadian-built airborne electronic

and electromechanical equipment has been specified for commercial aircraft and airfields in Canada, the United States, in Europe and many other areas. This includes Doppler navigation systems, self-contained inertial guidance systems, position and homing indicators and beacons, altitude indicators, temperature-control systems, aircraft function-recording systems and UHF communications transceivers. In conjunction with the airborne equipment, a full range of automatic and semi-automatic mobile and fixed ground-test equipment is available for use by ground maintenance personnel.

A remote-controlled pilotless aircraft for photo reconnaissance is a major Canadian development and production program, geared primarily to the international market. Acceptance of this system points the way for its wide use in other countries.

Radar Equipment

At sea, Canadian-designed radar equipment, automatic direction finders and other navigation aids have been installed for many years in Canadian and foreign vessels.

Flight simulators for aircraft pilot training have been associated with Canada since the early days of the Link Trainer during World War II. Today Canadian simulators have found worldwide acceptance and reproduce practically any flight conditions imaginable. A purely Canadian concept is the airborne simulator for vertical and short take-off and landing (V-STOL) aircraft.

Concern for safety afloat and in the air has brought about the Canadian production of such devices as crash-position indicators which automatically send out powerful radio signals triggered by the impact of a crashing aircraft. At sea a similar device is activated by contact with water and has been designed primarily for use with life rafts.

Proof of Canada's ability to design and produce navigational equipment is the wide range in use in many countries throughout the world. Canadian industry offers an exceptional level of capability for the supply of navigation, search and weather radar for land, sea and air applications. In addition, there is a wide range of antennas, antenna towers, radomes and accessories capable of operating in widely varying environments.

In nucleonics, Canada has been a pacesetter with its peacetime-use development work at the Atomic Energy

EASTERN ECONOMIST

Statement about ownership and other particulars as required by Clause 19-D of the Press and Registration of Books Act:

- | | |
|---|---|
| 1. Place of Publication: | New Delhi. |
| 2. Periodicity of its Publication: | Weekly. |
| 3. Printer's Name,
Nationality and Address: | R.P. Agarwala, Indian, c/o The Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi. |
| 4. Publisher's Name,
Nationality and Address: | Same as (3) above. |
| 5. Editor's Name,
Nationality and Address: | Mr. V. Balasubramanian,
Indian, c/o Eastern Economist, New Delhi. |
| 6. Names and addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital. | 1. Birla Jute Mfg Co. Ltd., Calcutta.
2. Bharat Arogya Mandir, Calcutta.
3. Pilani Investment Corpn. Ltd., Gwalior.
4. Birla Cotton Spg. & Wvg. Mills Ltd., Delhi.
5. Sutlej Cotton Mills Ltd., Amritsar. |

I, R.P. Agarwala, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date: 28th February, 1972.

Sd/- R.P. AGARWALA.
Signature of Publisher.

of Canada establishment in Chalk River. Canada's first full-scale nuclear power station went into operation in 1966. The source of energy is the CANDU heavy-water reactor, developed in Canada, which does not require enriched uranium fuel. Nuclear instru-

mentation and apparatus such as reactor controls, gamma radiation meters and particle detectors for many applications are produced in Canada for domestic and export use.

Courtesy: *Canada Courier*

World Population Growth

In 1963 the Population Division of the United Nations prepared population projections for each country and region of the world for the years 1965-2000. In 1968 these projections were revised and the new population estimate for the year 2000 was found to be six per cent higher than had been forecast five years earlier.

In general, it has been estimated that world population will grow at an almost constant rate of about two per cent annually until the middle of the 1980's, when the rate should gradually decrease until it reaches 1.7 per cent by the end of the century. If this decline occurs there will be 6,494 million people in the world by the year 2000. All these figures are based on the medium variant of four alternative projections made by Population Division.

Little change is expected in the fertility and mortality rates of the more developed regions. Population growth will remain stable at about one per cent throughout the remainder of this century, thus increasing the population in these areas from 1,090 million in 1970 to 1,454 million in the year 2000. In the developing regions, however, the "medium" variant projects that population will continue to grow at the present level of 2.5 per cent until 1985, when the rate will gradually decrease to about two per cent by the end of the century, bringing the population of developing countries to a total of 5,040 million by the year 2000.

Two other variants, a "high" and a "low", assume different dates of onset of the anticipated fertility decline in less developed regions. According to the "low" projection the rate of population growth could even decline to 1.6 per cent. But the Population Division recognises that fertility decline on this scale may not occur. The "high" projection assumes a decline in the rate of population growth to only 2.4 per cent after 1985. If fertility fails to decline at all, as forecast in the UN's "constant variant", then the population of the developing regions will reach 6,369 million by the end of the century, making a world total of 7,823 million—nearly eight billion people!

Most governments and organizations planning for social and economic development accept the "medium" vari-

ant as the basis of their attempts to develop the necessary facilities, resources and opportunities for the future.

The *Demographic Yearbook*, from which the 1970 figures are taken, is an annual compilation of population and vital statistics. It shows that 34 per cent of the world's population now live in urban areas and that there are 1,784 cities with more than 100,000 inhabitants—an increase of 20 per cent in a

decade. Among other facts:

World population increased by one billion in the last 20 years, but will grow by 1.75 billion in the coming two decades.

Seven nations now have a population of more than 100 million—Mainland China, USSR, United States, India, Pakistan, Indonesia and Japan.

The world has 133 cities with a million or more inhabitants.

Finland had the lowest infant mortality—11.7 deaths per thousand live births in 1969.

Swaziland has the highest birth rate—52.3 per thousand population. Also registering 50 or higher were Angola, Dahomey, Afghanistan, Niger, Rwanda and Togo.

Courtesy: *International Planned Parenthood News*; January 1972

WORLD POPULATION 1970 (MID-YEAR ESTIMATES)

	Population (in millions)	Rate of increase (per cent)	Birth rate (per thousand)	Death rate
World	3,633	2.0	34	14
Africa	344	2.6	45	20
Western Africa	101	2.5	49	24
Eastern Africa	98	2.5	43	18
Northern Africa	87	3.1	48	17
Middle Africa	36	2.1	45	24
Southern Africa	23	2.4	41	17
America	511	2.1	30	10
North America	228	1.2	18	9
Latin America	283	2.9	39	10
Tropical S. America	151	3.0	41	11
Middle America	67	3.4	44	10
Temperate S. America	39	1.8	26	8
Caribbean	26	2.3	36	13
Asia	2,056	2.3	38	15
Eastern Asia	930	1.8	31	13
Mainland	765	1.8	33	15
Japan	103	1.1	18	7
Other Eastern Asia	61	2.5	34	9
South Asia	1,126	2.8	44	16
Middle S. Asia	762	2.8	45	17
S.E. Asia	287	2.8	43	15
S.W. Asia	77	2.9	43	14
Europe	462	0.8	18	10
Western Europe	149	0.8	17	11
Southern Europe	128	0.9	19	9
Eastern Europe	104	0.8	17	10
North Eastern Europe	81	0.6	18	11
Oceania	19.4	2.0	24	10
Australia and New Zealand	15.4	1.9	20	9
Melanesia	2.8	2.4	42	18
Polynesia and Micronesia	1.2	3.1	40	9
USSR	242	1.0	18	8

Source: *United Nations Demographic Yearbook*, 1970.

Trade Winds

TAX ON FARM INCOME

THE UNION government has appointed a committee to examine the question of taxation of agricultural wealth and incomes from all aspects. The committee will be headed by Dr K. N. Raj of the Centre for Development Studies, Trivandrum, and will have seven other Members. They are: Professor V. M. Dandekar, Gokhale Institute of Politics and Economics, Poona; Mr G. S. Kalkat, Director of Agriculture, Punjab government; Mr Anwar Karim, Commissioner and Secretary, Finance Department, government of Bihar; Professor Dharam Narain, Chairman, Agricultural Prices Commission; Mr M. B. Palekar, Member of the Central Board of Direct Taxes, Ministry of Finance; Dr A. Vaidyanathan, Director in the Planning Commission; and Mr B. P. R. Vithal, Secretary, Planning Department, government of Andhra Pradesh.

The committee will have the following terms of reference: (a) To examine the present system of direct taxation of agricultural wealth and income (including capital gains) and suggest methods by which such taxation can be used more effectively for raising additional resources for development and for helping to achieve the objective of self-reliance; (b) To recommend specifically ways and means by which taxation of agricultural wealth and income can be used to reduce economic disparities and promote more efficient utilisation of the available resources of land and labour; (c) To examine in detail, and make recommendations on, the necessary changes in the system of assessment, collection and distribution of these taxes so that the resources available to the states from such taxation can be maximised, without detriment to the rights and legitimate interests of any state; (d) To suggest the consequential changes, if any, in the system of taxation of wealth and income in general; and (e) To indicate and make suggestions, if any, on any related matters. The committee will evolve its own procedure for its work. The committee will make its recommendations to the government by September 30, 1972.

FOREIGN MAJORITY COMPANIES

The question of formulating a workable relationship between the size of any expansion allowed to a foreign majority company and the extent of

dilution in its foreign holdings to be stipulated as a condition thereof, has been examined and it has now been decided by the government that companies with foreign holdings exceeding 75 per cent will raise 40 per cent of the estimated cost of expansion, by issue of additional equity capital (inclusive of premium, if any) to Indians only; the corresponding proportions for companies with foreign holdings exceeding 60 per cent but not exceeding 75 per cent, and those with foreign holdings exceeding 51 per cent but not exceeding 60 per cent, will be 33½ per cent and 25 per cent respectively. The companies concerned will be given a reasonable time limit for fulfilling the condition.

The companies will settle with the Controller of Capital Issues the total amount to be raised, its break-up into the face value of the issue and the premium to be charged thereon, and the timing of the issue. It would be permissible for the companies to suggest to the Controller of Capital Issues the clubbing of their obligations in case more than one expansion happens to get sanctioned to them at about the same time. The cost of expansion referred to above represents the cost of the land, building and plant, and machinery required for the expansion. Also, the reference to foreign holding relates only to the direct non-resident holdings. The expansion of the capital base resulting from the application of the formula will be independent of any further expansion that might result from the operation of the convertibility clause in respect of loan assistance to be provided by public financial institutions for the same expansion.

TEXTILE MILLS TAKEOVER

The union government is understood to be actively considering taking over the management of six closed cotton textile mills in Coimbatore area. Earlier reports had stated that only three mills were to be taken over. The six cotton textile mills which are to be taken over are:—1. Balarama Varma Textiles Ltd, Shencottah; 2. Pankaja Mills Ltd, Coimbatore; 3. Shri Palamalai Ranganathar Mills, Coimbatore; 4. The Kaleswarar Mills Ltd, Coimbatore; 5. Somasundaram Mills Private Ltd, Coimbatore; and 6. Coimbatore Spinning and Weaving Co. Ltd, Coimbatore.

While the taking over of four cotton textile mills is in advanced stage of consideration, in the case of two textile mills—Pankaja Mills and Shri Palamalai Ranganathar Mills—there is a

legal hitch as these are under liquidation. In these two cases, applications to the Madras High Court are pending praying for permission to investigate into the possibility of restarting these mills.

TRADE WITH AFGHANISTAN

Talks held in New Delhi between the union Minister of Foreign Trade, Mr L.N. Mishra and the Afghan Minister of Commerce, Mr M. Aref Ghaoui concluded recently with the signing of a new trade agreement. The new agreement which came into force from March 1, 1972 for a one year period, aimed at expansion, diversification and further growth of mutual trade on healthy lines. Under the new arrangement, the two sides have reaffirmed their resolve to promote and develop trade to mutual advantage and to eliminate concentration of Indo-Afghan trade in a few hands and to remove difficulties that have arisen in the existing system. The two sides have also agreed to review the working of trade arrangement periodically. The two governments have agreed that they would provide facilities for setting up a plant in Afghanistan as a joint venture for the production of extracts of medicinal herbs and plants grown in Afghanistan. India has offered to make use of these extracts for its pharmaceutical industry.

ENVIRONMENTAL PLANNING

A 14-member National Committee on Environmental Planning & Coordination has been set up by the union government, under the chairmanship of Mr Pitambar Pant, to advise the government on all aspects of environmental conservation and improvement. The committee will identify and investigate the problems of preserving or improving the human environment in the country in the context of population growth and its distribution and economic development. It will review policies and programmes which have a significant bearing on the quality of the environment and advise government, public authorities and industry concerned, on environmental repercussions of the activities, programmes and policies and on matters relating to appropriate environmental management. It will also review existing legislation and regulations and administrative machinery for environmental management and advise authorities concerned regarding necessary changes. The term of the committee will be for a period of two years. The other members of the committee are: Mr Zafar Futehally, Honorary Secretary, Bombay Natural History Society, Bombay; Dr A.K. Ganguly, Head, Health Physics Division, Bhabha Atomic Research Centre, Bombay; Dr S.P. Jagota, Director (Law & Treaties), Ministry of

External Affairs, New Delhi Dr J.S. Kanwar, Deputy Director General, Indian Council of Agricultural Research, New Delhi; Dr P. Koteswaram, Director General of Observatories, Indian Meteorological Department, New Delhi; Mr Keshab Mahindra, Chairman, Mahindra & Mahindra Ltd, Bombay; Prof. R. Misra, Dep't. of Botany, Banaras Hindu University, Varanasi; Dr K.N. Panikar, Director, National Institute of Oceanography, Panaji; Mr P. Prabhakar Rao, Chairman, Town & Country Planning Organisation, New Delhi; Dr S.K. Seth, President, Forest Research Institute, Dehra Dun; Dr J. B. Shrivastava, Director-General of Health Services, New Delhi; Dr T. N. Srinivasan, Professor, Indian Statistical Institute, New Delhi; Mr Digvijay Singh, MLA, Chairman, Ecological Council of Gujarat state, Wankaner. Dr C.K. Varshney will be the Secretary of the committee.

SELF REMOVAL PROCEDURE

The committee set up by the government to review the Self Removal Procedure (SRP) in central excise has had another meeting here to consider the questionnaire to be issued to elicit the views of the concerned persons and interests. The questionnaire is likely to be finalised when the committee meets soon. The committee, under the chairmanship of Mr B. Venkatapiah, was set up in October last year to review the working of the SRP in all its aspects. The committee was a kind in particular to enquire into evasion, if any, of central excise duty and to recommend changes in rules to plug loopholes. The terms of reference include suggestions for modifying the modes of assessment and collection of duty.

TRADE TALKS WITH N. KOREA

Trade negotiations were held recently in New Delhi between the delegation of Democratic People's Republic of Korea (DPRK) and this country led by Mr Kim Suk Zin, Director General (Foreign Trade) and Mr S. Than, Joint Secretary, Ministry of Foreign Trade respectively. During these talks a review of trade exchanges between the two countries in 1971 was undertaken.

The total volume of import/export transactions in 1971 was about Rs 5 1/2 crores, which was much higher than the trade in 1970. During the current discussions it has been agreed to by both sides that the level of trade in 1972 should be further raised. Accordingly both sides have programmed for a three-fold rise in the trade exchanges in 1972 over the performance in 1971. Items of import from the

DPRK include magnesia clinker, basic refractories, anthracite, graphite, flour-spar, hops, peppermint oil, special steels, including high speed tool steel, carbon tool steel, stainless steel etc. India's export to DPRK covers pig iron, manganese ore, passenger wagons, auto buses, tyres and tubes, various chemicals, jute manufacturers, paper products, cotton textiles, rayon textiles and various engineering goods including ball bearings, wire ropes, etc.

LIBERALISED LICENCING POLICY

The Industrial Development Ministry has called upon all industries which comes within the scope of the recent liberalisation of licensing for fuller utilisation of the existing plant and machinery, to submit their applications by June 30. The constitution of a "task force" to consider cases which are not automatically eligible for these relaxations, including those of larger industrial houses and foreign majority concerns, has also been announced. The task force will be under the chairmanship of Mr. R.V. Subramanian, Additional Secretary in the ministry. Guidelines have been issued to the task force to dispose of cases quickly. The government has decided that consequent on liberalisation, all licences should be re-endorsed for fresh capacities within the ambit of this liberalisation. Such endorsements in respect of cases which have to come to the task force will be issued after a decision is taken on the recommendations of the task force.

The government has also issued three clarifications in respect of the liberalisation of licensing. The concessions will not be applicable to undertakings which have commenced production after January 1, 1972, since the intention of the government is to utilise capacity already existing at the time the concessions were announced on January 1. Secondly, no additional equipment except minor balancing equipment, procured indigenously, will be allowed. Thirdly, in respect of industrial undertakings covered by these concessions the facility for enhancement of production by 25 per cent admissible to all industries will be subsumed in the liberalisation now allowed. Once the licences are re-endorsed, the undertakings can not increase production by 25 per cent over the revised licensed capacity.

SMALL-SCALE SECTOR

The Working Group on Consultancy Services for Small-Scale Sector set up by the National Alliance of Young Entrepreneurs has regretted the lack of information in regard to investment opportunities for the small entre-

preneurs. It has also pointed out that there was lack of access to consultation for obtaining latest know-how and technology and also absence of arrangements for developing manufacturing capability of entrepreneurs particularly of technical personnel. The Working Group has further observed that according to shadow exercise, out of 30 participants in a batch in the entrepreneurial development programme only two thirds were in a position to start new enterprises. The Working Group has pleaded for providing commercial, technical and management consultancy to the small-scale entrepreneurs.

INCOME-TAX ASSESSMENTS

It has been authoritatively learnt that the Finance Ministry was not contemplating any relaxation in the statutory time-limits for income-tax assessments. Till recently, income-tax assessments for only one assessment year were reaching limitation on the last day of the financial year. But following an amendment to the Income-Tax Act 1961, income-tax assessments of as many as three assessment years would become time-barred after the end of March this year. The Ministry of Finance indicated recently that the statutory time-limits could not be relaxed and no revision of the relevant provisions of the Income-Tax Act was under contemplation.

IMPORT SUBSTITUTION

About 12,000 items of spare parts for earthmoving and construction equipment, which were being imported earlier, are now being manufactured within the country. The indigenous manufacture has resulted in an annual saving of three crores rupees in foreign exchange and better utilisation of the equipment in the various irrigation and power projects. The value of earthmoving and construction equipment in the country is about Rs 360 crores. About 60 per cent of this equipment is used for irrigation and power projects, and spare parts required for these alone have involved an average foreign exchange outgo of about eight crores rupees per year.

RURAL EMPLOYMENT SEMINAR

The three-day All-India Seminar on Crash Scheme for Rural Employment (CSRE) held in New Delhi recently, suggested that the selection of labourers for employment under this scheme should be restricted to only one adult member from the unemployed adult members in each landless family. It was pointed out that, for different types of skilled work, the wages should be fixed according to

local rates. In regard to the selection of areas for the Crash Scheme for Rural Employment, it was suggested that concentration of unemployed labourers; backwardness of the area; absence of any other special development programmes and the need in the area of undertaking durable works, should principally be taken into account.

BREAKTHROUGH IN RICE

The union Minister of State for Agriculture, Mr A.P. Shinde, told newsmen here recently that after the wheat revolution, a breakthrough in rice production in the country was imminent. As a result, not only the

shortages of rice would disappear but also marginal surplus would emerge. This optimism of Mr Shinde was based on two important developments that have taken place recently. First, rice cultivation has expanded rapidly in Punjab, Haryana and Uttar Pradesh. Punjab alone has supplied this year 800,000 tonnes of rice to the central pool; Haryana's contribution to this pool is expected to be in the neighbourhood of 400,000 tonnes. The second development has been the catching up of the summer paddy programme in West Bengal. This high-yielding programme is proposed to be extended soon to the entire eastern region, com-

prising Assam, Nagaland, Manipur, Tripura, West Bengal, Bihar and Orissa.

Notwithstanding the setback to the rice crop in Andhra Pradesh, the total output of foodgrains this year, Mr Shinde said, was expected to touch 110 million tonnes as against 108 million tonnes last year. In view of the steady increase in output, the target of building up a buffer stock of five million tonnes during the fourth Plan period had been revised recently. It was now proposed to build up a buffer stock of seven million tonnes by 1973-74, in addition to the operational stock maintained by the government.

FOR FAIR AND FREE POLLING



All arrangements are being made to ensure that polling in the General Elections is peaceful, free and fair. Intimidation of voters and impersonation in voting will be severely dealt with.



Exercise your right to vote without fear or favour. Your vote is secret.



Do not be afraid of violence. Be valiant and offer resistance to violence.



Do not accept any bribe or inducement in casting your vote.



Your polling station is near your residence. Do not use transport provided by the candidate or his agent.

Remember, as an adult citizen it is your sacred duty to vote.

S. P. Sen-Varma
Chief Election Commissioner of India

Company Affairs

MADRAS RUBBER

MADRAS RUBBER Factory Ltd proposes to set up a unit in Goa to produce tyres and tubes. It has received a letter of intent to produce 300,000 tyres and tubes. Madras rubber has achieved considerable success over the last 25 years and the collaboration of Mansfield Tire and Rubber Co. of USA has made a substantial contribution towards this success. The unit in Goa is likely to be set up with a capital goods import of only Rs 1.15 crores and the balance machinery is being fabricated within the country by the engineering staff of Madras Rubber. It may be added that the company has been exporting tyres and threaded rubber to over 30 countries.

During the year ending September 30, 1971, the company recorded a net profit of Rs 82.51 lakhs after providing an amount of Rs 59.06 lakhs for depreciation and Rs seven lakhs for development rebate. The directors have recommended the transfer of Rs 39.25 lakhs out of the net profit for taxation. A dividend of 12 per cent has been proposed to be paid which will absorb Rs 29.25 lakhs. With the erection of additional machinery and balancing equipment, the company was able to increase the production by about 34 per cent during the first half of the financial year as compared to the corresponding period of the previous year. Due to a prolonged strike in the factory, there was a delay in stepping up production substantially during the second half-year. However, the directors were confident of implementing substantial expansion during 1972.

DUCTRON CASTINGS

Ductron Castings Ltd entered the capital market on February 17, 1972, with a public issue of 82,500 equity shares of Rs 10 each at par and 3,750 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each at par. The subscription list was proposed to be closed on March 3, 1972, or earlier but not before February 29, 1972. The company has an authorised capital of Rs 40 lakhs divided into Rs 30 lakhs in equity shares and Rs 10 lakhs in preference shares. Equity shares of the value of Rs 6.75 lakhs and preference shares of the value of Rs 1.25 lakhs are fully paid up. The equity shares of the value of Rs 8.25 lakhs and preference shares of the value of Rs 3.75 lakhs are now offered to

the public for subscription at par. The public issue has been fully underwritten. The object of this issue is to provide part of the finance required for the proposed project. The factory is being constructed at Upal Industrial Development Area in Hyderabad. The unit is being set up with indigenous expertise and the company does not anticipate any difficulty in obtaining necessary foreign exchange for raw material imports, if any. All the required raw materials, except the magnesium treatment alloy are indigenously available. The foundry will have an output of 75 tonnes per month by the second half of 1973.

BHARAT GEARS

Bharat Gears Ltd, a new company, will soon enter the market to raise Rs two crores in equity and preference shares to meet a part of the cost of the project for the manufacture of automobile gears. The company has obtained a letter of intent for the production of various types of automobile gears including spiral bevel, straight level helical and worm gears with an annual capacity of 1,000 tonnes. The plant to be set up near Bombay is expected to be commissioned by April next year. The project is estimated to cost Rs five crores which will be met by the share capital of Rs two crores, Rs 1.50 crores in equity shares and Rs 50 lakhs in 9.5 per cent cumulative preference shares, and the balance by loans from various financial institutions.

PUNALUR PAPER

Punalur Paper Mills proposes to enter the capital market shortly with a public issue of Rs 1.5 crores at par to meet a part of the finance required for its expansion and renovation programme. The company has recently received an industrial licence to expand its capacity from 12,500 to 33,000 tonnes of paper and pulp per year. The company is installing new machines and renovating existing machinery with a view to increasing its capacity ultimately to 200 tonnes per day, or nearly 66,000 tonnes per year. It has already spent Rs 1.50 crores on its expansion and renovation programme till the end of 1971. It has been sanctioned foreign currency loan of Rs 1.09 crores by the ICICI for import of plant and machinery. Before making the public issue, the company proposes to issue bonus shares in the ratio of one

share for every share held by capitalizing a sum of Rs 50.18 lakhs. The company already issued one-for-one bonus shares in 1970.

HIND CERAMICS

Orissa Cement proposes to make Hind Ceramics Ltd (HCL) its subsidiary. It has asked shareholder sanction for the purchase of 25,000 shares of Hind Ceramics at the rate not exceeding Rs 100 each. Hind Ceramics is a Calcutta company with a plant at Naihati for the manufacture of stoneware pipes and another plant at Rampur for the manufacture of prestressed cement concrete poles. HCL has requested Orissa Cement for technical collaboration for the setting up of its refractory plant at Salem. At the present and future prospects of the refractory industry are good, the company feels that it would be advantageous to make HCL a subsidiary, thereby merely extending technical collaboration to it. It is, therefore, planning to purchase from Dalmia Cement (Bharat) Ltd all 25,000 shares of HCL.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the three weeks ended January 29, 1972. The list contains names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

Ferrous Industries

M/s Prefab Gratings Ltd: Presteel & Fabrications Compound, Sanatnagar, Hyderabad. (Vijayawada—Andhra Pradesh)—Steel Floor Gratings and Stair Treads—2000 tonnes p.a. (NU); M/s Jamshedpur Engineering and Machine Mfg. Co. Ltd.: Jamshedpur-4, Distt. Singhbhum, Bihar. (Jamshedpur, Distt. Singhbhum Bihar)—1. Cast Iron Chilled rolls—2,500 tonnes p.a. 2. Cast Iron Chilled wheels, 3. Acid resisting castings—900 tonnes p.a. (COB); M/s Tungabhadra Steel Products Ltds: P.O. Tungabhadra Dam (Via) Hospet, Bellary Distt. Mysore. (Tungabhadra, Bellary Distt.—Mysore)—Steel Structures (Hydraulic Structural, Transmission Towers, substation structures and other steel structures)—10,000 tonnes p.a. (after expansion) (SE).

Electrical Equipment

M/s Venus Electrical Industries Private Ltd: 34/10 Ballygunge, Circular Road, Calcutta-19. (Maheshthal, 24

Pargana, West Bengal)—Train lighting, Pygmy, Night colour decoration and Candle lamps (except the items reserved for the Small Scale Sector)—3.00 M. Nos. per annum. (NU); M/s British Physical Laboratories (India) Pvt. Ltd: 28, K.H. Road, Bangalore-27. (Palghat—Kerala)—Motor Starting & AC Suppression Type Capacitors—1. Electrolytic—1,00,000 Nos. p.a. 2. Paper—12,00,000 Nos. per annum. (NA).

Transportation

M/s T.I. Cycles of India: 11/12 North Beach Road, Madras. (Ambatur—Tamil Nadu)—Complete Bicycles—inclusive of components—7,00,000 Nos. p.a. Components (Additional capacity) (a) B.B. Fittings—50,000 sets p.a. (b) B.B. Axles—3,00,000 Nos. p.a. (c) Bicycle free wheels—3,00,000 Nos. (COB).

Industrial Machinery

M/s The Associated Cement Companies Ltd: Cement House, 121, Maharshi Karve Road, Bombay-1. (Medukkarai Cement Works, Distt. Coimbatore—Tamil Nadu)—Chilled C.I. Grinding Media—1500 tonnes p.a. (COB); M/s K.G. Khosla & Co. Pvt. Ltd: 1-Deshbandhu Gupta Road, New Delhi-55. (Ballabgarh—Haryana)—Air and Gas Compressors of above 100 c.f.m. upto 4500 c.f.m. not exceeding 10 atm (140 PSI)—60 Nos. per annum. (SE); M/s Gujarat Machinery Manufacturers Ltd: Station Road, Karamsad. (Karamsad—Gujarat)—1. Stainless Steel equipment: (such as Reaction Vessel, storage tank, evaporating pans, absorption tower, fractionation tower, driers, heat exchangers, condensers, ductings, blenders and pressure vessels)—Rs. 1,30,000/- per annum. 2. Mild Steel equipment: (Such as reaction vessels, storage tank, evaporating pans, absorption tower, fractionation towers, driers, heat exchangers, condensers, ductings, blenders; and pressure vessels.—Rs. 3,60,000 per annum. (COB); M/s Textile Machinery Corp. Ltd: 2nd Floor, U.C.O. Bank Bldg., Parliament Street, New Delhi. (Calcutta—West Bengal)—Pressure Vessels and Heat Exchangers. Expansion from existing capacity of Rs. 112 lakhs to Rs 130 lakhs per annum. (SE).

Earth Moving Machinery

M/s Braithwaite & Co. (India) Ltd: Hide Road, Calcutta. (Calcutta/Hoogly—West Bengal)—8/10 Tonnes capacity Road Rollers—400 Nos. per annum. (NA)

Office Equipments

M/s Delhi Cloth & General Mills Co. Ltd: Textile Division, Bara Hindu Rao, Delhi-6 (Delhi)—Electronic Desk

Calculators—2,000 Nos. per annum. (NA).

Fertilizers

The Fertilizer Corp. of India Ltd: F-43, South Extension Area, Part I Ring Road, New Delhi. (Haldia—West Bengal)—Fertilizers: (i) Ammonia 1,98,000 tonnes, (ii) Nitrophosphate 3,79,000 tonnes, (iii) Urea 1,65,000 tonnes, (iv) Soda ash 60,000 tonnes, (v) Methanol 41,250 tonnes (NU); The Delhi Cloth and General Mills Co. Ltd: Naaz Building, Shriram Chemicals Kota, 1. Jhandewalan, New Delhi-55. (Kota—Rajasthan)—(i) Ammonia—Expansion from 1,60,000 tonnes per annum to 2,00,000 tonnes per annum. (ii) Urea—Expansion from 2,40,000 tonnes to 3,30,000 tonnes per annum (SE).

Chemicals

M/s Munjal Gases: G.T. Road, Ludhiana (Punjab) (Ludhiana—Punjab)—Acetylene Gas—1,80,000 cubic meters per annum. (NA); M/s Universal Oxygen Co.: 27-10-21, Governorpet, Vijayawada-2 (AP) (Kurnool—Andhra Pradesh)—Oxygen Gas—3,45,000 Cu. meters per annum. (COB); M/s Ultramarine & Pigments Ltd: Baldota Bhavan, 117, M. Karve Road, Bombay-20. (Ambattur, Distt. Chingleput, Tamil Nadu)—Synthetic Detergents.—10,000 tonnes per annum. (NU).

Drugs & Pharmaceuticals

M/s Wyeth Laboratories Limited: Steel rete House, Dinshaw Wacha Road, Post Box No. 1423, Bombay-20 BR. (Bombay—Maharashtra)—(i) Tablets/Capsules—50 Lakh Nos. p.a., (ii) Injections—One lakh Nos. p.a., (iii) Syrup—7.5 Kilolitres, p.a. (NA); M/s Glaxo Laboratories (India) Ltd: Dr. Annie Besant Road, Worli, Bombay. (Maharashtra)—Betneton Tablets—2.4 million Nos. per annum. (COB); M/s Unichem Laboratories Limited: 4, 5, 6, Prabhat Estate, S.V. Road, Jogeshwari (West), Bombay-30. (Maharashtra)—1. Mannitol (Infusion) 350 ML x 500M L Inj.—3,60,000 bottles. 2. Uniferson I.M. Inj. Uniferson F.—12 million amp. of 2 ml each. 3. Isoprenaline Inj.—2,40,000 amp of 2 ml each (480 litres) 3. Pamba Inj.—2,40,000 amp of 5 ml each (1200 litres) (NA); M/s UNI-UOB Pvt. Ltd: 22, Bhulabhai Desai Road, Bombay-26. (Maharashtra)—1. Colimycin Tablets—50 lakh Nos. 1 mu/Tables p.a. 2. Colimycin Injection—2 lakhs vials of 1 mu & 1/2 mu per vial p.a., 3. Colimycin Drops—50,000 vials of 4 mu/vial per annum. (NA).

Textiles

M/s Gujarat Nets Ltd: P.B. No. 243, Ahmedabad (Gujarat)—1. Warp knitting unit: Four warp knitting machines,

one sectional wrapper and one pattern wrapper—Knitted fabrics with an annual capacity of 12 (twelve) lakh metres per annum. 2. Crimping unit with two false twisting machines, two reeling machines, one steaming chamber, three hank expanders and two cone winding machines.—Crimped yarn with an annual capacity of 120 tonnes. (COB); M/s Sitalakshmi Mills Ltd: Mill Premises, Madurai. (Pondicherry)—Cotton yarn—25,000 spindles per annum. (SE); M/s Velcro India Ltd: Aman Chambers, 7th Floor, 113, Mani Parmanand Marg, Bombay-4. (Bhavnagar—Gujarat)—Velcro Tape Fasteners—12,675 million yards of 11.407 million metres per annum. (NU).

Paper

M/s Eurokote India Ltd: Pravin Mahal, Halar Road, Bulsar (Gujarat) (Bulsar Tehsil—Gujarat)—High Glass Cast Coated Paper and Board—3,000 Tonnes p.a. (NU); M/s R.M. Mithian: c/o India Packaging Products Pvt. Ltd. Mogadi Road, Rajaji Nagar, Bangalore-10. (Amruthahalli Tehsil, Bangalore Distt.—Mysore)—Paper based industrial packaging materials, viz. Laminated, Varnished, Waxed, Embossed and Printed Cartons and Corrugated container—1,500 tonnes per annum. (NU).

Sugar

M/s Vinayak Sahakari Sakhar Karkhana Ltd: Parsoda, Taluka Vijapur, District Aurangabad, (Parsoda, Taluka Vijapur, Distt. Aurangabad, Maharashtra)—Sugar Crushing capacity of 1250 tonnes of sugarcane per day. (NU); M/s Niphad Sahakari Sakhar Karkhana Ltd: Pimpas, Bhausaheb-nagar, Distt. Nasik, Maharashtra. (Pimpas, Distt. Nasik, Maharashtra)—Sugar—Increase in crushing capacity by 1,000 tonnes of sugarcane per day, capacity after expansion being 2000 tonnes of sugar cane per day. (SE).

Food Processing

Shri M. K. Jajodia: D-216, Defence Colony, New Delhi-3. (Hyderabad—Andhra Pradesh)—Malt Extract—1,800 tonnes per annum (NU).

Timber Products

M/s Mysore Commercial Union Ltd: Yeshvantpur, Bangalore. (Yeshvantpur, Bangalore—Mysore)—Plywood—13,00,000 Sq. Metres per annum (COB).

LETTERS OF INTENT

Ferrous Industries

M/s Clad Materials Systems: 3-A, Mehar House, 14, Cowasji Patel Street, Fort, Bombay. (Madhya Pradesh)—

Clad materials of copper, aluminium steel and stainless steel—1,200 tonnes per annum. (NU); Shri V.K. Thirani, C/o Krishan Lal Thirani & Co. Ltd: ILACO House, 1 & 3 B. b. oune Road, Calcutta-1. (Maharashtra)—Bi-metallic strips—50 tonnes per annum. (NA).

Electrical Equipment

M/s Pradip Lamp Works: Jay Krishna Road, Patna-9. (Bihar)—Tungsten Filaments (Coils) for GLS, Fluorescent, Auto and other lamp—36 million pcs. p.a. (NA); M/s Dh rva Woollen Mills Pvt. Ltd: Sun Mill Compound, Sun Mill Road, Lower Parel, Bombay-13. (Maharashtra/Uttar Pradesh)—Tape Recorders—10,000 Nos. per annum (NA); M/s The English Electric Co. of India Ltd: P.O. Box No. 2, Pallavaram, Madras-43. (Pallavaram (Madras) — Tamil Nadu)—1. High Voltage HRC fuse-links for systems upto 11 K.V with current ratings 5 to 100 amps—6,000 Nos. per annum. 2. HRC Cartridge fuse-links for the protection of semiconductor rectifiers for systems upto 1000 volts (peak inverse) with current ratings 5 to 500 amp—60,000 Nos. 3. Admiralty and inter-service pattern HRC Cartridge fuse-links for use in systems upto 440 volts with current ratings 0.25 amps. to 200A—3,00,000 Nos. p.a. (NA); M/s The English Electric Company of India Ltd: P.O. Box No. 2, Pallavaram, Madras-43. (Pallavaram (Madras)—Tamil Nadu)—Low Tension Cartridge Fuse—24,00,000 Nos p.a. (SE); M/s The English Electric Co. of India Ltd: P.O. Box No. 2, Pallavaram, Madras-43. (Pallavaram (Madras)—Tamil Nadu)—1. Fuse Switch Units above 30 amps. & upto 300 amps.—30,000 per annum. 2. Fuse Switch Units 400 to 750 amps. rating—1,620 per annum (after expansion) (SE); M/s N.G.E.F. Ltd: P. Bag No. 8384, Bangalore-1 (Bangalore—Mysore)—(a) Power and Distribution transformers and (b) Rectifier, Furnace, dry type and Glophan transformer upto the range of 40 MVA/132 KV for a total capacity of 2,000 MVA (2,00,000 KVA) per annum (after expansion) (SE); M/s Bombay Engg. Co.: 4th Floor, Canara Bank Bldg., No. 112, Sir Jachamarajondra Road, Bangalore-2. (Bombay—Maharashtra)—Lead-in-wires—100 Million Nos. per annum. (NU).

Transportation

M/s Central Industrial Workshop: P.B. No. 1, Chamarajpet, West Post, Bangalore-18. (Bangalore—Mysore)—Heavy Duty Trailers—100 Nos. p.a. (NA) Shri P.R. Doss: 14, Basant St. Anthony Road, Chembur, Bombay. (Bombay—Maharashtra)—Spark Plugs—120 lakh Nos. p.a. (NU); The Tamil Nadu Industrial Development Corp. Ltd: 150-A. Mount Road, Madras.

(Tamil Nadu)—Steering Gears—50,000 Nos. per annum. (NU); M/s Arunkant Prabhudas: 17-19, Mint Road, Bombay-1. (Maharashtra)—Three Wheeler Scooters—85,000 Nos. per annum; (NU) M/s Mysore State Industrial Investment and Development Corporation Ltd: Harinivas, 36, Cunningham Road, Bangalore-1B. (Bangalore—Mysore)—Three Wheeler Scooters—20,000 Nos. p.a. (NU); M/s Anant L. Mullerpaten: 22, Patel Road, Perambur, Madras-11. (Mysore)—Three Wheeler Scooters—12,000 Nos. p.a. (NU); M/s Laxmichand Bhagaji Ltd: 79, Apollo Street, Bombay. (Gujarat)—Cylinder Heads 27,000 Nos. per annum. (NU); Shri Babubhai Bhalabhai Shah: 459 3/9, Imperial Building, 3rd Floor, Opp. Kalupur Police Station, Relief Road, Ahmedabad-1. (Sugar — Gujarat)—Scooters—24,000 Nos. per annum. (NU).

Industrial Machinery

M/s Busching Schmitz (P) Ltd: 66, Ring Road, Lajpat Nagar-III, New Delhi. (Faridabad—Haryana)—Dairy equipment such as: (1) S.S. high capacity milk pumps. (2) Cream & Milk Separators. (3) Automatic Milk and Cream Pasteurization plants with & without programme control. (4) Automatic bottle washing, filling, sealing & labelling plants. (5) Clarifiers. (6) Plate type evaporating plants. (7) Tubular type evaporating plants. (8) Spray drying plants. (9) S.S. pipe fittings—For a total value of Rs. 50 lakhs per annum. (NA); M/s New Field Engg. Co: 13, Nirman Society, Alkapuri, Baroda. (Ramoli—Gujarat)—Dairy equipment such as: (1) S.S. High capacity Milk Pumps. (2) Flow Meter Aggregate sets with & without programme control. (3) Clarifiers. (4) Butter Churn. (5) Plate Tube Evaporating plants. (6) Spray Drying plants. (7) S.S. Pipe fittings—For a total value of Rs 50 lakhs per annum. (NU); M/s Industrial Machinery Manufacturers (P) Ltd: Near Ahmedabad New Cotton Mills, Off Amrawadi Road, Ahmedabad. (Hyderabad—Gujarat)—Dairy Equipment such as: (1) Spray Drying Plants. (2) Evaporating Plants. (3) Butter Churner. (5) Milk Homogenisers. (5) Pasteurising Plants. (6) Stirrers. (7) Heat Exchangers. (8) Coolers. (9) Drum Driers. (10) Washing Machines—Rs 40 lakhs p.a. (NA); M/s Indian Sugar & General Engg. Corp: Yamunanagar, Distt. Ambala, Haryana. (Yamunanagar—Haryana)—Dairy Machinery—Rs 50 lakhs only. (NA); Shri N.C. Amin: Pavangay Building, 138, Rastrapati Road, Secunderabad-3. (Hyderabad—Andhra Pradesh)—Dairy equipment such as: (1) Pasteurization units including Heat Exchangers plate type. (2) Aluminium Milk Cans Anodized and hardened plain & insulated. (3)

Automatic Milk filling machine for automatic measuring, filling, welding & counting in polythene bags. (4) In-place cleaning system for dairy lines and vessels. (5) Semi-automatic Can Washers. Rs. 50 lakhs per annum. (NU); M/s Nestler Boilers (P) Ltd: Love Lane, Cross Lane, Bombay-27 DD. (Bombay—Maharashtra)—Dairy Equipment such as: (1) Automatic Milk and Cream Pasteurization Plants (with & without programme control); (2) Clarifiers. (3) Plate & Tubular type evaporating plants. (4) Spray Drying plants for milk & milk products. (5) S.S. Pipe fittings—For a total capacity of Rs 40 lakhs only p.a. (NA); Shri B.L. Aggarwal: C/o Agarwal Steel Traders, 18, Netaji Subhas Road, Calcutta-1. (Nasik/Bombay—Rajasthan—Maharashtra)—Dairy Machinery—Rs 50 lakhs only per annum (NU); M/s Vasant Engg. Ltd: Sree Yamuna Mills Road, Pratapnagar, Baroda-4. (Baroda—Gujarat)—Dairy Machinery such as: (1) Roller Conveyors. (2) Pumps (S.S. Centrifugal). (3) S.S. Valves & Fittings—Rs 17 lakhs per annum. (NA); Shri N.K. Bhagat: 12/2, Sonvaram, Basack Street, Calcutta-7.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

7½% DEBENTURE STOCK, 1980 INTEREST FOR THE HALF-YEAR ENDING 14TH APRIL, 1972

Notice is hereby given that interest at the rate of Rs 38.75p (Less Indian Income Tax) per Rs 1,000/- of Stock will be paid on 15th April, 1972 to Debenture Stockholders registered in the books of the Company on 3rd April, 1972. Applications for transfers received at the Company's Office at Victoria House, Post Box. 304, Chowringhee Square, Calcutta, upto 3rd April, 1972 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Books will be closed from 3rd April, 1972 to 14th April, 1972, both days inclusive.

By Order of the Board,

S.K. Mitra
Secretary.

Victoria House,
Calcutta.

(Delhi/Uttar Pradesh/Haryana)—Dairy Machinery—Rs 50 lakhs only p.a. (NU); Shri R. K. Patel: 3, Garden Terrace, 11th Road, Santacruz (East) Bombay. (Maharashtra)—Sachet filling Machines—Rs 50 lakhs p.a. (NU); M/s Indo Berolina Industries Ltd: 1 B.I. House, S-86, Andheri Kurla Road, Near Mafat Naka, Bombay-59 A.S. (Maharashtra)—Dairy equipment such as: (1) Automatic power driven milk can receiving equipment. (2) S.S. High capacity Milk Pumps. (3) Cream & Milk Separators. (4) Milk Homogenizers. (5) Milk Recombining Plants. (6) Automatic Milk & cream Pasteurization plants with & without programme control. (7) Clarifiers. (8) Automatic Milk bottling plants. (9) Butter Churn. (10) Continuous butter-making machine. (11) Plate/Tubular Type Evaporating Plants. (12) Spray Drying Plants. (13) S.S. Pipe fittings. Rs 50 lakhs. (NA); M/s Gannon Dunkerley & Co. Ltd: Chartered Bank Building, Fort, Bombay-1. (Bombay—Maharashtra)—Dairy Equipment such as: (1) Automatic Power Driven Milk can receiving equipment. (2) Automatic Milk Weighing & Recording equipment. (3) S.S. High capacity Milk Pumps. (4) Cream & Milk Separators. (5) Flow Meter Aggregate for unloading and receiving milk and Detergent cleaning sets (with & without programme control). (6) Milk Homogenizers. (7) Milk Recombining Plants. (8) Automatic Milk & Cream Pasteurisation Plants (with & without programme control). (9) Automatic Milk Bottling Plants. (10) Clarifiers. (11) Butter Churns. (12) Continuous butter making machine. (13) Plate/Tubular type evaporating plants. (14) Spray Drying Plants. (15) S.S. Pipe fittings. (16) Continuous Sterilizers—for a total capacity of Rs 50 Lakhs per annum (NU); M/s Honeywell India Pvt Ltd: Nirmal, Nariman Point, Bombay-1. (Bombay—Maharashtra)—1. Hotel room type thermostats (on-off)—10,000 Nos. p.a. 2. Motorised fan-oil unit valves (Silent type)—10,000 Nos. p.a. 3. Thermostat (Proportional type)—2,000 Nos. p.a. 4. Thermostats (Multistage type)—2,000 Nos. p.a. 5. Humidstats (Hair nylon element)—2,000 Nos. per annum. 6. Modutrol motors with linkages—3,000 Nos. per annum. 7. Modutrol motor operated valves—2,000 Nos. per annum. (NU); M/s Larsen & Toubro Ltd: L&T House, P. Box. No. 278, Ballard Estate, Bombay-1 BR. (Bombay—Maharashtra)—Equipment for Nuclear purposes such as:—Steam Generating Equipment—Moderator & Process Heat Exchangers. Condensers. End Shields. End Shield Rings. Air Cooled Thermal Shields. Calandrias. Breeder Reactors. Tanks for Storing Radio-active and other nuclear materials. Isotonic Exchange Materials. Columns with inter-

nals for distillation of nuclear project. Other items for Nuclear Projects including power projects such as equipment for re-processing plants, heavy water plants, experimental reactors, etc. 5,000 tonnes per annum. (NA); Shri R. Sujan, C/o M/s. Bachubhai Munim & Co: Solicitors, 4-Ali-Chambers, Meadows Street, Fort, Bombay. (Maharashtra)—1. Synthetic detergent plants including sulphonation Automatic Feeding (Spray Drying type)—Five Nos. p.a. 2. Plants for synthetic detergent (Toilet & Laundry—cake type). 3 (three) Nos. p.a. (NU); M/s Bharat Heavy Plate & Vessels Ltd: P.B. No. 100. (Visakhapatnam—Andhra Pradesh)—Dairy equipment such as: 1. Cream and Milk separators. 2. Automatic milk & cream pasteurization plants. 3. Milk homogenizers. 4. Butter Churn. 4. Plate tabular type evaporators plants. 6. Spray Drying plants. 7. Various types to tanks, stainless steel pipes and fittings—Rs 400 lakhs per annum. (NA).

Engineering Industries

M/s Ghaziabad Engineering Co Pvt Ltd: 42, Janpath, New Delhi-1. (Loni—Ghaziabad) (Uttar Pradesh)—Stainless Steel Safety Razor Blades.—150 million Nos. per annum. (NU).

Industrial Instruments

M/s Tamil Nadu Industrial Development Corporation Ltd: 150-A, Mount Road, Madras-2. (Ooty-Nilgiris Distt.) Tamil Nadu)—Precision Measuring Tools: 1. Vernier Callipers—9,960 Nos p.a. 2. Micrometers—12,000 Nos. p.a. 3. Slip Gauges—500 Nos. per annum. 4. Dial Gauges, Special Gauges and Comparators etc—5,000 Nos per annum (NU).

Scientific Instruments

M/s Industrial Jewels Ltd: 32, Nicol Road, Ballard Estate, Bombay-1. (Bhavnagar—Gujarat)—Watch, Instruments and Meter Jewels—540 lacs units per annum (after expansion) (SE).

Chemicals

M/s Haryana Industrial Gases Corporation: A-30, NDSE, Part II, New Delhi-49 (Faridabad—Haryana)—Oxygen Gas—0.45 million cub. metres per annum (NU); M/s Gromore Tools Pvt. Ltd: A/1, Industrial Estate, Partappur, Meerut (UP) (Ghaziabad—Uttar Pradesh)—1. Oxygen Gas—0.90 million cub. metres p.a. 2. Acetylene Gas—0.15 million cub metres p.a. (NU); Shri Gobind Ram: C-531, Defence Colony, New Delhi-3. (Sonapat/Ballabhgarh—Haryana)—1. Oxygen Gas—10.90 million cub. metres. 2. Acetylene Gas—0.20 million cub. metres. (NU); M/s Uttar Bharat Gas Corp: 104, Gandhi Nagar, Meerut

City, UP (Uttar Pradesh)—1. Oxygen Gas—0.777 million cubic metres p.a. 2. Acetylene Gas—0.17 million cub. metres p.a. (NU); M/s Aims Oxygen (P) Ltd: Padra Road, Baroda-5. (Baroda—Gujarat)—1. Oxygen Gas—additional capacity of 0.45 million cub. metres per annum. 2. Nitrogen Gas—additional capacity of 0.18 million cub. metres per annum. (SE); M/s Sanghi Motors (Bombay) Pvt Ltd: 39, A Hughes Road, Bombay-7. (Bombay—Maharashtra)—1. Oxygen Gas—0.90 million cub. metres p.a. (additional capacity) 2. Dissolved Acetylene Gas—0.20 cub. metres p.a. (additional capacity) 3. Argon Gas—0.10 million cub. metres. (SE); M/s Gujarat Industrial Investment Corp. Ltd: 4th Floor, Natraj Chambers, Ashran Road, Navrangpura, Ahmedabad. (Gujarat)—1. Cresols—3,000 tonnes p.a. 2. Sodium Sulphite (by product)—5,800 tonnes p.a. (NU); M/s Western India States Motors Pvt Ltd: Raiway Road, Jodhpur, (Bombay—Maharashtra)—1. Oxygen Gas.—0.90 million cub. metres p.a. 2. Dissolved Acetylene Gas—0.20 million cub. metres p.a. (NU); Shri Sham S. Sardana: Road No. 5, Kothi No. 21, Punjabi Bagh East, Delhi. (Jagadhari—Haryana). 1. 1. Oxygen Gas—0.45 million cub metres per annum. (Acetylene Gas—0.10 million cub. metres p.a. (NU); Shri Dalip Kumar Jagodia: 178-A, Block G. Nalini Ranjan Avenue, Calcutta-53. (West Bengal)—1. Oxygen Gas—0.90 million cub. Metres p.a. (2) Acetylene Gas—0.20 million cub. metres p.a. (NU); Shri D. K. Goyal: G.T. House, Ujhani, Budaun (UP) (Ghaziabad—Uttar Pradesh) 1. Oxygen Gas—0.90 million cub. metres p.a. (NU); Shri Suresh Chandra Goyal: C/o Hari Om General Industries, Dal Bazar, Gwalior (MP)—1. Oxygen Gas—0.60 million cub. metres p.a. 2. Acetylene Gas—0.13 million cub. metres p.a. (NU); Shri K.K. Surekha: 10216, Loha Mandi, Motia Khan, New Delhi. (Delhi)—1. Oxygen Gas—3.45 million cub. metres p.a. 2. Acetylene Gas—0.10 million cub. metres p.a. (NU); Shri R.L. Katyal: 120/89, Lajpat Nagar, Kanpur. (Uttar Pradesh)—1. Oxygen Gas—0.90 million cub. metres p.a. 2. Acetylene Gas—0.18 million cub. metres p.a. 3. Nitrogen Gas—0.18 million cub. metres p.a. (NU); Shri H.L. Somani: 532, Mahatma Gandhi Road, Paschim Putari P.O., Calcutta-41. (Gwalior—Madhya (Pradesh)—1. Oxygen Gas—0.45 million cub. metres per annum. 2. Acetylene Gas—0.10 million cub. metres p.a. (NU); M/s Sylvania & Laxman Ltd: 68/2, Najafgarh Road, New Delhi-15. (Delhi)—1. Oxygen Gas—0.90 million cub. metres p.a. 2. Nitrogen Gas—0.36 million cub. metres p.a. 3. Hydrogen Gas—36,000 cub. metres per annum. (NA); Shri Mohinder Kumar: A-6, Model Town, Delhi. (Sahibabad Distt.

Meerut—Uttar Pradesh)—1. Oxygen Gas—0.45 million cub. metres per annum. 2. Dissolved Acetylene Gas—0.18 million cub. metres per annum. (NU); Shri Kartar Singh, (Chandigarh Gas Corpn.): 75, Sector 5, Chandigarh. (Chandigarh)—1. Oxygen Gas—0.45 million cub. metres per annum. (NU); Shri K.K. Bhageria: 41, Bunglow Road, Kamla Nagar, Delhi-7. (Ghaziabad—Uttar Pradesh)—1. Oxygen Gas—0.45 million cub. metres per annum. 2. Acetylene Gas—0.20 million cub. me-

tres per annum. (NU); M/s The Southern Gas Ltd: 'Lovedale' Church Land- ing Road, Cochin-16. (Bangalore—Mysore)—1. Oxygen Gas—0.90 mil- lion cub. metres p.a. 2. Dissolved Acety- lene Gas—0.20 million cub. metres per annum. 3. Nitrogen Gas—0.20 million cub. metres per annum. 4. Argon Gas —0.10 million cub. metres p.a. (NU); Shri Jagmohan Seth: 59-B, New Mandi, Muzaffarnagar (UP) (Muzaffarnagar—Uttar Pradesh)—1. Oxygen Gas—0.90 million cub. metres per annum. 2.

Acetylene Gas—0.20 million cub. me- tres per annum. 3. Nitrogen Gas—0.25 million cub. metres per annum. (NU); Shri Ashok Kumar Jain: 102, Barron Road, New Delhi-1. (Delhi)—Oxygen Gas—0.90 million cub. metres per annum. (NU); Shri Naresh Kumar Garg: 5, Ring Road, Lajpat Nagar-IV, New Delhi-24. (Ballabgarh—Haryana)—1. Oxygen Gas—0.90 million cub. metres per annum. 2. Acetylene Gas—0.20 million cub. metres per annum. 3. Nitrogen Gas—0.36 million cub.

WE TRAVELLED MILES JUST TO SOLVE A PROBLEM FOR RAMKISHAN

and this is just one aspect of our gigantic promotional programme



Ramkishan was an industrious farmer. But his yield—insufficient. Sustaining his family posed a problem. P & D came into the picture and his future brightened. Similarly P & D is at the service of thousands of Ramkishans all over the country.

We believe in personalized service. Ramkishan's problem was our problem and his success, our success.

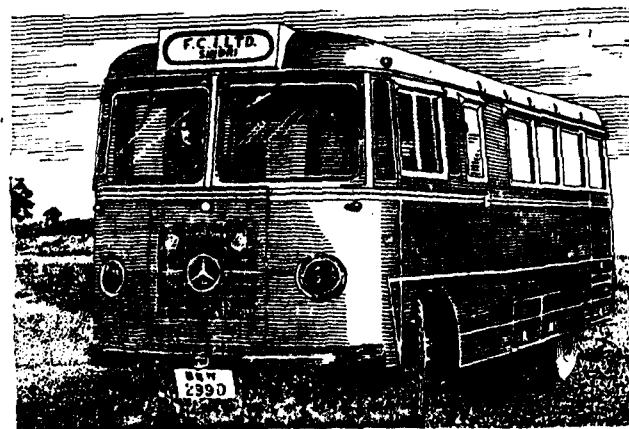
P & D has launched a massive promotional programme. The network of activities is vast.

■ Nearly 6,000 Field Demonstrations and Field Days during the current year.

■ Distribution of technical literature on improved agricultural practices and optimum application of fertilizers.

■ An elaborate plan for soil tests. Our target is to test nearly 3,25,000 samples and its all free.

Yes, we are the green dream makers. Weavers of a self-sufficient future.



p&d self-reliance in fertilizer technology

THE PLANNING & DEVELOPMENT DIVISION

CIFT Buildings, P.O. Sindri, Dist. Dhanbad, Bihar.
Tele : 6541/44 (Jharia), Grams : PLANDEV, Sindri.

THE FERTILIZER CORPORATION OF INDIA LIMITED

March 3, 1972

metres per annum. (NU); M/s Haryana Oxygen: c/o Prabhat Talkies, Sirsa (Haryana) (Yamuna Nagar, Tehsil, Jagadhari, Distt. Ambala—Haryana)—1. Oxygen Gas—0.72 million cub. me- tres per annum. 2. Dissolved Acetylene Gas—0.16 million cub. metres p.a. (NU); Shri B.K. Somani: 'Meena', Swaroop Nagar, Kanpur (U.P.) (Ghaziabad—Uttar Pradesh)—Oxygen Gas—0.72 million cub. metres per annum. (NU); Shri J.P. Industrial Gases Company: 1520, Bhagirath Palace, P.O. Box No. 1143, Delhi-6. (Ballabgarh. Distt. Gurgaon—Haryana)—1. Oxygen Gas—0.45 million cub. metres per annum. 2. Nitrogen Gas—0.10 mil- lion cub. metres per annum. (NU); Shri Dinesh Chand Garg: 382, Krishan Bhawan, Hanuman Gate, Jagadhri (Haryana) (Jagadhri—Haryana)—1. Oxygen Gas—0.45 million cub. metres per annum. 2. Acetylene Gas—0.10 million cub. metres per annum. (NU); M/s Hindustan Heavy Chemicals Ltd: 15, B.T. Road, Khardah, 24, Parganas, West Bengal. (West Bengal)—1. Caus- tic Soda—Expansion by 2,750 tonnes p.a. (Total capacity after expansion being 5,500 tonnes p.a.). 2. Chlorine—Expansion by 1,750 tonnes p.a. (Total capacity after expansion being 5,500 tonnes). 3. Hydrochloric Acid (100%) —Expansion by 3,500 tonnes p.a. (Total capacity after expansion being 1,950 tonnes (SE); M/s Udyog En- gineers: P.P. Kav Road, Tripunithura P.O. Distt. Ernakulam (Kerala) (Banga- lore—Mysore)—1. Oxygen Gas—0.90 million cub. metres p.a. 2. Dissolved Acetylene Gas—0.20 million cub. me- tres per annum (NU); Shri Naresh Krishan: 7/195, Swarop Nagar, Kanpur (UP). (Unnao—Uttar Pradesh)—1. Oxygen Gas—0.73 million cub. me- tres p.a. 2. Acetylene Gas—0.16 million cub. metres per annum. 3. Nitrogen Gas —0.18 million cub. metres per annum. (NU); Shri G.K. Nomani: 21-B, Meher Apartments, Altamount Road, Bom- bay-26. (Thana—Uttar Pradesh)—1. Oxygen Gas—0.90 million cub. metres p.a. 2. Dissolved Acetylene Gas—0.90 million Cub. metres per annum. (NU); M/s Naini Oxygen Gas Co: 3-Tashkant Road, Allahabad (UP) (Naini—Uttar Pradesh)—1. Oxygen Gas—0.45 million cub. metres per annum. 2. Dissolved Acetylene Gas—0.10 million cub. me- tres per annum (NU); M/s Alkali and

EASTERN ECONOMIST

357

Chemical Corpn. of India Ltd.: 18, Strand Road, Calcutta-1. (Rishra, Hoogly—West Bengal)—1. Rubber Chemicals—Expansion from 2,770 ton- nes to 6,000 tonnes p.a. 2. Diphenyla- mine—Expansion from 900 tonnes to 2,500 tonnes per annum. (SE).

Drugs and Pharmaceuticals

M/s Hoechst Pharmaceuticals Ltd: Dugal House, Backbay Reclamation, Post Box No. 11123, Bombay-20. (Maharashtra) — Joint Capsules— 2,500,000 Nos. p.a. (NA); M/s Ran- baxy Laboratories Ltd: Okhla, New Delhi-20. (Delhi)—1. Calmpose Syrup— 18,000 litres p.a. 2. Calmpose Injections —2,000 litres. 3. Sudhinol (Compound- 65 capsules)—25,00,000 capsules. 4. Sudhinol (Compound-32 capsules)— 10,00,000 Capsules. 5. Sudhinol (32 mg. capsules)—10,00,000 caspsules. (NA).

Textiles

M/s Star Woollen Mills: 424, Indus- trial Area 'A', Ludhiana-3.—1. Worsted fabrics—Installation of 22 power looms to be transferred from M/s Prem Nath Textile Factory. 2. Art Silk Fabrics—Installation of 4 art-silk looms to be transferred from M/s Prem Nath

Textile Factory with quota rights. 3. Installation of 1000 woollen spindles (other than worsted/shoddy) (NA).

Food Processing

M/s Anil Starch Products Ltd: Anil Road, P.B. No. 1062, Ahmedabad-2. (Ahmedabad—Gujarat)—1. Sorbitol —2,000 tonnes p.a. 2. Sorbitol Powder. —100 tonnes p.a. (NA); M/s Anil Strch Products Ltd: Anil Road, P.B. No. 1062, Ahmedabad-2. (Ahmedabad — Gujarat)—1. Glucose Isomerase—8,000 Kilo Litres. 2. Iso- merase Syrup—6,000 tonnes p.a. (NA).

Miscellaneous Industries

Shri G. Vinod: 1-75, Chikkapdpalli, Hyderabad. (Andhra Pradesh)—Ciga- rettes—1800 million Nos. per annum. (NU).

LICENCES REVOKED/SURREN- DERED

(Information pertains to particular licences only)

M/s The Punjab Sugar Mills Co. Ltd, Ghygki, Distt. Gorakhpur. Uttar Pradesh—Sugar; M/s Kanti Silk Mills, Begumpura, Falsawadi, Surat No. 1. —Artsilk Fabrics.

Eastern Economist 25 Years Ago

MARCH 7, 1947

An old tax it has been said, is no tax at all. Its burden becomes insignificant. It is not onerous. But in the case of the the salt duty which traces its history almost to antiquity, in that it is known to have been levied in the reign of Chandragupta, almost the reverse may be claimed to be true. No tax has probably been more unpopular than the salt tax; none has evoked such bitter opposition. Gandhiji has opposed it for nearly a decade now and the news has been going the rounds for quite a long time that the tax would go. Soon after the formation of the Interim National Government these speculations gained greater currency and weight. The budget announcement, therefore, is no surprise. One thing is clear; this is a concession to the memory of a historic agitation and the idea that its abolition is going to bring any significant relief to the poor is simply not true. The tax works out at 9 pies per month per head assuming that the ave- rage consumption is half a seer per month. It is difficult to argue that this constitutes a burden which is even felt, much less resented. Nor has it been proved conclusively that the duty has caused any curtailment in consump- tion. The per capita consumption of salt in India as determined from the Revenue returns of quantities of salt consumed in different areas, seems to have remained more or less the same during the decade 1920-21 to 1930-31; it was 12.95 lbs. in the former years and 12.75 lbs. in the latter. During the past six years the re- venue from salt has fluctuated between 8.34 and 10.91 crores while the consumption of duty-paid salt has ranged between 5,51,10,000 and 674,39,000 maunds which also indicates a steady consumption. Even if we take into account the fact that salt is important for cattle, it is difficult to see how any appreciable relief to the consumer can accrue. But the purely economic considerations do not cover the whole of a national's life, and it may well be taken to be symbolic of our nearness to the goal of our complete independence from foreign control.

BOOKS BRIEFLY

Tenancy Reform in Gujarat

Tenancy Abolition and the Emerging Pattern in Gujarat: M.B. Desai; M.S. University of Baroda; Pp 194; Price Rs 20.

Indian Manager: Sagar C. Jain; Somaiya Publications Pvt Ltd., Bombay; Pp 263; Price Rs 30.

Regulated Markets in Gujarat: Dr V.R. Joshi; Kaira District Co-operative Union, Nadiad; Pp 407; Price Rs 35.

India's Green Revolution: Francine R. Frankel; Oxford University Press, Bombay; Pp 232; Price Rs 50.

The Indian Minority in Burma: N.R. Chakravarti; Oxford University; Pp 214; Price £3.25 net.

The Modernisation Imperative and Indian Planning: Baldev Raj Nayar; Vikas Publications, Delhi; 1972; Pp 246; Price Rs 30.

Reviewed by ACADEMICUS

It is generally accepted that tenancy legislation has been a major piece of reform in India. The process of tenancy legislation commenced in Maharashtra and Gujarat in 1939 when the provincial autonomy was ushered in. There were comprehensive amendments in 1946, 1948, 1952 and in 1956, when tenancy cultivation was completely abolished at any rate in the statute books. It becomes necessary to evaluate the course of tenancy reforms in Maharashtra and Gujarat to assure ourselves that the programme is soundly conceived in the light of experience in these states before it is launched in other states. *Tenancy Abolition and the Emerging Pattern in Gujarat* encompasses the study carried out by M.B. Desai, whose authority in this field is unquestioned, on behalf of the Planning Commission and embodies the results of the course of tenancy abolition during 1957-1964 in Gujarat.

Minor Amendments

Gujarat received the comprehensive tenancy legislation and the ultimate in it in the form of tenancy abolition as part of the erstwhile Bombay state. Since the formation of the Gujarat state there have been only minor amendments in the law to plug loopholes. Yet one is left with the impression that the new government could have taken some additional and positive steps to eschew many of the evils of the emerging pattern after the so-called tenancy abolition. Perhaps the government takes satisfaction in the fact that compared to other states in India, it is far ahead and it can afford to wait until the rest of the country catches up with it.

The tenancy legislation beginning with 1939 and ending with 1956, abolished tenancy completely, at any rate in

theory. The measure of 1956 "abolished tenancy and compulsorily made the tenants the owners of land they cultivated or at least statutorily and excluding those belonging to certain specified categories of owners such as self-governing bodies and other semi-government institutions." The process was supposed to have been completed when the tenancy tribunals completed their labour of disposing of the applications of tenants, land owners and others interested in leased lands filed under the Act of 1956.

Peasants Hoodwinked

And yet for one reason or another, many tenants did not become the owners of the lands of which they were tenants. "They continued to be tenants under a variety of arrangements off the record and which were likely to be far more exacting than those earlier acts tended to stringently control." There was also the problem of annual tenancies which are now recognised in law and which are bound to be more one-rout to the disadvantaged tenants. Again there has arisen the problem of new tenants (of the landowners who before 1956 were themselves tenants) which could not be recorded or even taken cognisance of by the law.

On the basis of his research, the author has come to the conclusion that "Tenancy abolition thus missed the longer vision to safeguard weaker sections in agriculture against the future contingencies that would arise from the basic agrarian situation and the missing links in the law. In other words, we missed the simple point in the history of tenancy reforms that it is not possible to cut across the basic trends in land relations that originate from the skewed

agrarian structure by a stroke of pen."

In concrete terms, on the basis of the survey in 65 villages in ten districts in Gujarat, the author found that about half the area previously under tenancy has passed into the ownership of their respective erstwhile tenants; the rest were the cases in which the tenants were either denied tenancy or surrendered their lands to the landowners for their personal cultivation or were kept away from hearings of the tribunals and therefore missed on their own to be owners of the lands they cultivated on lease. It is the tenant in this last category whose position has worsened. By and large they continue to cultivate the same lands after the ownership title reverted often surreptitiously to their owners. Most of them work under annual tenancies which do not provide any incentive to cultivators. This arrangement is exploitative of the tenants whose position, without any legal protection, may actually be deteriorating.

Deplorable Condition

If this has been the state of affairs of tenancy reforms in progressive state of Gujarat—and the same is true of Maharashtra also—one can only imagine how deplorable the conditions must be in other states. It appears that in Maharashtra the principal of 'land to the tiller' has long ago been given a good-bye which alone explains the purchase of lands by ministers in command areas and that too of ten in the names of wives and other relatives for their so-called personal cultivation but actually cultivated with the aid of agricultural workers on the basis of either wages or a share in crops. In Maharashtra, while on the one hand a case is being made for expediting tenancy reforms, at the same time, it is being questioned whether 'land to the tiller' policy actually leads to increase in productivity and scientific management of agriculture.

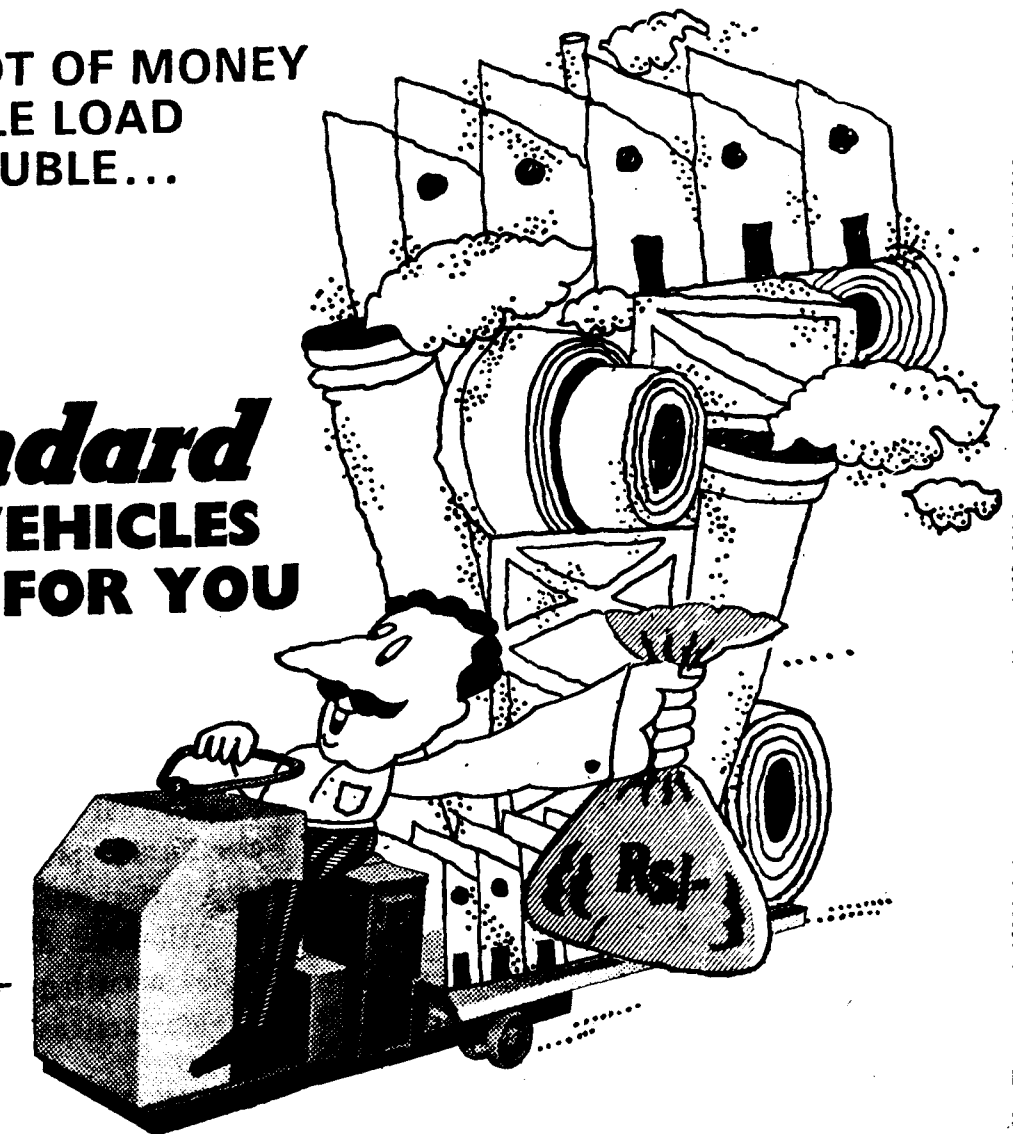
M.B. Desai has been working in this field for a couple of decades and his authority and experience are exhibited in abundance in this book. And yet, as he himself has admitted, this study is essentially academic and theoretical and "misses the support of administrative insight and understanding." His results therefore need to be reinforced by considerations of the working and enforcement of the act from the administrative point of view, as this alone will give a correct picture of the working of tenancy reforms in different states.

THE MANAGER

It is an accepted fact that the speed and quality of industrial development

SAVE A LOT OF MONEY
AND A WHOLE LOAD
OF TROUBLE...

GET *Standard*
ELECTRIC VEHICLES
WORKING FOR YOU



Now available on
D.G.S. & D. Rate Contract—
'Standard' electric truck.

Why put up with the noise, the fumes, and all the nagging maintenance worries of petrol or diesel powered vehicles when you could be using STANDARD ELECTRIC VEHICLES?

Electric vehicles cost only 1/3 as much to run as other powered vehicles. They don't make a noise, fume or vibrate; their solid and simple design makes for easy maintenance and unrestricted manoeuvrability; and this means they last longer—you can reckon on 50% longer life expectancy.

And if your vehicle is in Bombay, you get a BONUS advantage with STANDARD—we'll service

your vehicles free for one year. But wherever you live, our factory trained and experienced personnel will service your vehicles and batteries at the same time, to save you the bother of two separate operations. So wake up from the vehicle nightmare with STANDARD's range of electric vehicles. They are made to cater for any load up to 3 tons and there is a whole range of trucks and tractors to choose from.

For further technical and engineering information, write to: The Commercial Manager, The Standard Batteries Limited, Vakola, Santa Cruz, Bombay 55 AS.

LINTAS-STB 25-200

Wood-pulp Import Cut—a Step in the Right Direction

The Nation can Certainly Attain Self-Sufficiency in Cellulosic Pulp

**Merely by Stopping the Feeding of Raw Cellulose
in Cottonseed to Cattle**

AICOSCA congratulates the Government on its bold decision to impose a cut in wood-pulp imports. The full exploitation of indigenous resources has been hampered by such imports. AICOSCA supports wholeheartedly the search for indigenous raw material for production of cellulosic pulp.

Our country produces about 12 lakh tonnes of the fuzzy variety of cottonseed capable of yielding 75,000 tonnes of cotton linters. The bulk of this is being fed to cattle directly as cottonseed or goes into the produc-

tion of cake. This is certainly harmful to the cattle, but even more so to the country. Scientifically processed and crushed, the fuzzy variety of cottonseed can yield all the cellulosic pulp our country needs, besides supplying Decorticated Cottonseed Cake/Extractions for export.

Our cottonseed resources, if scientifically and fully exploited, can speed the country on to complete self-dependence in cellulosic pulp and edible oils, and effect enormous savings in foreign exchange.

AICOSCA Marches with the Nation Towards Self-Reliance



All India Cottonseed Crushers' Association

Khetan Bhavan, Churchgate, Bombay-20.

of a country depends largely on the number and ability of the people who manage it. Unfortunately very little is known about the Indian executives who occupy crucial positions in the Indian industrial world. In his book, *Indian Manager*, S.C. Jain has made an attempt to study mainly two aspects of the problem. What are the socio-economic background, education and career-history of the people who manage Indian industries? And does social origin influence a person's ability to gain entry into managerial position and career advancement?

The study presents the findings of a fairly comprehensive survey conducted by the author in 1963 covering upper and middle level managers employed in manufacturing and processing industrial establishments in India. Since the crucial role of managerial and other high level personnel in economic development has come to be recognised increasingly in recent years, it would be instructive to know some of the important facts about them and their background.

Younger Generation

The study, covering about 1,982 managers, finds that the average age of the Indian managers was about 41 years which makes the Indian managers relatively younger than their counterparts in the UK and the USA. Nearly 80 per cent of the Indian managers have come from urban areas and only about 20 per cent hail from rural areas. Indian managers were found to be, according to the author, a very highly educated group, nearly 87 per cent of them having studied in colleges and professional institutions and quite a significant portion of them having education in the UK and the USA. The author has concluded that in terms of formal education, Indian managers are ahead of their western counterparts.

By and large, Indian managers have come from educated families having high status occupations. They have also higher occupational origins than the American and British managers. This implies that for gaining entry into management, a high occupational-educational background, in addition to higher education, is found helpful. But it is also found that a low-occupational background, even when coupled with low education, has not completely prevented men of ambition from entering into managerial positions.

As regards religion of the managerial class, it was found that all the major religions in India are represented in this field, though not in proportion to their population. While Zoroastrians and

Jains have disproportionately large share of managerial jobs, Muslims have been poorly represented. Also Hindus, Sikhs, Jews and Buddhists have not been represented according to their numbers in the country; but Christians are over-represented. It is possible that various religious groups may not be equally well-qualified for management jobs or may not possess the same amount of interest in this line or it is possible that the observed disparities are due to religious discrimination. The author finds that all the three have been, responsible in varying degrees, for unequal representation of different religions on management cadres.

Career Routes

As regards what career routes the Indian managers take to arrive at their managerial positions and whether their social origins influence their careers at any stage, the author finds that by and large Indian managers have risen from white-collar occupations which means that the Indian managers have little first hand experience of what it means to be a labourer on the floor of a factory or workshop. The author also finds that more than two-thirds of the Indian managers begin their careers in high level occupations. But occupational origin seems to matter only at the time when managers start their careers and its influence seems gradually to be neutralised during later stages in the careers of these men. On the other hand caste and religious influences seem to be more lasting at all levels. It is also interesting to note that nearly one-third of the Indian managers worked for a single employer while the rest worked for often four or even five employers at different times. Those who started their careers in high level occupations have naturally moved less frequently than those who started their careers in lower rungs of the ladder. The latter group obviously has utilised inter-firm mobility as an important device for improving their careers.

The author's research only confirms what is generally known to even a superficial observer of the industrial world of India. But then possibly such untested hypothesis needs empirical confirmation. But one feels that the treatment should have been more sophisticated than it is. Anyway since managers occupy such an important position in the industrial development of a country, without systematic information regarding their background, training, education and so on, it is difficult to estimate whether "those charged with the ultimate responsibility of delivering the goods have the necessary technical com-

petence and social attitudes required of them for their jobs."

With different stages of economic growth of a country, the basis of recruitment for managerial jobs seems to change from family to one's caste or religion and finally to professional cadres and in the public sector from political to professional cadres. From this point of view though the picture drawn in 1963 by the author was not encouraging, with the gradual emergence of a new class of professional managers in the Indian industrial world, the picture is definitely changing for the better.

AGRICULTURAL MARKETING

Regulated Markets in Gujarat which earned for V.R. Joshi a doctorate in Commerce of Sardar Patel university, gives a historical review of agricultural marketing in pre-independence period, legislation and evolution of regulated markets after independence, along with the legal framework, their actual growth in terms of area coverage, commodities regulated market functions and financial position.

It is a well-known fact that during pre-independence days, the agriculturist-sellers everywhere in India were subjected to exploitation by merchant-buyers through their various malpractices in regard to selling methods, price fixation, weighing, methods of payment, market allowances, market charges, methods of keeping accounts and of making payments. Against this background, once the country became independent, government interference and extensive regulations became inevitable.

In Gujarat on the eve of Independence there were only four regulated markets, three for cotton and one for cotton and groundnuts. As against those four regulated markets which handled only two commodities valued at Rs 56.85 lakhs in 1945-46, there were 96 principal and 84 sub-market yards through which as many as 65 notified commodities worth Rs 13,464 lakhs were marketed during 1963-64. According to the author this development meant that Gujarat ranked second in the state-wise list of regulated markets as on March 31, 1964 and occupied a pioneering place in the regulation of cattle and tobacco marketing in the whole country. The author has analysed all these developments in a clear way.

In chapter 3, the author has included the study of the mechanics of the regulated markets. A regulated market is generally managed by a marketing committee of 15 to 17 members repre-

senting agriculturists, individual traders, local authority and the state government. The author has rightly emphasised that in this legal framework, agricultural marketing can be really effective "only when the farmers become fully conscious of their rights and responsibilities and exert their pull individually and collectively in the selection of their representatives from their own ranks on key posts and take intelligent and active part in the management of a Committee."

The study has revealed that the agriculturist-seller can be protected from the traditional malpractices of intermediaries only through direct supervision on transactions therein. Hence the extent of commodity arrivals in market yards is the measuring rod of the practical utility of a regulated market. The author's research reveals that (i) about 53 per cent of the total quantities were recorded as sold outside market yards, (ii) fairly big sector within the market-areas still remains unregulated with the result that not only the market authority lost its income but also in all probability the malpractices continued, and (iii) the ultra vires transactions went on taking place within the limits of the market proper.

Wide Disparities

The study has further revealed that market charges and trade allowances reduce the net receipts of the agriculturist-seller who is supposed to bear them as legitimate deductions from the price agreed upon. It is found that wide disparities exist in respect of the bases, the rates and the parties bearing the burden in respect of market fees and charges prescribed by the market committees and the state. It is necessary that these deductions should be properly streamlined.

To facilitate proper agricultural marketing, cheap and efficient gradation and standardisation, transport and cheap and efficient warehousing are all absolutely necessary. The study reveals that only in a few regulated markets were the arrangements in these respects satisfactory. The author is of the opinion that arrangements will have to be made for dissemination of useful, prompt, accurate and detailed information among agriculturist-sellers to help them take advantage of the regulated markets.

Dr Joshi has analysed the problems of regulated marketing in Gujarat in a very formal and legalistic way, without showing much insight into the various problems or bringing broader perspective to this study which requires more

comprehensive and sophisticated approach from the serious students of the subject.

GREEN REVOLUTION

We have been experiencing that India's new agricultural strategy based on intensive application of modern inputs in selected areas has made striking progress on the agricultural front, giving credibility to the slogan of food self-sufficiency by 1973. But what has been the cost which the country had to pay for this progress? F.R. Frankel in his excellently written and produced book, *India's Green Revolution*, assesses the political and social costs of this agricultural growth in five of the original intensive agricultural development districts, namely Ludhiana in Punjab, West Godavari in Andhra Pradesh, Thangavra in Tamil Nadu, Palghat in Kerala and Burdwan in West Bengal.

The phrase 'green revolution' is a good catchy slogan which is likely to carry the conviction that fundamental agricultural problems are being peacefully solved and that agricultural transformation is being worked out quietly through the application of science and technology. But the author has warned that a democratic government will do well "not to be persuaded by its own slogan" and try to discover the truth. It would do all of us good to assess the political and social costs which the country had to pay so far for realising this 'green revolution' which incidentally has covered only about 10 per cent of the area under crops and that also in respect of only some crops like wheat, gram, sugarcane and jawar.

Though generalisations on the basis of a few selected district studies are of dubious nature, nevertheless the case studies presented in this book, according to the author, "give some credibility as a mirror of emerging relationships between agricultural modernisation and social change from the strong resemblances they reflect of the impact of modern technology on rural income distribution and socio-economic relations over widely separated parts of the country." This aspect renders this study significant for all.

On the basis of his study the author has concluded that almost all classes of cultivators have experienced some improvement in income and yields from the introduction of modern methods of cultivation. This is particularly true in the wheat-growing areas. Another major point observed is that technology has been very unevenly distributed in different parts of the country. While those with holdings of 15 to 20 acres have reaped more benefits, the

bottom 20 per cent of all farmers with less than 10 acres have experienced serious relative deterioration in their economic position for want of sufficient capital to invest in indivisible inputs necessary for profitable adoption of new techniques. This has certainly been the case in rice-growing regions where the majority of cultivators have uneconomic holdings of two and three acres. In such cases what is noticed is an absolute deterioration in the economic condition of the small owner-cum-tenant cultivating class. As many as 75 per cent to 80 per cent of the farmers in the rice belt have experienced a relative decline in their economic position as they have uneconomic holdings.

There has been increasing realisation on the part of the government that the small farmers have not benefited in proportion either to their number or their needs from the various programmes of rural development. There is therefore a commitment in the fourth Plan to ensure that small farmers are enabled to "participate in development and share its benefits." But the provision of only Rs 500 crores, according to the author, is likely to fall far short of the requirement.

Share Cropper Ignored

Another important development in the field of agricultural reorganisation is that the landless labourer as well as share cropper are entirely passed over. According to Frankel while this may be considered sensible from an economic point of view (i.e. for achieving maximum gains in production), it may prove short-sighted with respect to political and social goals of development. Broadly, it may be said that the introduction of modern technology has not only quickened the process of economic polarization in rural areas, but it has also contributed to increasing social antagonism between landlords and tenants and landlords and labourers, thus resulting in the breakdown of the permanent patron-client relationship. One notices erosion in traditional attitudes of mutual dependence and obligation between landowners and labourers. The author has warned that India is still "at the beginning of trouble" and whether or not peasant resentment will be effectively mobilised by radical political parties for a mass revolutionary movement very much depends on how the existing governments in states tackle the phenomenon of rising rural tension. According to the author what is required in a situation of unfavourable land-man ratio is a renewed priority for the social and political goals of planning.

What is the way out? The author

feels that a number of measures are available to government for limiting the advantages of large farmers without destroying their incentive or ability to mobilise. One way is the lowering of ceiling even by a substantial margin which, according to the author, would hardly produce any negative effect on opportunities for efficient farm management. If a state government does not want to disturb the existing agricultural structure, he suggests that ceilings may be prescribed on future acquisitions of land in order to prevent greater concentration of ownership in the hands of a small minority of large farmers.

The author has also recommended siphoning off of big agricultural incomes through a graduated tax on agricultural income or a wealth tax on agricultural property. It is also possible to limit gains of large farmers by "adopting restrictive policies on the rate of mechanisation, especially when the adoption of farm machinery is known to displace agricultural labourers." In addition to these measures the author has also rightly suggested that some positive measures be taken to improve opportunities of the landless and the small owner-cum-tenant cultivators. He has recommended steps such as security of tenure, reduction of rent, fixation and effective implementation of minimum wages for agricultural labourers, organisation of agricultural workers and so on. All these can have significant effect in increasing labourer's share of new productivity.

Frankel's book on India's green revolution is easily one of the finest books that have appeared on the subject. It is said that a good phrase or a slogan can incapacitate people from clear thinking for a long time. The author has therefore done well to critically examine the assumptions behind and the consequences of the green revolution and at the same time suggest extremely practicable measures to reduce political and social costs of the green revolution, preserving at the same time all the fruits of modernisation of agriculture.

INDIANS IN BURMA

The Indian Minority in Burma is a story of the rise and decline of the Indian immigrant community in Burma told by an eminent authority on that subject, namely Dr. Chakravarti, who, as a member of an Indian family resident in Burma, as a public servant with the Finance Department of the government of Burma and as the right hand man of U Tin Tut, a prominent civil servant in Burma and later its Minister for Foreign Affairs, has

acquired the most intimate knowledge of the Indian community in Burma.

This is a tragic story of a minority race which lived in Burma, made tremendous contribution to its development over a period of more than one hundred years of British rule and was finally thrown out of their homes and vocations first after the Japanese invasion and finally by the Burmans after they became independent.

Though Indians contributed greatly to the economic development of Burma, the annexation of Burma to India by the British with the help of Indian soldiers, unrestricted immigration of Indians into Burma, the development of that country's economy with the aid of Indian labour and capital making the Burmese economy complementary to that of India the regular employment of Indian armed forces for maintaining law and order in the country and of the Indian civil service for the day-to-day administration, the demand by the Indian community for racial representation in the country's administration—all these cumulatively made the conditions of the Indians politically vulnerable in the latter half of the 19th century and the first quarter of the 20th century when the Burmans became conscious of their political and economic goals. Also, commercially a few Indians took an early lead in the business world over the Burmans.

Contradictory Demands

Socially the distinctions based on race, religion, caste and personal laws hampered the happy assimilation of the two peoples. The demand for separate electorate for Indians (when practically at the same time the Indians were opposing the principle of communal representation for the Muhammadans in India) set the stage for the violent political and physical explosions and eventual expulsion of the Indians from Burma after it became independent.

The author has depicted the story as it developed. He has described the growth of the Indian population in Burma (which rose from about 2.43 lakhs in 1881 to about 9.18 lakhs in 1941), the occupations of the Indians in Burma (showing that there was no occupation or industry or trade without the preponderance of the Indians), the role of Indian labour in mines, forests, farms and factories to make the country prosperous, the role which especially the Indian Chettyars played in Burma by investing their huge personal savings in trade, industry and banking, India's trade with Burma whose exports to India in 1939-40 constituted about 60 per cent of the

total exports and which imported 55 per cent of her imports from India, an estimate of the wealth of the Indians (which was estimated at 1940-41 prices to be between £150 and 375 millions which even assuming the figure of £150 millions in terms of present purchasing power, would be about £750 millions, if not more), the various political problems of Indians in Burma before and after dyarchy, the conditions of the Indians in separated Burma between 1937-1942 and the final culmination which brought about the end of Indian interests in Burma.

Tragic Story

What appears most tragic in the whole episode covering over four decades is that the Indian community which contributed substantially to Burma's economic progress failed to develop either enlightened and far-sighted leadership or long-term policy for co-operation with the Burmans in their national aspirations. Separate schools for Indian children, separate Indian business houses in which Burmans had no share, exclusive Indian clubs, banks, co-operative stores, all gave the impression of Indian non-participation in Burman national life. "Aloof from Burmans, Indians had one eye on India and the other on Britain for protection through such devices such as racial representation and governor's special powers. Indian appeared to be more anxious to safeguard their own interests than identify with the Burmans' national aspirations deciding to sink or swim with them. When independence came to Burma in January 1948, it naturally became the major obsession of the Burmans to eliminate the Indian interests from the administration, the army, commerce, industry, banks, trade, professions and agriculture. During 1960s about 300,000 Indians left Burma and about a quarter of a million still live there somehow in a country that does not want them, presenting "a human problem, hardly noticed by the civilized world."

It is a tragic story told feelingly and at the same time with an academician's critical detachment. Indians in Africa have an important lesson in this book—if it is not already too late to learn that lesson.

The Institute of Race Relations has been rendering a very useful service by bringing out a series of books on Indians in Malaysia, Singapore, Fiji, Britain and Ceylon. Indians in the above countries and national leaders at home can learn much from these excellent books and substitute a rational policy in place of the blind alley in which they find themselves at present

in regard to problems of Indian community abroad.

PLANNING STRATEGY

The Modernization Imperative and Indian Planning is an outstanding study contributing to the understanding of Indian socio-economic problems. It is an interdisciplinary study on Indian planning and aims at examining political factors involved in the adoption of the economic strategy associated mainly with India's second five-year Plan.

It would appear that the average Indian growth rate of about three per cent during the post-independence period does not compare too favourably with many of the developing countries. According to the author this slower rate of growth can be explained by "the very ambitious strategy of establishing a heavy industry base of a magnitude which would equip the country to advance with its own capital goods resources without dependence on foreign aid in future." Jawaharlal Nehru saw clearly the dangers of heavy economic dependence on foreign countries (especially western countries) to our newly won political independence and aimed at providing economic base to the political independence of India. And with this aim in view and as a part

of a 25-year strategy, an impressive and diversified industrial structure had been built over the decade 1956-66.

The execution of heavy industry strategy is a more difficult pattern of economic development. This strategy involves considerable sacrifices on the part of the population. It meant diversion of resources from consumption goods industries to capital goods industries when the demand for the former is mounting. Since the capital goods sector has to follow capital-intensive techniques of production, the volume of employment of labour per unit of investment is low compared with what it would have been, if the same amount had been invested in consumption goods industries which are generally labour-intensive, and hence would have meant both more employment and fairly immediate rise in the standard of living of the people. The latter was the strategy advocated by many as an immediate solution to the problems of unemployment and mass poverty in the country. But if legitimacy of the aim of national independence is conceded, it is difficult to see how heavy industry strategy could have been avoided. "Nehru as a nation-builder seemed to have been providing the basic sinew of economic strength and national power for the preservation of country's independence. In such a strategy im-

mense sacrifices in the form of rising unemployment and falling standard of living for vast numbers were implicit. Heavy industry strategy definitely meant serious disturbances in the Indian economy, especially in regard to agriculture and sacrifices on the part of population. But such distortions and sacrifices were built in the very strategy and accommodation of such difficulties during a period of transition becomes inevitable."

Help to Employment

One possible argument would be that by pushing up taxation and also possibly deficit financing, the rate of saving could have been further pushed up which would have enabled more investment in consumption goods industries, keeping investment in the capital goods sector at the present level. This would have provided not only the capital industries base necessary for the preservation of national independence but also would have at least to some extent solved the problems of unemployment and lower standards of living. According to the author this was done to the extent necessary, though something more could have been done. But here it is the political constraints that come in the way. Ours being a democratic country has "the reconciliation type" of policy as against "the

mobilization type" found in the USSR and communist China where by resorting to ruthless measures more sacrifices could be imposed on the population.

According to Nayar the heavy industry strategy resulted in great economic and political difficulties (especially at the end of the second five-year Plan when the emphasis had to be shifted to agriculture under democratic pressure); but the author thinks that the consumer industry strategy could not have presented less problems for the country. Pakistan receiving larger foreign assistance per capita faced agricultural crisis no less severe than that of India. Also the consumer industry strategy would have resulted in severe foreign exchange bottlenecks and would have made the country more dependent on foreign markets and on those who control them.

Future Strategy

What should be the future strategy? The author thinks that greater emphasis on agriculture, on capacity utilisation as in the first Plan rather than capacity creation as in the second and third Plans and on self-dependence instead of on foreign aid should be the immediate but short-term measures. As these policies begin to bear success, however, there will have to be renewed emphasis on heavy industry as that is basic to economic strength and national independence. It is possible that in future the sacrifices may not be essential to the same degree, assuming that the first instalment of heavy industry base has already been established. Perhaps, the industrial foundations established may make it possible for the country to have a policy both welfare-oriented and strength-oriented. But even if difficulties are encountered, the country needs to move in the direction of strengthening of its heavy industry base.

Though published in 1972, the book must have been written much before the 14-day war with Pakistan and therefore the author almost appears prophetic when he writes, "...given the size of the country and its population, India could not afford but do that. It is doubtful that, unless her economic strength and national power, and therefore her international position, are commensurate with the size of her area and population, the country could ever remain united or independent. Such a prospect may not bother many observers outside, or would perhaps be welcome to some external powers because it would expand their opportunities for political penetration into the subcontinent, but it is of central concern to the national leadership...

the modernization imperative leaves little option."

It would be extremely instructive to compare the approach advocated in *Employment and Unemployment Problems of the Near East and South Asia* (reviewed in *Eastern Economist* of February 4, 1972) which emphasises consumer goods strategy as imperative

to the solution to the problems of unemployment and mass poverty and the capital goods strategy in this book which gives greater emphasis on immediately greater sacrifices (at least for some time to come) for the preservation of national unity and independence. The 14-day war seems to have justified the effectiveness of the heavy industry strategy.

All About Agriculture

Economic Theory as Applied to Agriculture: G. D. Agarwal and P. C. Bansil; Published by Vikas Publications, 5 Daryaganj, Ansari Road, Delhi-6; Pp 253; Price Rs 25.

Fundamentals of Social Survey and Research Methods: S. Dandapani; Published by the Scholars Foundation; Shanti Villa, Madras Road, Kashmere Gate, Delhi; Pp 100; Price Rs 8.

Kapoor's Sterling and Dollar Exchange Tables: H. L. Kapoor and J. L. Kapoor; Published by H.P.J. Kapoor, 3081, Pratap Street, Subhas Marg, Delhi-6; Pp 198; Price Rs 10.

Reviewed by S. P. CHOPRA

There is no dearth of books on agriculture in this country but Messrs G. D. Agarwal and P.C. Bansil in their *Economic Theory as Applied to Agriculture* have attempted a new approach in explaining agricultural problems through the application of economic theory. The book covers familiar ground from the nature and scope of agricultural economics to the role of agriculture in a developing economy. Regarding agricultural income tax, the authors have drawn attention to the administrative and other problems but have hastened to add that "this does not mean that such taxes are to be ignored. Rather, the administrative problems should be overcome with experience". The book will be found useful by students of economics.

Even though Mr S. Dandapani's book *Fundamentals of Social Survey and Research Methods* is designed to describe the ABC of social surveys and research methods, it covers in brief the technique of conducting sampling surveys of almost all kinds. The value of the book lies in its succinctness as, within its limited number of pages, it covers all the stages in surveys work—from the evolution of concepts and working definitions to the writing of the report and the research budget. Mr Dandapani's emphasis on random numbers (three pages are devoted to

them in the book) shows his keen understanding of the value of unbiased findings in social research.

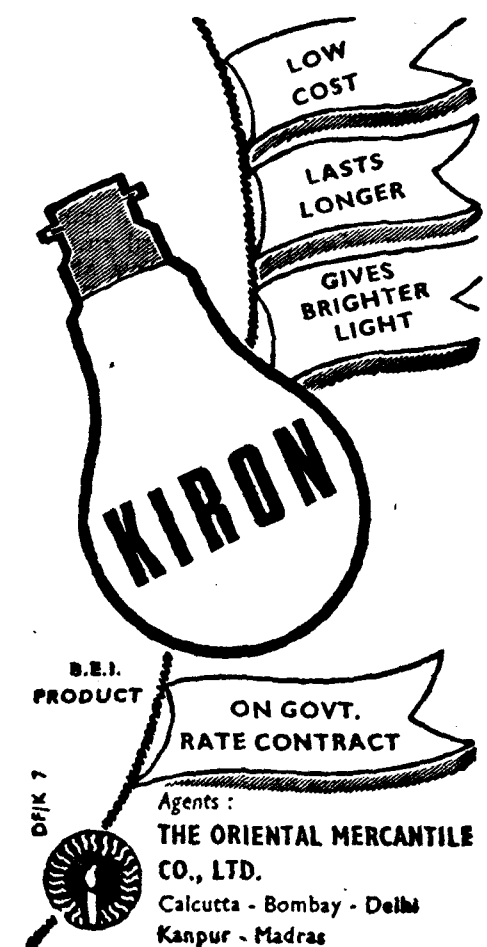
The instability of the dollar since August 15, 1971, has caused hardship to a number of agencies including the foreign exchange departments of banks in the conversion of dollars in to rupees in day to day operations. The exchange tables published in the earlier editions of *Kapoor's Sterling and Dollar Exchange Tables* had a limited range which has now been considerably increased. What is more, the exchange rates are given both for US dollars and pound sterling. As many as 764 different rates of pound sterling

Nobody can find out whom you vote for because

- The procedure for counting of votes has been modified.
- After voting, all ballot papers from all polling booths of a constituency will be put in a big container and mixed up before actual counting.
- Thus, nobody can know even the trend of voting either in a village or at a polling station.
- This procedure will be followed in the presence of the candidates, their counting agents, Returning Officer and counting supervisors.

S. P. SEN-YARMA
Chief Election Commissioner of India

davp 71/557



from £ 5.2045 to £ 5.5855 with steps of £0.0005 have been listed. Conversions from rupees to dollars and

pounds have also been included. The book will be found useful by all money changers in this country

Public Sector Yearbook

Commerce Yearbook of Public Sector 1971 : Publishers, Commerce (1935) Ltd, Manek Mahal, 90, Veer Nariman Road, Bombay 20-BR, Pp 372; Price Rs 25.

Reviewed by R. V. MURTHY

Most People even in this country may not be aware that despite all the ballyhoo about concentration of economic power, the centre of gravity of the Indian economy still rests very much with the public sector and bids fair to remain tilted that way for a long time to come. They will certainly not accept readily that there are, besides scores of departmental enterprises, as many as at least 113 central government undertakings and 220 state government undertakings for which the publishers of the above yearbook have been at enormous pains to collect, collate and clarify all available data. Even careful readers of economic journals or daily newspapers speak by and large of the public sector industrial undertakings having total assets of only about Rs 3,725 crores, as against some Rs 2,365 crores of the private sector industrial units. But the actual position, as estimated meticulously by *Commerce*, suggests that the cumulative investment in the economic enterprises owned by the central, state and local governments may be as much as Rs 19,000 crores! Cumulative investments in the non-departmental industrial enterprises of the central government are estimated to 'aggragate about Rs 4,000 crores. Further, it is claimed—on what authority however it is not stated—that the public sector accounts for 40 to 50 per cent of the total annual gross capital formation in the economy. This certainly is not the impression that one gets from the rapid survey undertaken last year by the reconstituted Planning Commission which, as admitted by official sources themselves, revealed disturbing trends in the performance of the public sector undertakings, such as low rate of utilisation of capacity and unsatisfactory financial performance.

Presented within the compass of about 375 pages is as comprehensive and up-to-date an information on the working of all the 300 and odd government enterprises in India as could be had from any research organisation, public or private. It is a great and laudable effort that deserves to be commended unreservedly and recommended to stu-

dents of India's economic development unhesitatingly.

This is but the second issue of the yearbook and an effort has already been made to make the publication more complete and more purposeful than before. The synoptical statistical assessment of the size of the public sector in relation to the Indian economy, for instance, is a welcome additional feature of this issue.

Books Received

The Course of American Economic Growth and Development: Louis, M. Hacker; Wiley Eastern Private Ltd; Pp 382; Price Rs 10.

Readings in the Theory of Growth: Edited by F.H. Hahn; Macmillan and Co. Ltd; Pp 275; Price £1.50 net.

Indo-Soviet Economic Relations: Edited by Vadilal Dagli; Vora & Co. Publishers Pvt. Ltd; Pp 159; Price Rs 30.

Natural Resources in the Indian Economy: Edited by Vadilal Dagli; Vora & Co. Publishers Pvt. Ltd; Pp 366; Price Rs 50.

Management of Industry in India: H.T. Parekh; Vora and Co. Publishers Pvt Ltd; Pp 74; Price Rs 7.

Green Revolution and the Weaker Section: G. Parthasarathy; Thacker & Co. Ltd, 18/20 Rampart Row, Fort, Bombay-1; Pp 45; Price Rs 6.

Vegetable Oils and Oilseeds: A Review: Prepared and published by the Commonwealth Secretariat; Pp 198; Price £2 (net).

Road Transport Industry (Lending Schemes): Published by Indian Banks' Association, 81-83, Veer Nariman Road, Churchgate, Bombay-2; Pp 20.

Attracting Industries to Developing Areas (Central and State Incentives in India): Published by the Industrial Credit and Investment Corporation of India, 163, Backbay Reclamation; Bombay-20 BR; Pp 82.

Dilemmas in Planning: G.L. Mehta; Vora & Co. Publishers Pvt. Ltd; Pp 138; Price Rs 12.

The Past Year in Retrospect (An objective Account of Political and Economic Events in India in 1970-71): Published by Indian Oxygen Ltd, P-34 Taratala Road, Calcutta-53; Pp 106.

Madras Stock Exchange Official Year-Book, 1971-72 (Eighteenth Edition): Compiled and published by Madras Stock Exchange Ltd, 16/17, Second Line Beach, Madras-1; Pp 1205; Price Rs 20.

Managing for Profit: The Added Value Concept: R.R. Gilchrist; George Allen & Unwin Ltd; Pp 165; Price £3 25 in U.K. only.

Foreign Trade Review, Vol. VI, No 4, January-March 1972 (Annual Number): Editor Hartirath Singh; Indian Institute of Foreign Trade, H-24 Green Park Extension, New Delhi-16; Price Rs 4 per copy, Annual subscription Rs 15.

Indian Estate Duty Law: S.A.L. Narayana Row; The Madras Law Journal Office, Mylapore, Madras-4; Pp 512; Price Rs 40.

RECORDS AND STATISTICS

Editor: R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to:

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

RECORDS AND STATISTICS

Foreign Collaborations

THE GOVERNMENT of India approved of 38 technical/financial collaboration cases during October-December 1971. Two of these cases were for financial collaboration. There were five cases each of collaboration with the UK, the USA, Japan and Switzerland; four each with East Germany, Czechoslovakia and West Germany; three with France and one each with Italy, Belgium and New Zealand.

Sl	Name of the Indian Company	Name of the foreign company	Item of manufacture
INDIA-BELGIUM			
1	M/s Nathani Steel Yard, Adjoining Vidya-Vihar Railway Station (West), Bombay-77 (AS).	M/s LEFORT, Gosselies, Belgium.	Hydraulic aligator shears.
INDIA-CZECHOSLOVAKIA			
2	M/s Associated Cement Companies Limited, (Machinery Manufacturing Division), Cement House, 121 Queen's Road, Bombay-18 (BR).	M/s Buzuluk, National Enterprise, Momaror U. Horovic, Czechoslovak Socialist Republic.	Rubber machinery.
3	Shri R.L. Rajgarhia, 2, Brabourne Road, Calcutta-1.	M/s Spojene Zanody na. vyrobukarborunda a elektritu, n.p., Benatky nad Jezerou, Czechoslovakia.	Aluminium Oxide abrasive grains.
4	M/s South Indian Export Company Private Ltd, 5, McLean Street, P.B. No 37, Madras-1.	M/s Techno Export Foreign Trade Corporation, Praha, Czechoslovakia	Automobile tyres and tubes.
5	The General Manager, Machine Tool Corporation of India Limited, Post Box No 69, Ajmer (Rajasthan).	M/s Skodaexport, Praha, Czechoslovakia.	Centreless grinding machines.
INDIA—EAST GERMANY			
6	M/s Indian Metal Indus. 22/A, Industrial Area, N.I.T., Faridabad.	M/s VEB Brauereiund Kellerei-maschinenfabrik, Magdeburg, GDR.	Fully automatic bottling plants.
7	Mr S. Sarin, M/s Rita Industries, N-9, Kirti Nagar, New Delhi-15.	M/s Nagema, German Democratic Republic.	Fully automatic bottling plants.
8	M/s Medident (India), 5-A, New Avadi Road, Madras-10.	M/s Veb Kombinat Medizin-und Lab., Franz-Flemmingstr. 43-45 Leipzig, GDR.	Dental master units.
9	Mr S. Seshadri, International Machines Limited, Srinivas, 133/1, Bhimasena Gardens, Madras-4.	M/s Bueromaschinen-Export, GmbH, Berlin, GDR.	Manually and electrically operated typewriters (portable and standard) with interchangeable carriage system).
INDIA-FRANCE			
10	M/s Shah Construction Company Limited, Shah House, Sivasagar Estate, Dr Annie Besant Road, Bombay-18.	M/s Mon. Paul Clausee of France.	Exploration and exploitation of underground water resources.
11	M/s Mahindra & Mahindra Limited, Electronics Division, Worli Road, No 13, Worli, Bombay-18.	M/s J.M. Frankel & Co. of France.	Metallised film capacitors.
12	M/s Sewri Engineering Construction Company (Private) Limited, P.B. No 319, Bombay-1.	M/s Techniques Lous Menard, France.	Acquisition and use of pressure meter.
INDIA-ITALY			
13	M/s Pranav Chemicals and Special Adhesives Private Limited, 41, New Marine Lines, Bombay-20.	M/s Arec S.N.C., 144. Move Milaness Milano, Italy.	Rubber and resin based adhesives, sealants and auxiliary chemicals.
INDIA-JAPAN			
14	M/s Power Cables (Pvt) Limited, Opposite 'D' Cabin, Chhani Road, Baroda, (Gujarat).	M/s Dianichi Nippon Cables Limiced, Japan.	Cross linked polythelene cables.
15	M/s Saru Smelting Pvt. Limited, Saru Nagar, Sardhana Road, Meerut (UP).	M/s Aikoh Company Limited, D.S. Bldg., 1-39, 2-Chome IKENOHATA, Taito-Ku, Tokyo, Japan.	Foundry chemicals, fluxes for and non-ferrous industries.
16	M/s Geep Flashlight Industries Limited, 28, South Road, Allahabad.	M/s Daichi Carbon Co. Limited, Japan.	Midget carbon electrodes.
17	M/s Escorts Employees Ancillaries Limited, 19/6 Mathura Road, Faridabad (Haryana).	M/s Mikuni Kogyo Co. Limited, Tokyo, Japan.	Carburettors.

(Contd.)

Sl	Name of the Indian Company	Name of the foreign company	Item of manufacture
18	The Punjab State Industrial Development Corpn. Limited, United Commercial Bldg., Sector 17-B, Post Box No. 81, Chandigarh.	M/s Toshiba Ray-O-Vac K.K. Shinagawa, Ku, Tokyo, Japan.	Dry cell batteries.
INDIA-NEW ZEALAND			
19	M/s Unicorn Industries, 187, Mahatma Gandhi Rd., Secunderabad (AP).	M/s Truscotts International, P.B. No. 3217, Auckland, New Zealand.	Dairy Machinery & Equipment.
INDIA-SWITZERLAND			
20	Shri Jal Nariman, E.I. Mafatlal Park, (F) B. Desai Road, Bombay-26.	M/s Istag AG, Suhr/Aargau, Suhr, Switzerland and Kredit-Finanz Anstalt Muren, Lichtenstein.	Specialised high pressure asbestos jointing.
21	M/s Govind Prasad, 6, Shahnajab Road, Lucknow (UP).	M/s Cosmos B. Schild & Cie, A.G. Switzerland.	Broaches.
22	M/s Jayshree Chemicals Limited, 14, Netaji Subhas Road, Calcutta-1.	M/s Krebs & Co. Ltd, 20, Claridenstrasse, 8002 Zurich, Switzerland.	Sodium Hydrosulphite.
23	Mr R.K. Sondhi, Aban House, 25/31, Ropewalk St., Fort, Bombay-1.	M/s Tressa Watches Company Limited, Switzerland.	Wrist-watches.
24	M/s S.L.M. Maneklal Industries Limited, Vatva, Taluka Descroi, Ahmedabad.	M/s Brown Boveri & Company Limited, Switzerland.	Air-break compressors and air-break exhausters for railways.
INDIA-U.K.			
25	M/s Bengal Tools Ltd, Todi Mansion, P/15, India Exchange Place Extension, Calcutta-12.	M/s Tempered Tools Limited, Sheffield, UK.	Shear Blades and cutting knives.
26	Jay Shree Textiles & Industries Limited, UCO Bank Building, Parliament Street, New Delhi.	M/s George Angus & Company Limited, London, UK.	Controlled percolation houses.
27	M/s Usha Martin Black (Wire Ropes) Limited, 14, Princep Street, Calcutta-13.	M/s Marshall Richards Barcro Limited, Woodside Road, Westleigh, Hampshire, England (UK).	Wire drawing and other allied machines.
28	M/s Metarino Pvt. Ltd. New India-centre, 12th, Floor South Wing, 17, Cooperage Road, Bombay.	M/s Barium Chemicals Limited, UK.	Zinc Oxide based on Zinc Hydroxide.
29	M/s Blow Industries Pvt. Limited, 16, Apollo Street Bombay-1.	M/s Pluse Products Limited, UK.	Adhesives for Vinyl asbestos floor tiles.
INDIA-U.S.A.			
30	M/s Wiley Eastern Private Limited, Publishers, J-41, South Extension, Delhi-49.	M/s Wiley Inter-Science Inc., New York.	Printing and publishing of books.
31	M/s Premier Automobiles Limited, L.B. Shashtri Marg, Kurla, Bombay-70 (AS).	M/s North American Rockwell Corporation, Fifth Avenue & Wood Street, Pittsburgh, Pennsylvania, USA.	Axle assembly and other related components for heavier types of vehicles.
32	The Managing Director, Heavy Electricals (India) Limited, P.O. Piplani, Bhopal.	M/s International General Electric Co. of USA.	Capacitors for power factor development.
33	M/s Larsen & Toubro Limited, Gulab Bhavan, Bahadur Shah Zafar Marg, New Delhi-1.	M/s Deere & Co., Moline, Illinois, USA.	'John Deere' Combine Harvesters.
34	M/s Power Cables Pvt. Limited, Opposite Railway 'D' Station Cabin, Chunni Road, Baroda 2, (Gujarat).	M/s Westinghouse Electric International Co., New York.	Flourescent lamps.
INDIA-WEST GERMANY			
35	Mr Vinod Kumar Gupta, 63-D, Kamla Nagar, Delhi-7.	M/s Adolf Hanbert, Ubrenfabrik, 722, Schawenningenneckar, West Germany.	Stop-watches and transistorised time pieces.
36	M/s Mysore Petro-Chemicals Limited, 36, Cunningham Road, Bangalore, I.B.	M/s Chemische Fabrik Von Heyoen GmbH, West Germany. M/s Lurgi Gesellschaft Fur Mineral-oltechnik, West Germany.	Pthalic anhydride.
37	M/s Lakshmi Precision Machine Screws (P) Ltd., Hissar Road, Rohatak (Haryana).	M/s Bauer & Schaurte GmbH & Co., 404 Neuss Rhein, West Germany. or M/s Karl Siecers, Hamburg (W. Germany).	Precision machine Screws.
38	M/s Jessop & Co., 63, Netaji Subhas Road, Calcutta.	M/s Rheinstall Aktiengesellschaft, Henomag Baumaschinen, West Germany.	Crawler tractors.

(F) indicate cases involving financial participation also.

The Shape...

...of things to come. Traditionally, mango leaves on a 'KALASH':

Today's omen for the good festive days: Century's range of smart seductive prints. Delectable to wear. Just right to make a cherished presentation. Choose from the newest: Anuradha, Vinodini, Two x Two Monica, Lakes Beauty. Also from Century, a full range of Cotcell-O and Cosy-Cot Shirtings, Paramsukh Dhotis, Cambrics, Poplins, Voiles, Dorias, Bleached Long Cloth and fabrics for all the family.



**THE CENTURY
SPG. & MFG. CO. LTD.,**
WOLLI, BOMBAY-25 DD

**CENTURY
SAREES**

Century — For 100% cotton textiles



Adroit/CM/196

Where there is Colour there is a Dye



ATUL®

Makes all the Dyes to meet the needs for each Industry

■ TEXTILE ■ PAPER ■ JUTE
■ SILK ■ ART SILK ■ ETC.



The Atul Products Limited

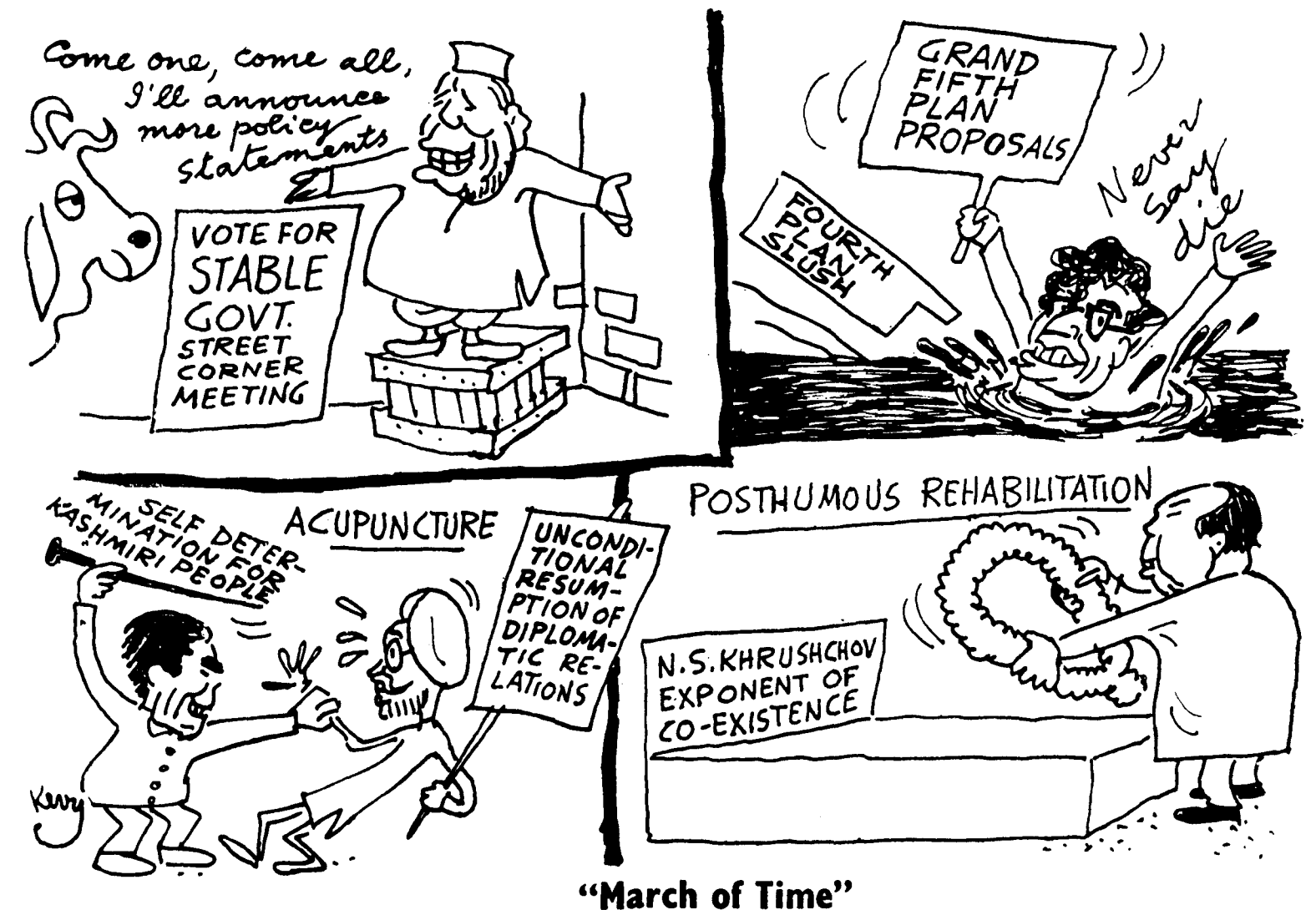
P.O. Atul, Via Bulsar, Gujarat State.

Phone: Bulsar 462 Gram: TULA, Atul.

EASTERN 10 ECONOMIST



The Economics of Power
Madras Refinery in Good Shape
Why Slow Industrial Growth?
Retailing Problems in W. Europe



"March of Time"

The Shape...

...of things to come. Traditionally, mango leaves on a 'KALASH': Today's omen for the good festive days: Century's range of smart seductive prints. Delectable to wear. Just right to make a cherished presentation. Choose from the newest: Anuradha, Vinodini, Two x Two Monica, Lakes Beauty. Also from Century, a full range of Cotcell-O and Cosy-Cot Shirts, Paramsukh Dhotis, Cambrics, Poplins, Voiles, Dorias, Bleached Long Cloth and fabrics for all the family.



**THE CENTURY
SPG. & MFG. CO. LTD.,**
WORLI, BOMBAY-25 DD.

Century — For 100% cotton textiles

**CENTURY
SAREES**



Advertisement 196

EASTERN ECONOMIST

MARCH 10, 1972

The Economics of Power	373
Poor Government in Rich State	374
Madras Refinery in Good Shape	375
Exports : Sea Versus Air	376
Why Slow Industrial Growth ?	378
—K. N. Modi	
Retailing Problems in W. Europe	382
—K. K. Taimni	
Inter-State Disparity in Agriculture	
—A. Nageswara Rao & M. Meenakshi Bai	384
WINDOW ON THE WORLD	387
National and Grindlays Looks at Uganda.	
Fear in Their Future	
TRADE WINDS	392
Duty Drawback; Drawback on Alumina Ferric; Central Excise Procedure; State Budgets; Movement of Khandasari; Sugar Output; Sugar-cane Competitions; Indo-Hungarian Trade Talks; Indo-British Trade; Exports Looking Up; Panel on Employment; ISI Silver Jubilee; Cheap Cloth; Vanaspati Prices; Institute for Social Change; IDA Credit; Seminar on Weldability; Delegation to Iran; Poznan Fair; Names in the News.	
COMPANY AFFAIRS	398
ICICI; Union Carbide; Indian Oxygen; Dunlop India; Tata Chemicals; State Bank of Hyderabad; Somani Steels; Bank of Baroda Ltd.; Unit Price Raised; Capital and Bonus Issues.	
RECORDS AND STATISTICS	400
Commodity Prices in 1971; Index Numbers of Wholesale Prices by Groups and Subgroups; Index Numbers of Industrial Production (Yearwise and Monthwise); Reserve Bank of India; Scheduled Commercial Banks; Index Numbers of Security Prices; Money Supply with the Public; Seasonal Changes in Selected Banking Variables; Consumer Price Index Numbers for Industrial Workers and Urban Non-Manual Employees.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

THE ECONOMICS OF POWER

It CANNOT be said against Mr Y.B. Chavan that he moves in mysterious ways his wonders to perform. On the contrary he courses as clumsily as any deer-pit, old elephant and mucks around generally with as much *finesse* as a rhinoceros in rut. Normally it must be reckoned among the responsibilities of a Finance Minister's office that, especially during the pre-budget season, he should exert himself to reassure the public about the sanity and stability of the government's economic policies. What Mr Chavan, however, has done is to use an election meeting of his party to announce what amounts to a radical and disturbing departure from the government's declared intention of refraining from indulging in the ideological nationalisation of industries.

About the only point that can be made in favour of Mr Chavan is that he has at least had the dreary honesty to acknowledge openly the political motivation of the decision which he has attributed to the government. The Finance Minister has said in so many words that, once the general election for state legislatures is over, the government would proceed to take over certain important industries. It is significant surely that he has so obviously assumed that the link between the election and the proposed programme of nationalisation does not even need to be stated, much less explained. There are people in this country who have been sedulously nursing the hope that once Mrs Gandhi gets over her personal anxieties relating to her control of her party or her party's control of Parliament and the government, she would settle down to the task of enabling and encouraging the economy to grow and develop steadily and at a faster rate. It may now be asked whether these hopeful observers are not living in a dream world of their own.

Granted that Mr Chavan is suffering from a whole row of aching political teeth and is evidently in a mood to take it out of everybody, it is significant that he made his statement about the government's thinking on the nationalisation of industries soon after what was described as a new economic policy planning committee of the cabinet had met under the chairmanship of the Prime Minister. Optimists who would like to ignore the Finance Minister's threat of nationalisation on the strength of an earlier assurance given by the Prime Minister (on the occasion of the nationalisation of the larger commercial banks) to the effect that the government was not thinking in terms of nationalising industries as a policy would do well to ask themselves whether Mr Chavan, keen as he might be to steal whatever political limelight he could, would have spoken as he did if his words were not in conformity with the Prime Minister's ideas. In our view it would therefore be rash to dismiss the Finance Minister's statement as merely so much electioneering hot air. Whether it likes it or not, the country must now learn to live with the risk that the present government at the centre will continue to travel along the path of political opportunism and adventurism and that there is consequently an ever-present danger of the Prime Minister and her colleagues subordinating the interests of basic and real economic growth to continuous slogan-mongering about abolishing poverty or removing unemployment.

This is not to suggest that Mr Chavan's declaration necessarily means that come April or earlier, the central government would be rushing through Parliament a whole body of legislation establishing public ownership over a number of industries. But we do believe that the Finance Minister has served notice on the nation that the government cannot be relied upon to make economic policies which are primarily designed to step up saving, stimulate investment, increase current production or build up industrial capacity. In this view of the government's probable performance in the economic field, it would be clearly prudent for the public to have its mental reservations about what the motivations, mechanism or consequences of the forthcoming central budget may be. That the government, like Oliver Twist, would be asking for more could be the least disconcerting feature of this budget. What must really frighten us is the possibility that this government and this Finance Minister may be deliberately going out of their way to raise additional revenue by means most calculated to do further damage to saving and investment and therefore industrial expansion. In this sense the central budget might decide the issue between those who have faith in the Prime Minister's professions of commitment to the country's economic development and the others who have more than a suspicion that the Prime Minister's supreme political purpose is power for herself and her party—power, that is, mainly for its own sake.

Poor Government in Rich State

THE KERALA budget for 1972-73 is the first to be presented by any state government in this season when there has been so much discussion about the suspension of unauthorised overdrafts by the states from the Reserve Bank and when it has also been emphasised that there should be mobilisation of additional resources for meeting increasing expenditure on non-Plan and Plan schemes. It should therefore be expected that some clue will be available about how the centre proposes to meet the situation and the state governments too make special efforts to avoid large uncovered deficits and also maintain Plan outlays at as high a level as possible. The Kerala government particularly has special problems of its own and taxes also have been levied heavily. It can therefore expect to finance rising non-Plan expenditure out of its own resources and also exploit its abundant natural resources only if there is a good industrial and agricultural base and large amounts can be borrowed without difficulty for viable schemes.

It cannot be said that the state government has done all it could to promote agricultural and industrial development and harness expeditiously its huge water resources for irrigation and generation of electricity. It should be said however that the budget proposals for 1972-73 give room for the feeling that the state's finances may be reorganised in such a way that there will not be any continuing increase in the overall deficits year by year. It is however difficult to see how this state can hope to raise the Plan outlay without larger central assistance or heavier borrowing from term lending institutions or the banking system for rural electrification, energisation of pumpsets and other purposes. Even with the levy of additional taxation of Rs 5.50 crores, there will be an overall deficit of Rs 11 crores on top of a minus closing balance of Rs 32.93 crores. The new taxes relate to the revision of sales tax to 3½ per cent from three per cent, levy of an inter-state sales tax on petroleum products sent by the Indian Oil Corporation to areas outside the state from the Cochin Refinery and an irrigation cess on land.

There will also be a suitable revision of electricity charges used for agricultural purposes while under an ordinance promulgated earlier by the government a tax will be levied on all land removing the exemption limit. This is a clear indication that there is

now greater anxiety to raise larger amounts through adjustments in water rates and electricity charges and make earlier investments in irrigation and power projects really worthwhile.

It is quite likely that the uncovered gap of Rs 11 crores will be wiped out with a larger transfer of tax revenues from the centre when its proposals are presented to Parliament in the middle of March. It is also proposed to raise sizable amounts through rural debentures for financing projects which have vital interest for the local population.

A closer scrutiny of the budget estimates however indicates that there has been a big increase of Rs 19.19 crores in non-Plan expenditure due mainly to the provision of four crore rupees for implementing the central scheme for distribution of house sites to rural workers, two crore rupees for constituting the Agriculturists' Rehabilitation Fund under the Kerala Land Reforms Act and three crore rupees for meeting the increases in emoluments of the government employees. There will besides be a subsidy of Rs 1.5 crores for meeting the losses incurred by the State Electricity Board on rural electrification schemes. Thus even with the higher level of revenue receipts, there will be a deficit of Rs 18.59 crores in the revenue budget and an overall deficit of Rs 16.50 crores.

The state has managed to avoid a bigger deficit and meet its obligation of

returning one-fifth of the overdraft of Rs 33.53 crores only with open market borrowing for Rs 8.25 crores and a special accommodation loan of Rs 15 crores from the centre. It is perhaps hoped that there will be also additional receipts on account of any proposal that might be made for an aggregation of agricultural and non-agricultural incomes following the recommendations of the Raj Committee. But all the adjustments and efforts to mobilise fresh revenues may help the state only to prevent a further deterioration in its financial position.

This is to say that there can be a big increase in Plan outlay only if there is special assistance from the centre as stated above or schemes outside the Plan framework are formulated in a manner which will satisfy the lending institutions and secure loans on reasonable terms. In the past three years it has not been possible to increase Plan outlay to more than Rs 64 crores.

Though the state represented to the Planning Commission that there should be a much higher level of outlay on new schemes, the latter did not agree to a figure of more than Rs 64 crores for 1972-73 because of the non-availability of resources and the actual allocation is only marginally in excess at Rs 64.26 crores. There will of course be a higher level of expenditure due to receipt of grants from the centre for implementing centrally sponsored schemes and for the state plans themselves.

While the efforts to tap other sources may also prove helpful it may be necessary as in the case of Mysore to form autonomous corporations for various projects and obtain institutional sup-

Eastern Economist 25 Years Ago

MARCH 14, 1947

The budget proposal to tax capital gains by bringing them within the scope of the income-tax is based upon the pattern of the USA the only one among the principal countries to impose the levy. The British income-tax law has traditionally specified that the tax is applicable only to the annual profits accruing in the "ordinary course of trade" and excludes capital gains from taxation on the ground that they are made "outside the ordinary course of trade", are not annual and recurring, but only represent "casual" incomes. Only two instances are known in British fiscal history of capital gains being subjected to income taxation; both occurred during World War I when large-scale evasion of the tax was sought to be practised by showing gains as capital gains. The first was in 1916 when profits arising from the sale of ships at enormously increased prices

were brought under taxation; and the second in 1918 when an amendment to the Finance Act was made to bring within the income tax large profits made by the Scottish distillers when they disposed of their enormously appreciated stocks of whisky as soon as the 0 per cent duty on the article was announced. The Royal Commission (1920) was of the view that nothing could be said on the score of equity for the exemption of casual or non-recurring profits from a transaction which was *prima facie* a profit making business transaction; that the tax authorities should be given sufficient powers to deal with such cases; and that profits which arise from ordinary changes of investments should normally remain outside the scope of the tax, but they should nevertheless be charged if and when they constitute a regular source of profit.

March 10, 1972

port. Kerala can spend very much more on the development of water resources and on the generation of electricity for export to other states. The forest wealth is so abundant that the plantation industries can function more profitably and fetch larger revenues for the government.

The policies of the state government however are not such as to encourage self-generating growth in many directions. There has been too much of labour unrest, fluctuations in voltage of power, hampering the operations of chemical units and discouragement of private enterprise. Also construction of the Idikki project has been unduly prolonged and the cost has been needlessly inflated because of frequent stoppages and the raising of emoluments of workers.

Though hope has been expressed that the first stage of this vital project can still be completed on schedule, it is overlooked that needless delays in the construction of a hydel project result in permanent loss of power, affecting the activities of the agricultural and

EASTERN ECONOMIST

75

industrial sectors and creating also problems for others in the neighbouring states. It is therefore necessary that there should be greater dedication to the implementation of Plan schemes and there should also be proper encouragement to entrepreneurs in the private sector.

The Cochin-Alwaye region can be developed even more ambitiously while the pending schemes for manufacturing titanium, newsprint and other products should be expeditiously taken up. While it should be said that the Kerala budget for 1972-73 marks a turning point in the state's finances, the state can hope to move forward only if a new approach is adopted to outstanding issues and new schemes are implemented with borrowed funds, and new industrial units are promoted in the private and joint sectors. It is only with an enlargement of the agricultural and industrial base that the problem of unemployment can be satisfactorily tackled and there can also be a pronounced growth in the sources of tax or non-tax revenues.

Madras Refinery in Good Shape

ALTHOUGH THE crude oil throughput at the Madras refinery could not be raised to the projected levels during the first two years of its operations in 1969-70 and 1970-71 (July-June), it is indeed encouraging to note that this refinery is well on its way to joining the ranks of the better-run concerns in the public sector. In the first year of its working, the refinery processed 1,860,000 tonnes of crude oil, as against the target of refining 1,943,000 tonnes. In the second year, its crude throughput went up to 2,086,000 tonnes, as against the target of 2,134,000 tonnes. This year it is likely to run to the full capacity of 2.5 million tonnes.

In financial terms, the refinery showed, before allowing for depreciation and interest charges a profit of Rs 118.91 lakhs in 1969-70 and as much as Rs 895.45 lakhs in the subsequent year. After providing for depreciation and interest charges, the year 1969-70 closed with a loss of Rs 367.31 lakhs, but in 1970-71, there resulted a net profit of Rs 405.01 lakhs. Thus, not only the entire loss of the first year was wiped out in the second year, but there remained also a surplus of Rs 102.50 lakhs to the credit side of the refinery's balance sheet for the year 1970-71 (after making certain other adjustments).

The 1970-71 profit, however, takes into account the crude oil price at

\$1.35 per barrel f.o.b, which was actually paid by the refinery, and not the price invoiced by the suppliers of crude—Amoco Iran Oil Company. The invoiced price was \$1.41/bbl f.o.b for the period November 14, 1970 to February 14, 1971, \$1.80666/bbl for the period February 15, 1971 to May 31, 1971, and \$1.91/bbl for June, 1971. The difference between the price actually paid and the invoiced price is yet to be accounted for in the refinery's accounts, as negotiations between the government of India and the suppliers of crude have not been completed. If the entire invoiced amount was paid, the refinery's profit for 1970-71 would have got eroded by as much as Rs 213 lakhs. This would have meant that the entire loss of the first year would not have been wiped out in the second year, but a portion of it—Rs 110.50 lakhs—would have had to be liquidated in the third year, i.e. in 1971-72. There is also another big contingent liability of the refinery—Rs 3,67,62,749—which has not been provided for. It relates to the excise duty on power plant fuel consumption. The refinery management however hopes that this duty would be waived.

Some modification might as well be necessary in the profit of the refinery on account of the recoveries from the Indian Oil Corporation, which markets the products of the refinery, under the C&F adjustment account. The entries in the 1970-71 balance sheet have been

made on the basis of the interpretation which is considered most appropriate by the refinery's management. Certain clarifications have been asked for from the union government in respect of the correct basis of the computation of recoveries due under this adjustment account. But corresponding to this, there are certain claims of the refinery on the IOC in regard to product difference adjustment account (Rs 29,53,933) and interest on delayed payments (Rs 14,38,332) which have not been taken into consideration while preparing the 1970-71 balance sheet.

The above adjustments, if fully made to the detriment of the refinery, would undoubtedly affect its profitability considerably. But if the profit is converted into a net loss through these adjustments, it should not be a reflection on the operations of the refinery. The crude oil pricing formula had been negotiated by the union Ministry of Petroleum and Chemicals as part of the deal for setting up the refinery. If through inexperience or oversight, the crude supply formula detrimental to the refinery's interest had been agreed to, the management of the refinery can hardly be blamed for it.

An interesting feature of the operations of the refinery is that its product pattern has been made a good deal flexible by the refinery engineers to suit the requirements of the region served by it. Thus, whereas the output of low-priced furnace oil has been brought down substantially, the production of other fractions which command high prices, especially light and middle distillates, has been raised much beyond the designed capacity. In 1970-71, the refinery produced 480,000 tonnes of kerosene, as against the designed capacity of 360,000 tonnes. The output of motor spirit was raised to 150,000 tonnes, as against the designed capacity of 120,000 tonnes. The production of domestic gas, similarly, exceeded the designed capacity of 10,000 tonnes by as much as 8,000 tonnes. The output of asphalt was stepped up from the original 1970-71 planned output of 80,000 tonnes to 200,000 tonnes to meet the growing requirements of this product.

The profitability of the refinery should improve substantially with the establishment of the wax refining project which has been cleared by the union government. Estimated to cost about Rs 3.5 crores, this project would yield 20,000/25,000 tonnes of wax per annum. The domestic demand for wax has grown rapidly in the recent past. This has necessitated banning of exports. Despite stoppage of exports, the product is in short supply. To some extent the gradual liquidation of the loans taken by the refinery during the cons-

truction stage, both in rupees and foreign exchange, should as well help in improving its profitability. Already one-third of the \$21 million foreign loan has been repaid and the government loan of Rs 20 crores has been brought down by Rs 6.5 crores.

The major problem of the refinery, however, is the price of crude oil. Recently, the suppliers of crude are reported to have agreed to bringing down their price by 10 cents a barrel. But even this cut will not bring the price of crude for the Madras refinery at a par with what the private sector refineries

are paying for their crude oil supplies. While efforts at revising the pricing formula for the crude oil supplies to the Madras refinery have to be continued till a satisfactory solution is found out, the port facilities at Madras have to be improved expeditiously. For want of proper port facilities, the refinery cannot bring its crude supplies in large tankers for more than nine months in a year. This considerably raises ocean freight. A good deal of saving can be effected on this count if the Madras Port Trust fulfils the assurances it has been holding out.

Exports : Sea Versus Air

THE GOVERNMENT of India has recently set up a working group to consider measures for encouraging the export of goods by air. Mr T.K. Sarangan, Director of Transport in the Ministry of Foreign Trade, is the chairman of the working group. The other members represent the Directorate General of Civil Aviation, Central Board of Excise and Customs, Air-India, Indian Airlines, the State Trading Corporation of India, and the Operations Research Group of Baroda. The government of India seems to have decided to promote the export of goods by air in view of the delays and difficulties experienced in transporting them through the sea. The government is presently collecting data from industrial associations regarding identification of the products that are suitable for air transport, the concessions that may have to be offered to shippers to switch over to air freight, and the volume of air business that can be anticipated in the near future.

The export of goods by air has been assuming greater importance in many developed countries. It has been estimated that the total volume carried by the scheduled airlines of the International Air Transport Association was 10,070 million ton/km in 1969 compared to 2,160 million ton/km in 1960, a rise of nearly 360 per cent. But air cargo forms only 0.04 per cent of the total world trade in terms of weight and volume.

Air freight, though much costlier than surface transport, has many obvious advantages such as speed, safety, maintenance of quality, saving in labour costs as well as in inventory and warehouse space, and lower rates for insurance. Economy in packing costs can also be achieved in air freight. But air freight at present is suitable mainly for certain commodities such as flowers, fresh fruits and vegetables, electrical components, hides and skins, marine products, instruments, giftware,

drugs, perfumes, essential oils, jewellery and ready-made garments.

Air-India has already made a beginning in promoting exports of many non-traditional exports; and in the coming months it can play a more important role. With the introduction of the Generalised System of Preferences, new opportunities have arisen for Indian businessmen to introduce their products to the sophisticated markets of west Europe, Japan, the USA and many other countries. Though these preferences in many cases have been subject to quotas and other limitations, the

scheme does open up vast scope for diversifying our exports. If the government of India can finalise its proposals to encourage exports by air, the country will stand to gain in terms of more earnings of foreign exchange.

As the journal, *Forum*, issued by GATT, recently pointed out, "Although the situation varies to some extent, depending on area and commodity, freight rates out of developing countries are generally 50-75 per cent less than rates into the same country. While this is a boon to exporters from developing countries, it is also an advantage to the airlines. It is necessary for profitable operation that the load factor between the points is fairly balanced in each direction. By lowering the rates from developing countries, the airlines make air freight more attractive or feasible and thereby generally achieve their break-even point". The working group may be expected to offer appropriate recommendations which will make it more economical for our exporters to move their goods by air than by sea.

In this context, it is worth noting to what extent air transport is used within India for the movement of export cargo. The Operations Research Group, Baroda, in a study has estimated that

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects, as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

The Manager,
Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

although four per cent by value of India's exports is transported by international air carriers, 88.5 per cent of that cargo moves to India's international airports by road transport, 3.5 per cent by rail, and only 8.0 per cent by domestic air transport. The study says that of the total air cargo exports from India in 1969-70 at Rs 54.6 crores, Bombay accounted for 56.6 per cent of the total tonnage and 54.9 per cent of the value, Calcutta 20.1 per cent of the tonnage and 15.3 per cent of the value, Madras 10.8 per cent of the tonnage and 14.1 per cent of the value, Delhi 10.3 per cent of the tonnage and 8.7 per cent of the value, and the other ports 2.2 per cent of the tonnage and 6.8 per cent of the value.

The movement of export cargo by air within India has not progressed much because of insufficient capacity with the airlines, complicated customs clearance formalities, and the high cost. The rate structure of the Indian Airlines, it is stated, discriminates between domestic air cargo and domestic transport in connection with international trade. The rate for the former varies from 109 per cent to 156 per cent of the former for identical movements, according to the Operations Research Group.

Even if Indian exporters resort increasingly to air transport, as a result of the recommendations that may be made by the working group, it is obvious that the bulk of our export cargo especially of traditional goods will have to continue to move through ships. It is therefore necessary that the shipping problems should receive from the government of India far more serious attention than hitherto. The major difficulties faced by our exporters relate to excessive freight rates, lack of direct shipping services, irregularity of services, and non-availability of sufficient space. The lack of latest types of equipment in some of our major ports to handle efficiently the changing variety of cargo is another handicap.

The All-India Shippers' Council and other organisations have often forcefully represented to the government about the hardship caused to exporters as a result of the fixation of specific rates at excessive levels, charging the freight on measurement basis where weight is more appropriate, and discrimination in the freight rates. From time to time the freight rates have been increased steeply without giving adequate notice to the parties concerned. These practices and procedures are not conducive to the promotion of our exports especially of the non-traditional goods. It is also reported that the frequency of services is inadequate even in regard to such neighbouring countries as Ceylon, Burma, Singapore, Malay-

sia, Thailand, Mauritius and the Philippines. The absence of sailings to South American and Caribbean ports is said to be a handicap to the promotion of exports to this region.

Many Asian countries in the recent weeks have attempted to bring about close co-operation among themselves on various problems relating to shipping. The Economic Commission for Asia and the Far East (ECAFE) has taken some commendable steps to achieve regional co-operation in the field of shipping. Many valuable studies

have been undertaken on this subject and much useful data have been collected regarding the specific areas where co-operation will be of greater advantage to the countries of this region. But a great deal more has to be done to enable the shipping industry to equip itself adequately in order to be able to serve efficiently industry and trade in the ECAFE region. Meanwhile, government should see to it that, while evolving a scheme to popularise export by air, the hurdles in surface transport do not stand in the way of increasing our earnings of foreign exchange.

SUBSCRIPTION ORDER FORM

MANAGER
THE EASTERN ECONOMIST LTD.,
New Delhi.

Please register my/our name for a copy of Eastern Economist Weekly/Records and Statistics Quarterly for a period of one year/six months from _____

A sum of Rs _____ is being sent by M.O.
sent herewith

Address (block letters) _____

Signature _____

RATES OF SUBSCRIPTION

	Inland	Foreign
EASTERN ECONOMIST (Published every Friday)		
Annual Subscription	Rs. 85.00	£ 7.00 \$ 17.00
Half-Yearly Subscription	Rs. 45.00	£ 3.50 \$ 9.00
RECORDS & STATISTICS (Quarterly)		
Annual Subscription	Rs. 16.00	£ 1.50 \$ 3.50
Single Copy	Rs. 4.00	£ 0.40 \$ 1.00

Note- Subscription may commence, for the sake of convenience, from the first of any calendar month.

The back issues of previous years available; rates on enquiry. It is requested that payment for the required period be sent along with instructions.

Foreign air mail rates on application.

Why Slow Industrial Growth ?

K. N. MODI

THE FOURTH five-year Plan aimed at increasing industrial production by 8 to 9 per cent per annum but during the last three years we are lagging far behind and year after year the growth rate is falling. While in 1969 industrial production rose by 7.1 per cent, in 1970 it fell to 4.8 per cent and in the first five months of 1971 (January-May) industrial production rose by only 1.8 per cent. It may be true that the index of industrial production is defective but there is no denying the fact that there has been considerable de-acceleration of industrial growth which is a matter of great concern and all of us whether in the government or industry must find out practical solutions for accelerating growth of industries.

In order that we may recover the lost ground in the remaining period of the fourth Plan or thereafter, we must aim at achieving an industrial growth rate of from 12 to 15 per cent per annum. Indian labour and management is as capable and hard-working as anywhere else in the world and there is a strong desire amongst all of us for faster industrialisation. Whenever the government has asked for the creation of new capacities, applications for industrial licences have been forthcoming in large numbers. In recent months, when the government invited applications for setting up plants for paper, soda ash, tractors, scooter or other scarce items, there was a flood of applications for the projects.

Earnest Desire

Even in general there has been a great desire among industrialists for starting new units and/or expanding the capacity of existing ones whether in backward areas or in industrialised centres. This is evident from the fact that the number of applications for industrial licences is increasing fast. During 1970, over 3,000 applications were submitted to the government and the number of applications received in 1971 would have been even higher.

The Ministry of Industrial Development no doubt has accelerated the clearance of applications for industrial licences and during January-August 1971, 1,089 applications were cleared as against 701 in the whole of 1970. There have also been more issues of capital goods import licences. During April-August 1971, capital goods licences

valued at Rs 1,000 crores have been issued as against Rs 550 crores during the same period of last year. In every country there is a time-lag between investment decision and creation of capacities. This has further increased in India because of various formalities and problems. If we desire to get quicker results out of letters of intent or industrial licences issued, there is need for rationalising procedures, accelerating decisions at every stage, liberal and practical interpretation of laws and speedy clearance for foreign collaborations and from the Capital Goods Committee for the import of machinery, foreign exchange release, import licensing, approval from the Controller of Capital Issues, arranging credit and other clearances under state and central laws all of which are essential formalities even for units which do not belong to large or larger houses.

Severe Test

In the case of units requiring clearance from the Monopolies Commission, the time involvement further increases. Even though the proposals are passed by the Licensing Committee, they have to undergo a severe test under the MRTP Act. Before the Ministry of Company Affairs clears the proposal, it seeks the views of the administrative ministries to which such proposals relate besides asking the entrepreneurs to submit replies to their multiple queries.

While the Ministry of Industrial Development has accelerated the issue of licences, other clearances are taking longer and longer to be effected. While earlier if the capital issue was not decided in 30 days, one could go ahead but now one has to wait till a decision is taken. In order to speed up matters there should be an inter-ministerial committee which may give simultaneous consideration from various points of views concurrently rather than in a chronological order. If the Licensing Committee examines the application from the MRTP angle also and declares foreign collaboration and release of exchange simultaneously, there can be considerable saving of time and speeding up of industrialisation.

The creation of a separate cell in the Ministry of Industrial Development to help industrialists to get other clearances

speedily once an industrial licence has been issued will also go a long way towards accelerating growth. The cell should be in constant touch with industrialists and should take up follow up action for implementation of licences issued and removal of problems with the concerned ministry or department.

In many industries such as soda ash, graphite electrodes, paper, nylon, caustic soda etc. there are shortages because government did not issue licences earlier on capacity constraint. When the fourth five-year Plan clearly stated that targets are indicative, they should be treated so by the Licensing Committee and if industry feels that there is justification for creation of additional capacity it should be allowed to do so. There have been cases where applications for additional capacity have been rejected and after a lapse of five or six months fresh applications have been invited, resulting in loss of valuable time to the nation.

Foreign Exchange Constraint

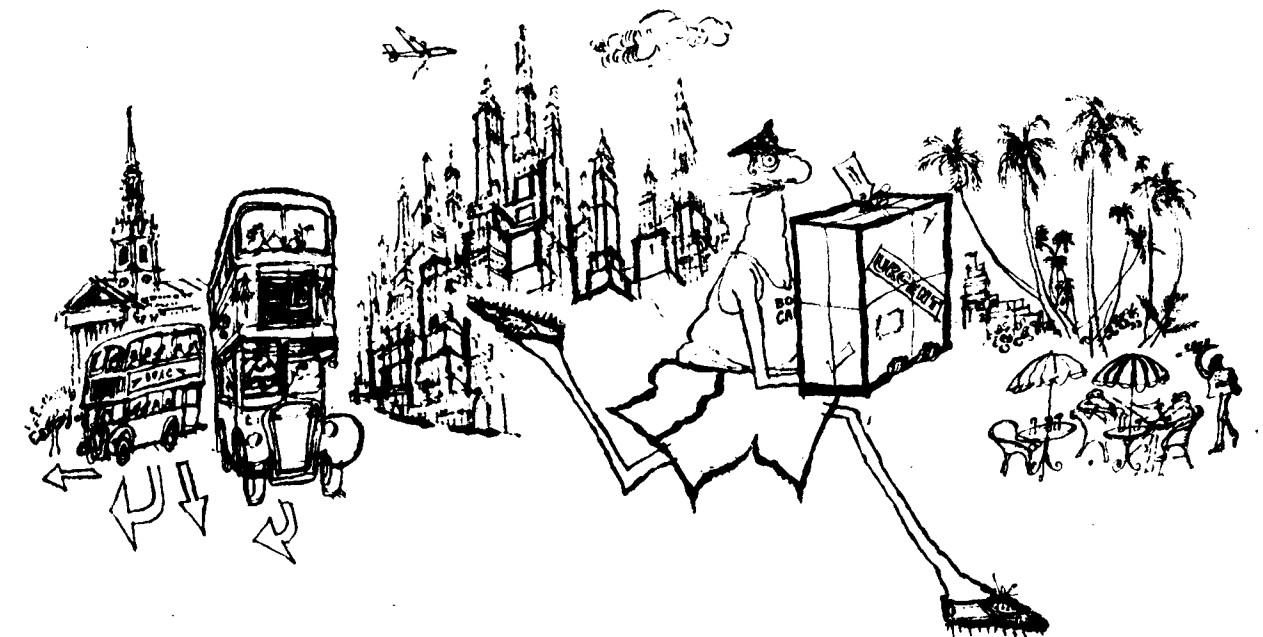
Investment up to one crore rupees does not require an industrial licence and there has been liberalisation of import procedure for such investments. However, even in these cases, release of foreign exchange is not automatic and other clearances are required more or less in a similar way as for bigger projects. Therefore, their growth also is not fast enough. For speedy growth of the medium sector, it is necessary that there should be automatic and speedy allocation of foreign exchange for them.

There are nearly 200 backward districts in the country whose development is very essential and government has given a number of concessions and subsidies for development of these areas, but even then growth is not taking place. Why?

First it is not possible to develop any area merely based on small-scale industries. Small-scale industries can grow only when large and medium industries also develop and, for development of backward areas all encouragement should be given to the medium sector. Therefore, eligibility for subsidies and concessions in backward districts should be raised from Rs 50 lakhs to Rs 2.5 crores.

There are a number of difficulties in obtaining steel, bricks, raw materials etc. in backward districts and there are also problems of transport and communications. As infrastructure cannot be built overnight throughout the country, some focal points should be selected where industrial towns/estates should be established and all facilities made avail-

Fast to London, the Americas and the Caribbean!



If your cargo is urgent, you can fly it to the Caribbean or the Americas faster ... via London!

It leaves India on any one of 24 BOAC passenger flights from Delhi, Calcutta and Bombay, or three all-cargo flights from Calcutta — every week to London.

There it is trans-shipped by the most advanced cargo-handling system in Europe — the new, fully-automated BOAC International Cargo Centre. In a matter of hours, it can be on its way to Port of Spain, Barbados, Georgetown, Montreal, Toronto, Boston, Chicago, Detroit, Los Angeles, Buenos Aires, Sao Paulo, Rio de Janeiro or Lima.

And get there faster than by a direct, infrequent service!

Your cargo agent will tell you how BOAC Air Cargo can save you time and money. Call him — soon.

Fastest off the ground.



Gopal works for Century Rayon 8 hours a day

Century Rayon looks after Gopal the other 16 hours



Gopal is one among 7000 workers at Century Rayon. He works an 8-hour shift. When he's off duty, Century Rayon strives to keep him off the everyday worries.

Like lunch-break, for example. He doesn't have to worry if his food has not arrived from home. He gets his at the subsidised canteen. A wholesome meal at a fraction of its cost.

After work hours, Gopal returns home—a subsidised house in the Century Rayon Colony, to have his family under a roof. The next-to-factory colony also saves him the bother of transportation.

Medical help is within a 'calling' distance. Leisure finds Gopal & his family playing indoor or outdoor games. Or, watching a movie with the family, once a week. Courtesy: his welfare club. So the next day, Gopal returns to work a happy man.

It takes a lot more to keep Gopal and his 6999 colleagues happy. During the 16 hours they aren't working.

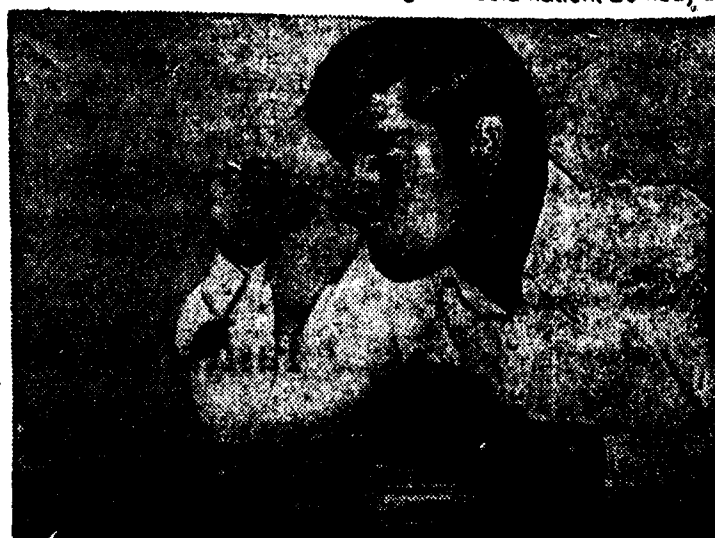
Belief of Century.
a happy worker is a happy company.



Century Rayon

Industry House, 159, Churchgate Reclamation, Bombay-20.

Cam/c/15



able. Further, for large and larger houses, the government should consider to give licences more liberally and without reference to the Monopolies Commission if the size of the project is substantial and it can help in the growth of ancillary industries.

Recently it is becoming increasingly difficult to raise capital from the market or get long-term capital from financial institutions. The issue of new capital is becoming increasingly difficult because of depression in the market and the low rate of savings at 9 to 10 per cent of the income. Therefore, in the third quarter of 1971 initial issues amounted to only Rs 2.4 crores as against Rs 14.8 crores during April-June, 1971, and Rs 8.3 crores during January-March, 1971. If we have to accelerate economic growth, we must increase the savings rate to 15 to 20 per cent per annum through fiscal incentives and other measures. Till this becomes possible, debt equity ratio should be liberalised by long-term financial institutions which are the only source for providing borrowed capital. West Germany and Japan could industrialise fast because it was possible to borrow capital up to even 80/90 per cent. Further, to solve the problems of capital shortage, inter-company investments should be encouraged rather than discouraged.

Credit Requirements

Though the over-all advances of commercial banks at the beginning of October, 1971, at Rs 5,385 crores were higher by Rs 557 crores compared to a year ago, still the industries are facing great difficulties in getting working capital. In view of rising prices of raw materials credit requirements of industry are rising but when they are not allowed to borrow more than the preceding year, it becomes difficult for them to operate. The increase in the margin requirements also hit industry hard. This is particularly true for cotton textile industry. Further, for manufacturing units requiring credit above one crore rupees, there is an additional difficulty in getting timely credit because such applications are required to be referred to the Reserve Bank of India by commercial banks.

In Japan, West Germany and the USA, there is acute shortage of manpower and hence they are very much interested in establishing industrial ventures in India specially for exports for which all encouragement should be given and our policies for joint ventures should be more flexible than hitherto, because there is a vast opportunity for industrialisation through import of foreign capital and know-how. As foreign collaboration fill the gap between international technique and our

own technique, it should be welcomed and the entrepreneurs should have greater freedom to decide whether in a particular line foreign collaboration is required or not. As the National Council of Applied Economic Research has stated in a recent study, the government should only fix the royalty rates and other terms and conditions, and the entrepreneur should be the sole judge whether the foreign collaboration is desirable or not.

In order to conserve foreign exchange it may be correct policy to buy monopoly rights to secure know-how and encourage the use of the same technical know-how by a number of units. However, when there are fast technological developments in the world, this may not always be desirable. If a new technique is developed, we should prefer to import it rather than have the same technique as other units are having, otherwise we will be left behind. Further, when a technology is bought by an industrialist, he would prefer not to part with it to others.

Shortage of Raw Materials

At present there are shortages of a number of critical raw materials such as iron and steel, cotton, nylon, copper, aluminium, paper, mild and alloy steel, scooters, automobiles, tractors, synthetic rubber, glycerine, bearings, graphite electrodes, industrial machinery, spare parts etc. This is holding the country back and causing overall fall in industrial growth in other sectors, mainly engineering and textiles.

The shortages are for two reasons:—

- (a) Non-utilisation of existing capacities, and
- (b) shortages of capacities.

A large number of industries are working much below their capacities and under-utilisation extends up to 75 per cent of installed capacities, resulting in colossal waste of the nation's resources, holding employment potential and reducing the rate of industrial growth.

The factors of under-utilisation differ from industry to industry. Shortage of steel is one of the important causes in the case of a large number of engineering industries. Lack of demand for certain items such as railway wagons and diesel engines, problems of spare parts and maintenance equipment in fertilizer, iron and steel plants and labour unrest are important causes which should be looked into and remedial measures taken up speedily.

Iron and steel is a basic industry in

which there are acute shortages, resulting in fall of production in a number of other industries. Iron and steel industry has a capacity of 6.7 million tonnes but in 1969-70 production was 4.8 million tonnes which fell to 4.5 million tonnes in 1970-71 and in the current year is running at the rate of 4.2 million tonnes per annum. In spite of the best efforts of the government, production is not rising due to labour trouble and maintenance problems.

Steel Plans

While every effort should be made to improve the working of existing plants, other measures are also called for because, even if there is production to capacity, there will be substantial steel shortage. The fourth Plan envisaged expansion of capacity by 4.5 million tonnes, out of which 1.7 million tonnes was to be produced by Bokaro. According to present indications Bokaro will not go into production in the fourth Plan and expansion of Bhilai is also behind schedule. Therefore, there may be shortage of two million tonnes of steel by 1973-74.

This gap should be filled through sponge iron units, electric arc furnace and continuous casting, rather than spending more and more foreign exchange on imports. As these plants can go into production in two years as against four to five years needed for integrated steel plants, they should be encouraged rather than waste time on the controversy on mini steel plants. These plants can, however, be economical only when the same unit is allowed to produce sponge iron, erect electric arc furnace and continuous casting plant. Therefore, the recent issuance of licences to different factories for different operations may not make this venture a success. Further, for the growth of these plants, sponge iron units should be licensed, additional capacity should be created for electrodes, refractories and electric arc furnace producing industry.

Cotton textiles is a very important industry, but unfortunately it is in a very bad shape. There are persistent cotton shortages holding textile production. We have fixed the cotton production target at 84 lakh bales for 1973-74 but in 1970-71 production was 53 lakh bales and in the current year may not exceed 58 lakh bales. As even after the introduction of Cotton Development Scheme in 1971 we will not be able to produce cotton to the required extent, synthetic fibre industry should be allowed to expand to substitute imported cotton. The man-made fibre industry is keen to expand, but there are governmental restrictions. For example, ny-

lon manufacturers are so keen that they have even given an undertaking that they can create additional capacity within 12 to 18 months and would be able to reduce prices by 10 to 15 per cent but even then they are not allowed to expand. Due to pegging of prices, the financial position of the industry is in very bad shape and a large number of companies are working at a loss. The Reserve Bank of India studied balance sheets of 276 companies for 1966-67 and 1967-68 out of which 58 companies were working at a loss. In the last two years due to the rise in prices the situation has further deteriorated.

The industry has been anxious to modernise for a long time now, but it has been denied to do so except in the case of exporting units. A number of committees have been appointed which have recommended modernisation but neither were the applications approved nor finances made available.

According to press reports at present 2,397 factories remain closed. Contrary to the general impression the largest number of closed factories are not in West Bengal but in Mysore where

603 factories are closed as against 336 in West Bengal. This suggests that there are deep-rooted causes for closures.

Several factors are responsible for closures which have rendered labour and capital idle. The labour unrest, lack of financial resources and out-dated machinery are causes for closures. Some of these mills are beyond salvage, because like any other physical asset there is a life span for plant and machinery too and there is no use in sinking capital in them, but those which can be run economically should be restarted. Those entrepreneurs who are willing to take over and run closed factories should be given certain concessions in taxes. When these factories are taken over by existing units, losses of closed factories should be allowed to be set off only against the profit of these units.

In order to improve the working of units functioning below capacity, labour-management relations must also improve, especially when the country is facing a difficult political situation. Strikes, lock-outs or go-slow should be avoided through an industrial truce for the next three years.

Retailing Problems in W. Europe

K-K-TAIMNI

EVEN AS competition is increasing in retail trade in western Europe, in the wake of rapidly increasing standard of living, retailing institutions are facing a host of problems, hitherto unknown to them. An expert on retailing listed at least one hundred main problems which the retail trade faced in western Europe. He had listed these problems under the broad heads of, (a) outward framework set by the society, (b) retail problems on the whole-sale side, (c) retail problems on the customer side, and (d) real retail problems, i.e. type of shops, assortment, shop equipment, sales techniques, pricing, staff problems, cost problems, administration, rationalisation of work and competition.

No doubt many more can be added to this list.

An attempt to discuss the nature of only a few of the more important problems is made in this article and is primarily based on the writer's personal studies made recently in some of the countries in western Europe.

The most important problem encountered by the retailer is that of rapidly increasing wage bill of the employees. During the last few years most west European countries have ex-

perienced exceptionally heavy increases of wages. In Sweden, for instance, retail wages went up by 87 per cent between 1963 and 1970, according to the trade journal *Fri Kopenskap*. This means an annual increase of 9.3 per cent on average. In Britain, many workers have got raises of 10 per cent or more in 1970.

There are almost no figures available giving the increase in productivity in the retail trade. It is, however, common to estimate this figure at 0.2 per cent per year in distribution — a little more in wholesaling and correspondingly less in retailing. For comparison, it may be mentioned that the corresponding figure in industry is much higher, almost eight per cent per year.

Wages in western Europe today represent the biggest item in retail cost structure. Usually these come to 50 per cent of the entire retail margin.

When productivity in industry is increasing at eight per cent per annum, wages of industrial workers are also increasing, though not at the same rate, and under conditions of full employment it is difficult for the retailer to withhold increase in wages of his workers if he wishes to retain his employees for any length of time. This increase must

of necessity be reflected in an increased margin or — which is more seldom the case — in a decrease of other retail costs, or else surplus is effected.

Today wages bills come to nearly 13-15 per cent of the sales in non-food items and 7-9 per cent in food items in the bigger retail shops.

It is this rising trend in wages, apart from a few other factors, which has been responsible for the development of new distribution channels. Many new selling techniques have been introduced and great efforts are being expended on rationalisation, employment of part-time workers and de-skilling the jobs of workers at the lower levels; to this list may also be added decrease in service to the customer, better assortment and stock control, closing down of small shops and the use of piece rate system.

Self-Service Shops

Enormous reduction in wages has been achieved all over Europe with the introduction of self-service in food shops and discount stores and setting up of super markets in place of small size shops.

Speaking about self-service, one should always remember one of the pioneers of this system, whose name is to be seen on many shops, F.W. Woolworth. In 1879, he found out that a customer who is allowed to touch an article on display will buy it more readily than the one who is not allowed to do so; but it was not until 1957 that self-service began to spread like wild fire, particularly in West Germany.

Today, 90 per cent of all groceries are sold through self-service stores in the United States. In West Germany roughly 60 per cent of all foodstuffs are handled by self-service shops.

The institution which has come to be closely identified with self-service is that of the super market. Super market is defined as a self-service shop of 400 sq. metre selling space or more, selling non-food as well as a complete range of food goods.

Self-service has been nick-named as 'tempestuous revolution' and all experts predict that gradually the entire foodstuffs trade will be handled by self-service shops in western Europe. The number of self-service establishments which was 1,87,600 in 1970 is expected to go up to 2,48,000 in 1975. It is also estimated that the number of super markets will go up to 11,015 in 1975.

Mounting salary costs have also resulted in increasing use of machines for

retail sales. It is common to observe vending machines from which the passer-by can buy, among other goods, cigarettes, sweets, warm or cold drinks and even stockings. "The trick of making automatic selling work does not consist in abolishing the salesman, but in making his merchandise available round the clock", an experienced hand in the business recently remarked.

Notwithstanding its many drawbacks, automatic selling is spreading because of the advantages such as low staff costs, small selling area, optimum store-keeping, easy book-keeping and no losses due to theft. The last aspect has of late been a source of constant worry to many a retailer. Pilferage in shops is a delicate problem. It may be carried out by delivering drivers, by the shop staff or by the customers. With few exceptions the latter problem i.e. pilferage by customers, is considered to be the most important and also the most difficult to tackle.

Incidence of Pilferage

A recent study reveals that even otherwise honest employees at times indulged in pilferage as they considered the organisations that they were serving as too impersonal and thus they did not suffer from any qualms of conscience while indulging in such an activity.

Many measures have been taken to control this incidence of leakage: employment of private detectives, close-circuit TVs, even hidden cameras and the like have been introduced, but leakages somehow do occur and the incidence, if anything, is still increasing.

Traditionally most of the shops were located in the central localities of the towns, but now when almost every second family has a car many problems specially of traffic congestion and parking have arisen for those who would like to go to the central area to make their purchases.

The retailer has quickly responded to this recent change and has gone out of the central area to out-of-town locations. Two major innovations have followed; discount stores and shopping centres. Some of the aspects relating to discount stores have been discussed earlier* and if the current trends are any guide this form of retailing is going to capture a major share of the market in the future.

Various studies on consumer preferences in recent years reveal that the consumers always prefer an interesting

*Taimni, K. K., "Changing Pattern of Retail Trade in Europe", *Eastern Economist*, October 1, 1971.

and exciting purchase. In short, she wants:

- Attractive appearance and a variety of outlets and merchandise, choice of service and entertainment.
- Everything under the same roof or at least close to each other.
- Good parking facilities.
- Low prices.

In the early 1950s the American retailer met these demands by building new 'artificial' shopping centres outside the cities, 'on the village green'. The shopping centres combined department stores and speciality shops — large, medium, small establishments — under the same roof and they offered their customers plenty of parking space. Centres for entertainment and other social and cultural facilities had been subsequently added to these centres to make them attractive as compared to the city centres. Even as slum clearance is being carried out and new cities are being built in Europe, compact shopping centres, slightly different from, and much smaller than their American counterparts, are being provided in all such new places. In fact, a new hierarchy of these centres — neighbourhood centres, community centres and regional centres — has developed over the course of time. A regional centre usually has 40 or more retail outlets with 30,000 to 1,30,000 sq. metre selling space. All kinds of things are available and there is at least one department store in the centre. Some 1,00,000 to 2,50,000 potential shoppers reside within a catchment area of 30 kilometres (by car). It has a parking lot for 5,000 or more cars.

Other Facilities

Among the other facilities that are available within a regional shopping centre are: church, cinema, office for social welfare, mother and child centres, family hotel, medical centre and dental clinic, labour exchange, home for aged, club rooms etc. (One can actually find all these facilities in Vallingby in the environs of Stockholm, Sweden. This writer had an opportunity to study this centre recently).

Psychologists attribute the tremendous success of shopping centres to the customer's in-built preference for the leisurely way of shopping to the sound and bustle of the cities' business centres. Fountains in the arcade and music in the cafes turn the shopping centres into pleasant amenities for the customers.

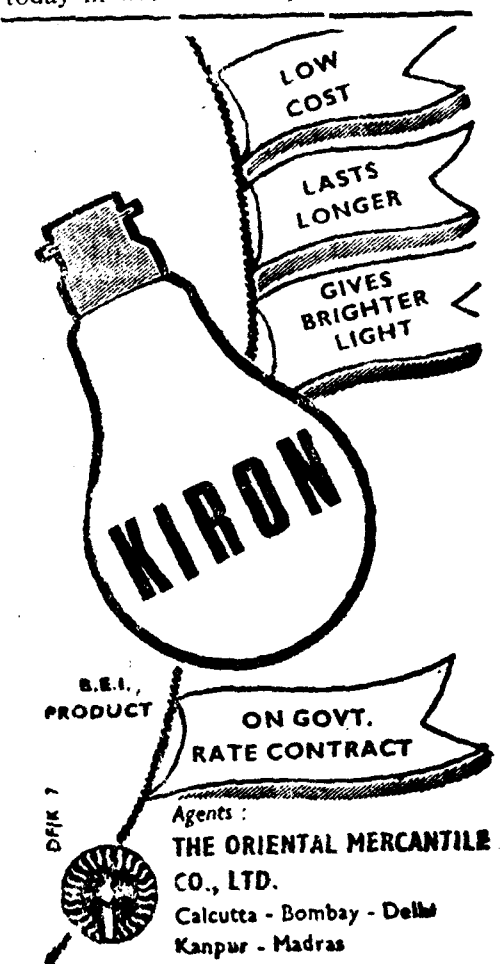
In western Europe, such a centre not only serves as a shopping facility for the purchase of bread, cheese, shirts

and shoes, but as the cultural, spiritual and administrative hub of a new housing estate and as such assume functions which the city centres had fulfilled for centuries.

Another problem that is faced by the retailer is that of dual distribution by the manufacturers of branded articles. Manufacturers, of late, have set up their own retail outlets to sell the goods manufactured by them. The retailers have tried to overcome this problem by backward integration with processing and manufacturing, introducing their own brands, organising themselves into 'buying co-operatives' or joining voluntary chains. The problem, however, seems to be far from being solved and this aspect is engaging the attention of many retailers and manufacturers in the field.

The rising standard of living has made the customer intelligent, smarter and exciting in her demand. She wants neat and chic environments, minimum time for payment once she has decided to make purchases, good packaging and host of other services. Retailers have also superbly responded to this challenge and provide environments which simply induce the customer to make purchases.

No wonder, the retailer is considered to be a merchant of hopes and dreams and desires in the consumer society of today in western Europe.



Inter-State Disparity in Agriculture

A. NAGESWARA RAO & M. MEENAKSHI BAI

AN AGREEABLE pattern of development is revealed by a study of some facets of farming during the period 1956-65. The aspects studied in this article are: (i) increase or decrease of disparities amongst the different states in India, (ii) agricultural development with respect to chosen norms, and (iii) levels of yield-rates for some selected crops. A similar study has been made in the case of industrial development¹, wherein it was empirically shown that for industrial sector there is a general decrease in disparities amongst states in India. In the present study also a similar finding is arrived at for the agricultural sector.

Epochs of Time

It is proposed to examine the agricultural development as exhibited after the second and third five-year Plans and incidentally prior to the onset of green revolution. For this reason the epochs of time are chosen as 1956-57 and 1964-65². The three important aspects of agricultural development, viz., (i) total area sown, (ii) area sown more than once, and (iii) gross irrigated area are taken as 'indices' of agricultural development. The choice of the indices are motivated by the widely accepted criteria of agricultural growth, viz., extensive cultivation, intensive cultivation and cultivation under improved agricultural facilities. With this background, the general growth-pattern through the period under consideration can be viewed in Table I. In Table II, the inter-state disparities are given and Table III indicates the levels of yield rates of the selected eight crops,³ viz., rice, wheat, jowar, bajra, gram, groundnut, sugarcane and cotton. To examine the disparities the simple formula $\Sigma_i [P_i - P_i']$ is used (1) while for the study of the yield-rate levels of the selected crops, the non-parametric⁴ sign test (2) is used.

Table I gives the percentage increases or decreases in 1964-65 over 1956-57, in the total area sown, in the area sown more than once and in the gross irrigated area.

Strikingly, Orissa, generally considered to be backward⁵ in agricultural development, showed a remarkable progress with reference to all the three indices amongst all states. A similar remark applies to Bihar too. The so-

called agriculturally advanced states such as Punjab and Madras (Tamil Nadu) reveal a rather discouraging picture. It may be due to the fact that these states might have already reached their saturation point while the other states are yet to reach the optimum level. The average states such as Andhra Pradesh, Mysore and Kerala, show encouraging signs of development.

Table II gives the measure of disparity in agricultural development at the inter-state level between the years 1956-57 and 1964-65. It may be noted that the measure of inter-state disparity, $\Sigma_i [P_i - P_i']$ assumes the value 200 when disparity is ideally maximum, and zero when disparity is ideally absent.

With reference to area sown more than once, the value of the measure is 49.12 in 1956-57 as against 49.70 in 1964-65 showing very little increase. This may be interpreted as the two Plans having little influence on intensive cultivation. This can serve as a pointer to the planners whether a better harnessing of or planning for the facilities for intensive cultivation could be taken up.

In contrast to this stands the situation with respect to the improved agricultural facilities. The inter-state disparity in gross irrigated area at 55.64 in 1956-57 got reduced, not meagrely, to 52.14 in 1964-65. This may be interpreted as a result of the direct influence of irrigation projects, rural electrification and installation of ad hoc equipments like tube-wells.

Using sign test (2), the levels of yield-rates with respect to the selected crops is studied and Table III gives the relevant data.

Only rice, wheat and jowar reveal significant⁶ development (i.e., higher yield-rate levels) while in the case of others much needs to be done to bring them to a satisfactory pace of development. Incidentally, this leads to the belief that planners are giving more stress on food crops than to commercial crops (which secure foreign exchange)⁷. A well balanced agricultural development is attained when commercial crops are also fairly patronised⁸.

The following conclusions emerge:

1. In general, the inter-state disparities in agricultural development are getting reduced as a result of the Plans. This is certainly a happy feature to be noted in as much as the so-called proclaimed aims of planners based on the principle of "socialistic pattern of so-

TABLE I

PERCENTAGE INCREASES OR DECREASES IN 1964-65 OVER 1956-57

S. No.	State	Total area sown	Area sown more than once	Gross irrigated area
1.	Andhra Pradesh	2.47	25.79	8.17
2.	Assam	1.32	16.84	-1.43
3.	West Bengal	5.44	8.78	16.74
4.	Bihar	9.19	48.84	25.49
5.	Bombay	2.57	22.72	34.01
6.	Kerala	11.31	15.54	8.84
7.	Madhya Pradesh	6.29	5.15	25.71
8.	Madras	3.40	1.57	11.72
9.	Mysore	4.34	14.56	32.07
10.	Orissa	19.29	177.51	52.30
11.	Punjab	1.25	-6.98	17.02
12.	Rajasthan	5.50	-24.82	20.72
13.	Uttar Pradesh	3.01	9.56	17.78
14.	Delhi	-9.53	-27.94	3.75
15.	Others	20.10	36.35	13.10
	India	5.13	10.25	18.93

Source: The Times of India Directory & Year Books including Who's Who, 1960-61 and 1967.

TABLE II

VALUES OF INTER-STATE DISPARITY MEASURE (FOR AREA SOWN MORE THAN ONCE) AND GROSS IRRIGATED AREA

S. No.	State	1964-65					1956-57				
		Total area sown % P	Area sown more than once % P'	P-P'	Gross irrigated area % P''	P-P''	Total area sown % P	Area sown more than once % P'	P-P'	Gross irrigated area % P''	P-P''
1.	Andhra Pradesh	8.13	6.25	1.88	11.99	3.86	8.34	5.74	2.60	13.18	4.84
2.	Assam	1.75	1.94	0.19	2.00	0.25	1.63	1.92	0.29	2.41	0.78
3.	West Bengal	4.08	4.40	0.32	4.75	0.67	4.06	4.68	0.62	4.84	0.78
4.	Bihar	7.05	16.27	9.22	7.28	0.23	6.79	12.63	5.84	6.90	0.11
5.	Bombay	18.63	7.23	11.40	7.25	11.38	19.09	6.82	12.27	6.44	12.65
6.	Kerala	1.57	2.04	0.47	1.60	0.03	1.48	2.04	0.56	1.75	0.27
7.	Madhya Pradesh	11.96	10.32	1.64	3.45	8.51	11.82	11.34	0.48	3.26	8.56
8.	Madras	4.58	5.21	0.63	10.69	6.11	4.65	5.93	1.28	11.38	6.73
9.	Mysore	6.92	1.73	5.19	3.29	3.63	6.97	1.74	5.23	2.96	4.01
10.	Orissa	4.61	5.76	1.15	5.69	1.08	4.10	2.40	1.70	4.44	0.34
11.	Punjab	6.22	9.93	3.71	14.16	7.94	6.45	12.34	5.89	14.39	7.94
12.	Rajasthan	9.23	4.49	4.74	6.68	2.55	9.19	6.91	2.28	6.59	2.60
13.	Uttar Pradesh	14.03	22.55	8.52	19.44	5.41	14.32	23.80	9.48	19.63	5.31
14.	Delhi	0.07	0.14	0.07	0.11	0.04	0.09	0.23	0.14	0.12	0.03
15.	Others	1.17	1.74	0.57	1.62	0.45	1.02	1.48	0.46	1.71	0.69
		100.00	100.00	49.70	100.00	52.14	100.00	100.00	49.12	100.00	55.64

Source: The Times of India Directory & Year Book including Who's Who, 1960-61 and 1967.

TABLE III

INCREASE (+) OR DECREASE (-) IN YIELD RATES OF SELECTED CROPS IN 1964-65 OVER 1956-57

S. No.	State	Rice	Wheat	Jowar	Bajra	Gram	Groundnut	Sugarcane	Cotton
1.	Andhra Pradesh	+270	+21	+58	-3	+13	+29	+3.32	+0.02
2.	Assam	+11	+393	NA	NA	NA	NA	+10.72	-0.24
3.	West Bengal	+151	+359	-333	NA	-96	NA	-2.71	NA
4.	Bihar	+164	+393	+437	+284	+247	NA	+15.98	+0.69
5.	Bombay	+108	+208	+47	+158	+31	+150	+17.96	+0.09
6.	Kerala	+218	NA	+500	NA	NA	+249	-0.24	+0.01
7.	Madhya Pradesh	-30	+265	+183	+317	-80	+137	-4.33	-0.19
8.	Madras	+127	+375	+141	+196	NA	+6	+9.59	+0.27
9.	Mysore	+235	+151	+164	-49	NA	-33	+17.95	-0.01
10.	Orissa	+445	-66	+136	-111	+194	+534	+8.50	+0.16
11.	Punjab	+329	+344	+15	+117	-10	+525	+14.30	+0.30
12.	Rajasthan	-22	+22	+80	+116	-109	-208	-1.74	-0.06
13.	Uttar Pradesh	+150	+240	+146	+222	+124	-40	+13.40	-0.08
14.	Delhi	NA	+998	-229	-213	-268	NA	-14.68	NA
15.	Others	-166	-103	NA	-119	-91	NA	+13.05	+0.33

NA=Not Available.

Source: The Times of India Directory & Year Book including Who's Who, 1960-61 and 1967.

ciety" seem to be nearing fulfilment.

2. The development as revealed in some of the backward states such as Orissa is very encouraging. The more advanced states seem to have reached already their points of saturation while the average states are on an improving trend.

3. A better deal to the commercial crops to step up their development is to be seriously considered, thus getting at a balanced agricultural development.

4. Methods of intensive cultivation may be better explored and the pro-

fitability of implementation of such methods has to be examined.

References:

(1) Lahiri, R.K., "Some Aspects of Inter-State Disparity in Industrial Development in India: 1956-65", Sankhya, Series B, 3 (3&4), Pp: 523-532.

(2) The last year of the third five-year Plan was not considered as it happened to be an abnormal year because of famine conditions.

(3) The selection of the eight crops is guided by the two considerations, viz., (i) that these crops have under them roughly two-thirds of the total cropped area (65.64 per cent in 1956-57 and 67.65 per cent in 1964-65), and (ii) that they cover the two important categories of crops viz., food and commercial crops.

(4) Siegal, S., "Non-parametric Statistics

for Behavioral Sciences"; McGraw Hill, 1965

(5) Chada, R.S., Growth Rate in Indian Agriculture, *Agricultural Situation in India* XXI (10), 1965, Pp: 841-848. (A ranking of states with regard to production and productivity is given in the paper.)

(6) Statistically significant at five per cent level.

(7) A similar conclusion was reached by M. Meenakshi Bai and N. Venugopalacharyulu in their paper An Analysis of Cropping Pattern in Andhra Pradesh, *Asian Economic Review*, Dec., 1970, vol xii (3), Pp: 379-387.

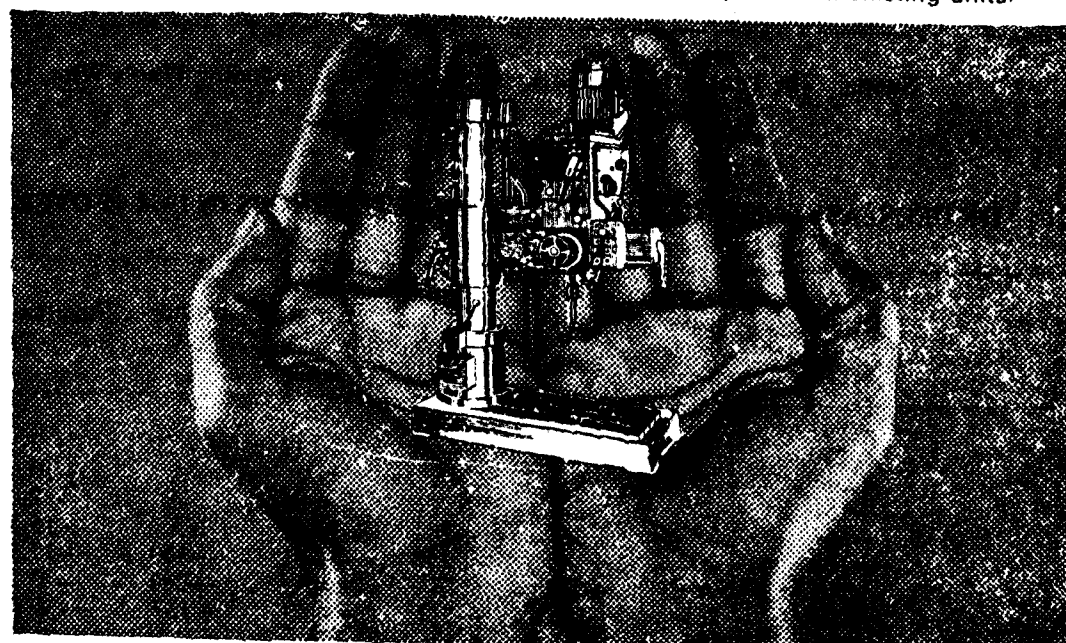
(8) It is gratifying to note in this connection that even in the second and third Plan reviews, similar views are expressed. But it looks that these lapses are yet to be made good.

PNB HELPED HIM START HIS SMALL SCALE INDUSTRY



PNB CAN HELP YOU TOO

PNB has special schemes to help people with technical skill to start a small-scale industry. PNB also helps small-scale industrialists to expand their existing units.



WHAT KIND OF LOAN ARE YOU INTERESTED IN?

Contact our nearest branch for details.

PUNJAB NATIONAL BANK

In the service of the nation since 1895.

Interpub/PNB/3A

March 10, 1972

WINDOW ON THE WORLD

National and Grindlays Looks at Uganda

UGANDA'S GROSS national product expanded by just over three per cent in 1970, bringing the average annual rate of growth over the first four years of the 1966-71 Development Plan to 4.8 per cent. This latter figure was however boosted by an exceptional rate of growth in 1969 (10.8 per cent) and performance in 1970 compared favourably with the growth of the economy in both 1966 and 1967. Nevertheless on present indications it is doubtful whether output will have shown a similar improvement in 1971.

A major factor contributing to the slower growth of output in 1970 was a 20 per cent decline in coffee production following a particularly large crop in 1969 although cotton, tea and sugar production all recorded increases. In the case of cotton, a 10 per cent rise in output was partly the result of an increase in the prices paid to growers in 1969 and partly the introduction of higher-yielding seeds, while tea and sugar production both increased by about three per cent over 1969 levels. For tea, this represented a significant slowing down in the rate of expansion achieved in earlier years, but was largely attributable to poorer growing conditions. Unfavourable weather also had a depressing effect on agricultural production in 1971, with coffee output falling by 11 per cent, cotton by 12 per cent and tea (on the basis of figures for the first seven months of the year) by about 15 per cent.

Import Controls

The sharp cutback in the 1970 coffee crop had a major impact on the throughput of the processing industry and thus slowed the rate of growth in manufacturing output. Production in a number of other industries continued to expand at a impressive rate however, notably cement (11 per cent), beers (42 per cent) and spirits (32 per cent) with the result that overall industrial production is estimated to have risen by some six per cent. Since plant and machinery imports declined in 1970, the greater part of this rise in output is thought to have reflected fuller utilisation of existing capacity; although further scope may well have existed in this direction in 1971, the further decline in agricultural output, coupled with various dislocations suffered by the economy and a progressive tightening of import controls, all suggest that the

This review and analysis of the economy of Uganda, issued by the Economics Department at the head office of National and Grindlays Bank Limited, London, provides in a convenient form general background information on Uganda and basic information on the economy, trading conditions and taxation which will be useful to all who have or may have commercial dealings with Uganda.

rate of industrial expansion may have slackened over the past twelve months.

A fall in world copper prices in 1970 reduced the value of Uganda's mining output by six per cent to U.Shs. 168 million, despite an increase in the volume of blister copper production. However the value of beryllium and tungsten ore exports continued to increase. Copper prices remained depressed throughout 1971 and the value of exports was further reduced as a result. Exports of blister copper totalled U.Shs. 66 million in the first seven months of 1971, compared with U.Shs. 102 million in the corresponding period of 1970.

Expanding Industries

In other sectors of the economy, building activity increased in 1970 while the tourist industry also expanded moderately, with the number of visitors increasing by five per cent to 78,000 and gross earnings by two per cent to U.Shs. 130 million. However, it is likely that both tourist arrivals and earnings fell in 1971.

The rate of inflation fell slightly in 1970 to nine per cent (12 per cent in 1969), while the rate of growth in the money supply accelerated (by 13 per cent as against nine per cent). By far the greater part of this acceleration was a result of a 23 per cent rise in domestic credit extended by the banking system, the

bulk of which took place in credit to the government over the latter part of the year at a time when there was a sharp drop in the credit requirements of the private sector, particularly after the economic reforms announced by the previous government in May 1970. This same trend continued into the early months of 1971 when two-thirds of the increase in domestic credit (which rose at an annual rate of 30 per cent between January and March 1971) was in response to the government's financing requirement.

Foreign Trade and Payments

Uganda's overseas trade balance improved substantially in 1970 as a result of an increase of 20 per cent in export receipts, whereas imports declined by five per cent. The substantial rise in exports was largely attributable to a 30 per cent rise in the value of coffee shipments which benefited from a high level of world prices throughout the year. In addition a better balance between world supply and demand enabled Uganda to dispose of accumulated stocks with the result that coffee exports also rose six per cent in volume notwithstanding the lower domestic crop. In the case of cotton, exports rose by 49 per cent in volume, although earnings increased rather more moderately as a result of marginally lower unit values. Lower prices also had an adverse effect on the value of copper exports.

The reduction in total imports in 1970 was wholly accounted for by reduced purchases of capital equipment—reflecting a slowdown in the rate of industrial investment—whereas imports of consumer goods and raw materials continued to rise.

Coupled with the increase in the surplus on overseas trade, Uganda's deficit on inter-community trade with Kenya and Tanzania was also reduced in 1970, following a 29 per cent increase in exports to Kenya. As a result the country's overall visible surplus in-

AGRICULTURAL PRODUCTION

	1967	1968	1969	1970	1971
Coffee, 000 tons	161	131	247	202	180
Cotton, 000 bales	427	345	423	467	413
Tea, million lbs	25	33	39	40	34e
Sugar, 000 tons	135	150	137	141	m.a.

e—estimate

creased by 90 per cent to U.Shs. 784 million.

Despite the major improvement in the trade balance, Uganda's external payments position deteriorated slightly in 1970, mainly reflecting a heavy outflow of private capital following the transfer of businesses to Uganda citizens in 1969 and the acquisition by the government of majority shareholdings in a number of large firms in May 1970. There was also an increased deficit on invisible account and although total external reserves at the end of 1970 were somewhat higher than twelve months previously, this increase was attributable to the allocation of a further \$5.4 million Special Drawing Rights on the International Monetary Fund. In 1971 a further and more substantial deterioration in Uganda's payments position became apparent

OVERSEAS EXPORTS 1970

Items	Shs. (millions)	Per cent	Percentage change 1969/70
Coffee	1,014	57	+30
Cotton	351	20	+40
Copper	166	9	+8
Tea	95	5	+2
Animal feeding stuffs	48	3	+14
Hides and skins	27	2	10
Sugar	4	1	-76
Tobacco	7	1	-56
Others	60	3	—
	1,772	100	+20

OVERSEAS IMPORTS 1970

Items	Shs. (millions)	Per cent	Percentage change 1969/70
Manufactures	348	40	-10
Transport equipment	298	34	-11
Chemicals	105	12	+29
Food and drink	44	5	+5
Raw materials	24	3	+14
Mineral fuels	14	2	+10
Animal and vegetable oils	13	2	+21
Others	19	2	-3
	865	100	-5

through a decline in foreign reserves from \$44.8 million (December 1970) to \$42.9 million (March 1971) and to an estimated \$25 million (July 1971).

OVERSEAS EXPORTS

(by country of destination)

Countries	per cent	
	1969	1970
USA	24	21
UK	23	21
Japan	12	11
West Germany	3	5
India	3	4
Other EEC	4	4
Others	31	34
	100	100

OVERSEAS IMPORTS

(by country of origin)

Countries	per cent	
	1969	1970
UK	35	32
Japan	14	12
West Germany	10	9
USA	4	6
Italy	5	5
Other EEC	7	8
Others	25	28
	100	100

Although it is now clear that the economy failed to achieve many of the production targets of the 1966-67 Development Plan, considerable progress has been achieved over this period towards its other principal objective, namely a broadening of the economic structure of the country. Agricultural output, for example, has been diversified into products such as sugar and livestock while tea exports have been increased substantially. This diversification has succeeded not only in raising food production for local consumption but has also brought more of the rural population into the monetary economy. Likewise in the industrial sector, production has been diversified into textiles, cement, fertilisers, processed foods, drink and tobacco, clothing and electrical goods. There has, as a result, been some success in reducing industry's vulnerability to fluctuations in coffee

and cotton output, and in providing domestic goods to substitute imports.

On this basis, a new 5-year Plan is due to be implemented shortly and although full details are not available at the time of writing, reports indicate that an annual rate of economic growth of around six per cent is considered feasible in the period up to 1976. This represents a more modest objective than the targets of the recent plan (but an improvement over actual performance) although it is clear that short-term fluctuations in total output will remain largely dependent on the annual cash crops for some time ahead. Nevertheless the new plan is understood to place increasing emphasis on further agricultural diversification and on rural development for social as well as economic reasons. Industrial development in

INTER-COMMUNITY TRADE

(Shs million)

	1965	1969	1970
Exports to:			
Kenya	143	156	201
Tanzania	51	34	40
Total	194	190	241
Imports from:			
Kenya	307	313	335
Tanzania	27	24	29
Total	334	337	364
Balance with:			
Kenya	-164	-157	-134
Tanzania	+25	+11	+11
Total	-139	-146	-123

BALANCE OF PAYMENTS

(\$ million)

	1969	1970
Exports	+220	+261
Imports	-199	-205
Trade Balance	+21	+56
Invisibles	-30	-46
Current Account	-9	-10
Capital:		
Government	+21	+22
Private	-3	—
Short-term capital, errors and omissions	-7	-33
Monetary movements	+2	-1

turn is to be based largely on local resources—for example a new sugar mill, with a capacity of 45,000 tons a year, is due to be completed at Kinyala by 1973. In addition mineral exploration is to be stepped up in order to increase mining output which currently contributes less than two per cent of Gross Domestic Product.

The Plan is also understood to envisage a more rapid development of markets, especially export markets, and stresses the importance of maintaining a healthy balance of payments position. Total investment over the 5-year period is expected to amount to some U.Shs. 7,000 million (including U.Shs. 4,700 million public sector investment) and it is planned to finance about 60 per cent of the public sector programme from domestic sources and to encourage foreign investment. As a first step, the Finance Minister has already stated that it is the government's intention to re-examine policies on immigration, exchange control and licensing "so as to produce that freedom without which external investment will not flourish".

Serious Financial Position

It is widely recognised that financing such a large investment programme will pose certain problems particularly as the Finance Minister has further stated that "The government of the Second Republic of Uganda has inherited a very serious financial position, brought about by increased government expenditure arising from commitments undertaken by the previous government in excess of budget estimates and demands made on the exchequer by the parastatal organisations". As a result the government's immediate policy is one of consolidation and reconstruction, as already reflected in the current year's budget which provides for a sharp reduction in development spending and a virtual pegging of recurrent outlays. Recurrent revenue on the other hand is projected to rise by 10 per cent and since import substitution may well reduce customs receipts (notably in the case of textiles), this has involved a substantial increase in taxation, including a new flat rate (20 cent) levy on most transactions in goods and services. As a result the overall budget deficit is expected to be reduced by nearly 50 per cent in 1971-72, and while part of the funds allocated to development will be required to meet commitments from projects financed by contractor finance and suppliers' credit concluded in previous years, the greater part has been allocated to new productive enterprises.

The extremely high level of government expenditure in 1970-71 and reliance on short-term financing through

the banking system has inevitably had a serious impact on the external position over the past 12 months and the servicing of outstanding short-term indebtedness will represent a significant commitment over the next few years. Recent changes in import policy and the allocation of development funds into new sectors where there is scope for further import substitution or the development of new export markets (as envisaged in the Plan) may however well prove important compensating factors in the programme for restoring equilibrium.

Foreign Exchange Control

All imports of goods into Uganda are subject to licences and in the case of "non-essential" items, importers are not permitted to remit foreign currency until such time as goods have been cleared through customs in Uganda. In the case of "essential" items (defined as machinery for use in the manufacture of goods in Uganda, medical and veterinary drugs, milk, butter and certain basic foodstuffs, books, newspapers, periodicals and certain raw materials, etc.) letters of credit may be opened although importers are still required to deposit a 10 per cent cash margin at the time such letters of credit are opened. For "non-essential" imports not classified as luxuries cash margins at a rate of 50 per cent are currently in force and for "luxuries" a rate of 100 per cent. Imports from Kenya and Uganda are liable to such deposits (at the relevant rate) over a 3-month period while imports from other sources are subject to six months. In both cases, deposits are liable to be retained beyond the stipulated period if the goods in question fail to arrive

in Uganda before the expiry date of the licence.

Notwithstanding the payment of the appropriate deposit the Bank of Uganda has stated that imports by the private sector will not be permitted to exceed U.Shs. 100 million per month and licences will not be issued in excess of this figure. At the same time lending by the commercial banks (other than for financing exports) has been frozen at the level of each individual bank's outstandings on September 30, 1971.

With the exception of certain basic products, permits are not required for the export of goods from Uganda although exporters are obliged to comply with certain exchange control formalities and to repatriate to Uganda all receipts of foreign exchange.

"Approved Status"

The Bank of Uganda retains overall responsibility for the administration of foreign exchange control although there are no general restrictions on the investment of foreign funds. Under the provisions of the Foreign Investment (Protection) Act 1964 it is still necessary to obtain "approved status" for projects financed by foreign investment if eventual repatriation of capital is to be assured, although further legislation, modifying some of the changes in policy towards foreign investment subsequently adopted by the previous government, is expected in due course. In addition, both foreign and domestic investment in specified types of production still require prior approval under the East African Licensing Ordinance, while other transfers of capital out of Uganda are subject to various restric-

UGANDA'S BUDGETS

U. Shs. in million

	1970/71		1971/72
	Budget estimates	Provisional outturn	Budget estimates*
Recurrent Revenue	+1,170.3	+1,214.2	+1,334.0
Recurrent Expenditure	-1,121.0	-1,160.0	-1,254.0
Recurrent Surplus	+ 49.3	+ 54.2	+ 80.0
Development Resources	+ 365.2	+ 430.9	+ 369.7
Development Expenditure	- 512.0	- 724.0	- 579.5
Development Deficit	- 146.8	- 293.1	- 209.8
Transferred from recurrent a/c	+ 49.3	+ 54.2	+ 80.0
Overall Deficit	- 97.5	- 238.9	- 129.8

*including tax changes

tions which currently apply to all foreign countries, including Kenya and Tanzania.

The profits of companies, both resident and non-resident, which accrue in or are derived from Uganda are charged to tax at the corporation tax rate of 40 per cent; this rate was first applied to income in 1966 and has remained unchanged since. Under the provisions of the 1971 budget, 50 per cent of the estimated liability to corporation tax is now payable within six months after the commencement of a company's accounting year and the balance by the end of its accounting period. Losses can be carried forward for an unlimited period until offset against subsequent profits. Annual deductions are allowed for certain classes of capital expenditure undertaken for business purposes, including industrial buildings (at 4 per cent), plant and machinery (at rates ranging from 3½ per cent to 12½ per cent) and motor vehicles (25 per cent). Investment deductions are also available in respect of certain classes of capital expenditure such as the construction of industrial buildings and the installation of machines (where the trade consists of the manufacture of goods and materials of local origin) and on new hotel buildings and extension thereto. Dividends payable to resident companies are not chargeable to corporation tax but dividends (and interest) payable to non-residents are subject to a withholding tax of 12½ per cent. Management fees and royalties payable to a non-resident are liable to this tax at the rate of 40 per cent.

Tax Allowances

Individual taxpayers receive a minimum single person's allowance of U.£216 or a married allowance of U.£432 (from January 1, 1972), plus child allowance of U.£96 for each of up to four children and U.£48 for each of two subsequent children. The rates of income tax are:

Income	Rates per cent
First U£1,000	12½
Next U£1,000	27½
U£1,000	37½
U£1,000	47½
U£1,000	52½
U£1,000	57½
U£1,000	62½
U£3,000	67½
U£5,000	72½
and on every U£1 over U£15,000	77½

Foreigners in employment in East Africa are deemed to be resident for tax

purposes if they either possess a home in East Africa and were present for any part of the year of income, or having no home in East Africa, were present for a period or periods exceeding six months in the year of income or were

present in the year of income and in each of the two preceding years of income for periods averaging more than four months. Persons leaving East Africa are required to obtain a Tax Clearance Certificate before departure.

Fear in Their Future

E. B. BROOK

VIENNA.

Two big institutions in the international economic world feel themselves threatened with change. The European Commission, the senior and very influential secretariat of the Common Market, fears that, with enlargement of the Market, it will be deprived of much of its policy-making or policy-initiating powers. The Group of Ten—the committee of the world's richest states which decides much international monetary policy and fixes basic exchange rates and their rules—fears the hostility of the US Treasury and sees a possibility of its shrinking to a Group of Four.

Beyond doubt, this year and next will see some far-reaching international economic and financial changes. The dissolution of the post-war structures became obvious last year, the shadow of what might follow it looms in the US pre-election commercial and financial policies, in the enlarged Common Market and, to some extent, in the new ventures by east Europe's Comecon and by Comecon members in raising loans on the international money market.

What forms finally the changes will take remain unclear. But the Group of Ten's performance in the last four months of 1971, revealing the inhibiting differences among groups of its members, did not enhance the reputation of that international organ. Similarly, while the Common Market in its growing stages has benefited by having a firm controlling secretariat at the centre, the system will not suit west Europe's leading economic group now that it has almost doubled its membership and draws in four states whose systems of government and traditions call for far more popularly-based control.

It has been at once the strength and weakness of the Market that its components are countries deriving their concepts, machinery and system of government from the classic Roman law which are in marked contrast to the looser, more popular, legal and constitutional traditions of Britain, Ireland and Scandinavia. The Market is, in fact, undergoing a strong injection of Nordic

democracy into its mostly Latin authoritarianism. A few parts of its machinery are likely to be thrown out or bent in the process.

For the first time in the Market's history the quasi-supranational Market's Commission did not take part in the ministerial session in Brussels on February 28 that met to plan in detail the agenda for the summit meeting to be held next autumn to settle finally details of the policy and relations of the enlarged Market. Inside the Market the changes are being led by the French who themselves seven years ago, under de Gaulle, boycotted the European Community's institutions for six months in protest against the growing supranational claims of the Market's Commission. The Germans have also at times showed themselves sensitive on this subject. Outside the Market, the biggest potential member, Britain, has been pressing France to adapt the Market system to closer and more exclusively ministerial control suited to democratic processes.

The French appear to be moving towards a variant of this concept by preparing plans to set up a series of inter-governmental committees to run the Market, largely in place of the Commission. If they succeed in bringing this idea into practice the new committees might well meet in Paris instead of in Brussels—a fact which makes the adaptations to suit the enlarged Market partly into a power struggle between supranational Market Brussels and national Market Paris, with London appearing to lean to the latter. At the recent meeting between President Pompidou and Chancellor Brandt in Paris the French revived their proposal for a political secretariat whose first job would be to prepare in detail the three subjects on the autumn summit's agenda: relations between Europe and the rest of the world; economic and monetary union; and institutions. Unlike the French and West Germans, the three smaller Benelux nations—Holland, Belgium and Luxembourg—are extremely wary of creating any new institutions within the Common Market. For the time being, the Market appears split constitutionally between

Benelux and Brussels against France (backed by West Germany) and Paris with Italy an onlooker with plenty of its own troubles.

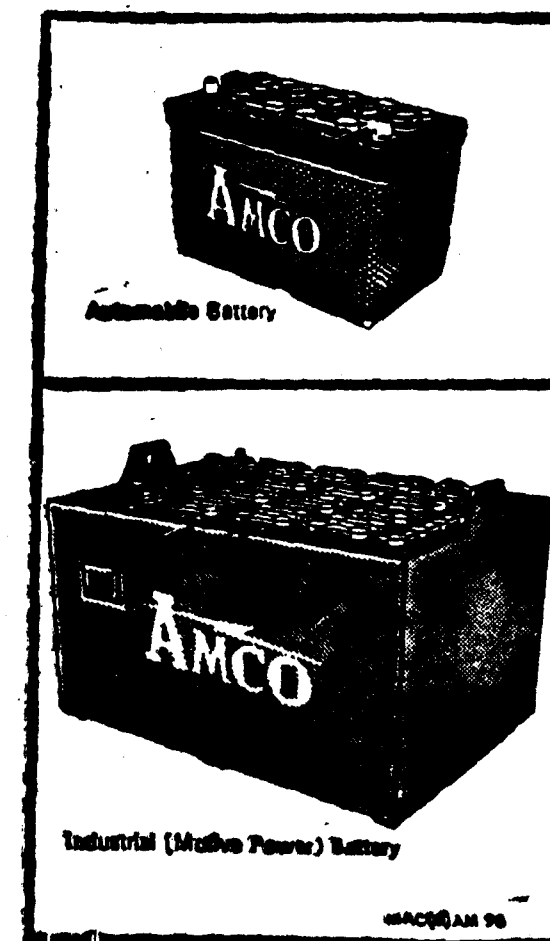
Meantime, the Market's Commission has prepared a six-month action programme for economic and monetary union. The Commission is anxious to achieve as much unity as possible before the disturbing new members join, bringing new ideas and concepts to complicate further the tensions between existing national interests. The programme seeks to satisfy France by suggesting a renewed narrowing of currency exchange rate margins to two per cent on either side of parity, West Germany by proposing closer economic co-operation and Italy by suggesting more dynamic regional and social policies. The Commission would like to see this plan decided on by the end of June so as to have an impressive achievement before the members' summit meeting in autumn. Market sources expect the first step towards monetary

union to be taken in the early summer months, the way being eased by the fact that the proposals avoid entanglement in divisive arguments about supranationality and loss of sovereignty. The incoming members will be kept informed and possibly consulted as the plan evolves.

While the Commission has made its proposals, a group of Belgian bankers and financiers has been pressing for the immediate creation of a European currency unit which would circulate in addition to national currencies with the purpose of restoring monetary stability within the Market area. The bankers see the USA as governing increasingly not only its own dollar but European monetary policies also through the Eurodollar market. The creation of a new Market currency, they claim, would make the monetary future of Europe dependent on decisions made in Europe by Europeans. The proposed new currency would be defined in terms of gold or a combina-

tion of gold and Special Drawing Rights and eventually in terms of SDRs (convertible into gold) only.

The Group of Ten, founded in 1961 to help the International Monetary Fund out of currency difficulties, suffers now from the fact that it divides often into an American group and a Common Market groups. This development has reduced the Groups' effectiveness in meeting currency problems since the two group's interests have clashed, resulting in stalemate. As in the Market, the struggle of interests has sharpened. The Europeans will defend the structure of Ten; the Americans seek to reduce it to a structure of Four with a chair each for the Americans, for the enlarged Common Market or western Europe, one for the Japanese and the fourth for a representative of the industrially developing countries. Since this idea is an American concept, Europe can be depended on to fight it with all the means and all the skill at its disposal.



THOSE WHO WANT
THE BEST
DEPEND ON



AMCO
Power Plus
BATTERIES

MANUFACTURED BY
THE PIONEERS OF INDIA'S BATTERY INDUSTRY
AMCO BATTERIES LTD.,
Unity Buildings, BANGALORE-2.

SERVICE — ENGINEERING — RESEARCH — LONG LIFE

Trade Winds

DUTY DRAWBACK

THE UNION government has revised the rates of drawback on export of 51 commodities with effect from the beginning of February 1972. An official release has stated that the revision became necessary following the imposition of regulatory customs and central excise duties from December 13, 1971, "taking into consideration the enhanced levies, the union government reviewed the existing rates of drawback in respect of all commodities on which regulatory duties were imposed. The commodities are: Lead nitrate, copper sulphate, red lead, white lead, zinc oxide, cinema films, spectacle frames, EI tanned hides and skins, chrome leather washers, leather pickers, complete tea chests and fittings thereof, cork discs and cork stoppers, carbon paper, flat files fitted with clips, cotton yarn, jute yarn, twist twine and ropes, rope line cordages, twines and slings made wholly or partly from sisal fibre or Manila hemp fibre, processed and unprocessed fabrics, jute fabrics, coir products containing jute and sisal, woollen carpets, coir and sisal mats and matings, asbestos cement products, glass and glassware, zinc products and tin plate products. They also include solder wires and solder sticks, articles made of mazak, brass semi-circles and brass builders, hardware and artware, gun metal ingots and articles made therefrom, articles made of aluminium, tin plate containers used for cashew kernels, steel wire ropes, safety razor blades, copper winding wire, articles made of lead, pressure cookers, copper cables and conductors, aluminium conductors, PVC cables, insulated aluminium cables or conductors, steel reinforced, all types of cables and conductors not elsewhere specified, handicrafts and other articles made of alabaster, ivory products, all sorts of gun metal valves and parts thereof, steel products, plastic goods, sanitary cans, mild steel pins and clips and wollen yarn and woollen fabrics.

DRAWBACK ON ALUMINA FERRIC

The union government has decided to allow drawback on alumina ferric and hookah tobacco paste containing not less than 20 per cent of tobacco by weight on their exports made on or after February 25, 1972. The rates are: Rs 14 per metric tonne for alumina ferric and Rs 0.15 per kg for hookah tobacco paste. These conces-

sions are admissible to all exporters of these goods if they are exported under a claim for drawback. The various brand rates earlier allowed for individual manufacturers or exporters stand withdrawn.

CENTRAL EXCISE PROCEDURE

The difficulties faced by small-scale manufacturers in following central excise procedure are to be inquired into by a study group set up by the union government. Headed by Mr J. Banerjee, Director of Inspection, Customs and Central Excise, the study group will suggest steps for simplifying the procedure where necessary. It will specially examine the difficulties faced by small-scale industries in maintaining central excise accounts and submitting returns. The group has been asked to submit its report by the end of May this year.

STATE BUDGETS

Tamil Nadu: The Tamil Nadu budget for 1972-73, presented recently to the state assembly by the Chief Minister, Mr Karunanidhi, revealed a surplus for the first time in four years. It was also a budget with no new tax levies, proposing merely a surcharge on Motor Vehicles Tax and an increase in betting tax. There was a surplus of Rs 1.74 crores in the revised budget for the current year, 1971-72, and an estimated surplus of Rs 2.49 crores for 1972-73. As is obvious from the budget papers, the surplus has been made possible entirely by the scrapping of prohibition in the state on August 30 last. That step has brought in an additional revenue of Rs 23.85 crores in seven months and will bring in an estimated Rs 34.22 crores next year. Officials had expected only Rs 16 crores in the current year from the scrapping of prohibition.

Orissa: The Orissa budget for 1972-73 envisages more taxation including reintroduction of land revenue in the name of a land tax on a graduated scale mainly for raising resources for development. There will be a deficit of Rs 13.69 crores on the revenue account though the overall position is a surplus of Rs 31 lakhs. The budget estimates revenue receipts at Rs 163.56 crores and the revenue expenditure at Rs 177.26 crores. The land revenue is expected to yield Rs 1.20 crores. Royalty on minor minerals is expected to yield Rs 50 lakhs, levy of compulsory

basic water rate Rs 70 lakhs, increased royalty on iron ore Rs 46 lakhs, levy on minor forest produce Rs 90 lakhs. The total receipts from all measures taken for additional resources mobilisation will amount to Rs 10.75 crores.

Kerala: New taxation measures to fetch Rs 5.50 crores were announced by the Kerala Finance Minister, Mr K.T. George, in the state assembly on February 25. Revenue receipts for the year 1972-73 were estimated at Rs 191.38 crores and expenditure at Rs 209.97 crores. The budget showed a revenue deficit of Rs 18.59 crores and an overall deficit of Rs 16.50 crores. The new tax proposals are: Half a per cent increase in the rate of general sales tax from 3 to 3.5 yielding a revenue of Rs 3 crores; a 3 per cent purchase tax on petroleum products purchased by oil companies from the Cochin Refineries and transferred to depots outside the state, bringing an additional income of Rs 1.50 crores; an irrigation cess at a uniform rate of Rs 25 per hectare yielding Rs one crore. Proposals to revise electricity tariff to increase the revenues of the electricity board substantially and to float rural debentures to raise fairly reasonable amount were also announced.

MOVEMENT OF KHANDSARI

By an order notified on March 2, the union government has imposed restrictions on inter-state movement of khandsari sugar with immediate effect. Ban on inter-state movement of sugar produced by vacuum pan process except by factories had already been imposed earlier on January 17, 1972. Hereafter movement of khandsari from one state to another will be only on permits issued by the central government or the government of the exporting state. This restriction now covers all kinds of sugar including boora sugar and sugar candy.

SUGAR OUTPUT

According to the Indian Sugar Mills Association, the total sugar production in the month of January, 1972, the fourth month of the season 1971-72 was about 764,000 tonnes as against 768,000 tonnes during the corresponding period last season. This brings the total production during the first four months of the season 1971-72 to 1,630,000 tonnes as against 1,725,000 tonnes during the corresponding period last season. The off-take of sugar from factories during the month of January, 1972 was about 324,000 tonnes, for internal consumption and 3,000 tonnes for exports as against about 278,000 tonnes for internal consumption and nil for exports in the corresponding period last season. The total despatches in the first four months in 1971-72 was 1,368,000 tonnes

PLANNING TO MODERNISE ?

Our business is to assist your business

To all small-scale industrialists, The Chartered Bank gives a head start on the exciting journey to success. We help you not only to purchase and set up your plant and machinery, but also to finance production. We invite you to discuss your plans with us.



THE CHARTERED BANK

AMRITSAR, BOMBAY, CALCUTTA, CALICUT,
COCHIN, DELHI, KANPUR, MADRAS,
NEW DELHI, SAMBHAJI.



SEKA/CB/2817

**SO EXCITING TO TOUCH
SO REWARDING TO WEAR**

**MODI
SUITING
AND
SHIRTING**



**MODI RAYON
A SILK MILLS
MOORABAR U. P.**

for internal consumption and 39,000 tonnes for exports as against 1,268,000 tonnes for internal consumption and 104,000 tonnes for export during the corresponding period last season. The total closing stock of sugar with the factories on January 31, 1972 was about 1,628,000 tonnes as against about 2,438,000 tonnes on the same date last season.

SUGARCANE COMPETITIONS

In the All-India Sugarcane Competitions held in 1969-70, new records have been set for *Adali* and *Eksali* crops in the southern region and *Eksali* and short duration crops in the northern region. Mr Dinkarrao Pandurangrao Mohite of Maharashtra obtained the ever highest yield of 418.51 tonnes per hectare in *Adali* crop and Mr Santa Ram also of Maharashtra 406.38 tonnes in *Eksali* crop. M/s Chehri Farm and M/S Bagapur Farm, both of Ganesh Sugar Mills in Uttar Pradesh also set new yield records by producing 335.42 tonnes per hectare in *Eksali* crop and 272.88 tonnes in short duration crop respectively. All of them get the first prizes in the respective crops.

INDO-HUNGARIAN TRADE TALKS

A long term agreement for the product-development and maintaining production efficiency in the public sector aluminium plants is proposed to be entered into between BALCO and Chemokomplex of Hungary. This was of particular urgency at this time in view of the expected commissioning of Korba alumina plant with 200,000 tonnes capacity early in 1973. The possibility to import machinery and equipment for the Koyna (Ratnagiri) aluminium project under the Hungarian credit was also explored during the discussion in New Delhi recently between Mr S. Mohan Kumaramangalam, Minister for Steel and Mines, and the visiting Hungarian Minister of Heavy Industries, Dr. Gyula Szeker. Details of the requirements will be worked out after approval of the detailed project report. The integrated aluminium project at Koyna, designed to produce 50,000 tonnes of aluminium metal, is expected to go into production towards the end of 1974. Consultancy arrangements entered into with Chemokomplex of Hungary for the Koyna project were also reviewed. The Hungarians also indicated their willingness to consider extending financial and technical assistance for setting up of the proposed aluminium plant in Gujarat of 200,000 tonnes capacity. Assistance for setting up a project design institute for aluminium industry in India was also offered by the Hungarian Minister for Heavy Engineering during the talks. In the field of research and development, the Hungarian delegation offered to enter

into a long term agreement with BALCO (Bharat Aluminium Company) for the application/use of aluminium metal and making their research experience available for the development of aluminium industry in India. The possibility for exporting alumina to Hungary during the period 1973-75 was also indicated at the discussions.

INDO-BRITISH TRADE

British and Indian trade officials and business representatives began in New Delhi a review of technical co-operation between the two countries and discussed the future pattern in the context of this country's desire to expand her rate of industrial growth in the coming years. The two sides which met for the third round of discussions of the Indo-British technological collaboration group also discussed the scope for setting up joint industrial ventures in third countries. The Indian delegation was led by Mr B.B. Lal, Secretary for Industrial Development and included representatives of trade and industry. A suggestion for the shifting of complete industrial plants from Britain to this country was made when the group began its three-day meeting. Mr B.B. Lal stated in his opening remarks that Britain should take advantage of low labour costs in this country and identified the automobile ancillary and electronics industries as being particularly suitable for such ventures. Mr Lal added that on a 100 per cent export basis the shifting of the complete plant and machinery to this country could be accepted irrespective of consideration of indigenous availability. This country would also be prepared to waive the requirement of a substantial measure of equity participation by Indians. The leader of the British delegation, Sir Max Brown, appreciated the concessions this country had offered, which he felt, should facilitate new projects with British collaboration.

EXPORTS LOOKING UP

Denying that our exports this year were not doing well, a spokesman of the union Ministry of Foreign Trade told newsmen here last week that export earnings during the 12 months to March 31, 1972, were expected to touch Rs 1,620 crores. This would mean an increase of Rs 207 crores over the 1969-70 figure of Rs 1,413 crores.

The spokesman preferred to keep the 1970-71 export figures out of this comparison, for they had been computed on a basis different from the one on which the 1969-70 and 1971-72 figures had been calculated. The 1970-71 figures have become suspect on fears that there had been some element of double counting in them. For the seven months to

India's Green Revolution

*Economic Gains
and Political Costs*

FRANCINE R. FRANKEL

Professor Frankel explores the changing contours of rural India in the context of the conflict generated between landlords and labourers in the wake of the Green Revolution. She assesses the political costs of economic growth in five of the original Intensive Agricultural Development Districts: Ludhiana, West Godavari, Thanjavur, Palghat and Burdwan. Princeton Rs 50

Agricultural Development in India's Districts

DORRIS D. BROWN

This critical study of India's Intensive Agricultural Districts Programme traces its development, detailing its operation and progress through the use of systematic comparative analysis. Mr Brown stresses the importance of a strong and effective agricultural research programme, favourable benefit-cost relationships, and the increased use of irrigation and fertilizers in solving the crucial problem of agricultural production. Harvard \$10.00

Peasant Wars of the Twentieth Century

ERIC R. WOLF

An examination of revolutionary movements in our time in which peasants have taken the lead—in Mexico, Russia, China, Vietnam, Algeria and Cuba. This is comparative history at its best, on the urgent topic of revolution: how and why it happens throughout the world. Faber £3.00



**Oxford
University Press**

Bombay Delhi
Calcutta Madras

October, 1970, they had been computed not only on the basis of actual shipments but also taking into account the shut out exports—exports for which registration had been made but which could not be actually effected during the concerned months. The exports of this year and those of 1969-70, the spokesman said, had been computed on the basis of actual shipments.

The anticipated increase of Rs 207 crores in exports over two years would mean approximately seven per cent average growth per annum. Thus, the Planning Commission's target for stepping up exports by seven per cent per annum during the fourth Plan, the spokesman stressed, would be achieved for the two years 1970-71 and 1971-72. The growth in exports during the first three years of the Plan, however, would be slightly lower than the target, as exports in 1969-70 — the first year of the Plan — had gone up by only 4.1 per cent over the previous year's figure of Rs 1357.9 crores.

Exports during the nine months to December, 1971, the spokesman stated, had aggregated to Rs 1,190 crores, as against Rs 1,040 crores during the same period in 1969. On the basis of the experience of the past eight or nine years, the exports in the three months to March, 1972, he added, would be approximately Rs 430 crores. During the three months to March, 1970, the exports had aggregated to Rs 373 crores. This meant that nearly 30 per cent of exports in a year take place during the terminal quarter of the year.

The growth in exports this year, the spokesman emphasised, had taken place in the face of very heavy odds. These included the (i) international monetary crisis which hindered long-term contracts, (ii) nearly 50 per cent decline in world trade, (iii) cut in steel production in Japan which adversely affected our iron ore exports; (iii) shortages of various raw materials, especially steel and cotton, (iv) transport bottlenecks arising out of the Bangla Desh crisis, and (v) stepping up of ocean freights and insurance charges by foreign shippers during the Indo-Pakistan conflict.

The spokesman expected that the target to seven per cent annual growth in exports during the five years to 1973-74 would be fully achieved as the prospects for the two terminal years of the current Plan were quite promising. The slight shortfall in exports vis-à-vis the fourth Plan target during the first three years of the Plan could be easily made-up in 1972-73 and 1973-74.

The expansion of the European Common Market, the spokesman observed,

would mitigate to some extent the beneficial effect of the Generalised Scheme of Preferences on our exports. He indicated that this question would be soon taken up with the EEC.

PANEL ON EMPLOYMENT

The interim report on short-term measures for employment submitted to the government recently by the Expert Committee on Unemployment is now being examined by the Planning Commission. For this purpose, a panel headed by Mr. M.K.K. Nayar, Joint Secretary, incharge of Employment in the Planning Commission, and including officials from the Ministries of Finance, Transport, Labour and Employment, Industrial Development, Housing and Agriculture has been set up. The panel held its first meeting recently. The Commission is already engaged in identifying long term and short term programmes for the creation of employment opportunities in the country. While as part of the short-term measure the on-going programmes of employment initiated during the current year, namely the Rs 50-crore programme of employment for the unemployed in the rural areas and the Rs 25-crore programme for educated unemployed, are to continue during the next two annual Plan periods, the Commission is keen to enlarge the scope of those programmes in a meaningful way so that the backlog of employment could be progressively absorbed during the next few years. Towards this and the Commission had sought the views of state governments. Various proposals for employment have been received from the states and are being examined separately. Besides these short-term programmes, the Commission is anxious that the initiative for long-term programmes should also be taken up without further delay. The programmes should be both comprehensive and integrated in their scope and should be such as would add to economic productivity. In this context, two schemes, namely, massive land development and survey of natural resources are considered as holding out large potential to provide employment on a continuing basis for a number of years.

ISI SILVER JUBILEE

The Silver Jubilee Convention of Indian Standards Institution, which had to be postponed three months ago due to the national emergency, is now proposed to be held from April 15 to April 21, 1972. The convention programme provides for one general and six technical sessions dealing with the importance of standardisation and quality control in diverse fields, namely, consumer protection and guidance, safety in buildings, agro-industries, operational research, ancillary indus-

tries, packaging and containerisation, and certification marking as an aid to marketing.

CHEAP CLOTH

The union government has decided that the scheme for production of controlled varieties of cloth should be continued in the interest of the weaker sections of the community particularly in the rural areas. The government has again rejected the textile industry's plea for a rise in the prices of the controlled cloth.

VANASPATHI PRICES

Prices of vanaspathi have been reduced by 5 paise per kg in the north zone and 6 paise per kg in east zone with effect from February 23, 1972. There is no change in the other two zones. The revised prices have been notified by government under the Vegetable Oil Products Control Order, 1947, separate prices being fixed for sale by producers, wholesalers and retailers. The maximum retail prices of vanaspathi in different pack sizes, and when sold loose, exclusive of sales tax and other local taxes, will be as under:

Zone	16.5 kg	4.0 kg	2.0 kg	Loose per kg
	(Rs)	(Rs)	(Rs)	(Rs)
North	82.61	21.97	11.47	5.01
South	81.55	21.71	11.34	4.94
East	83.00	22.07	11.51	5.03
West	81.43	21.68	11.32	4.94

INSTITUTE FOR SOCIAL CHANGE

Prof. V.K.R.V. Rao has proposed to establish an Institute for Social and Economic Change at Bangalore to conduct research on economics, sociology, demography and education. In a memorandum of association issued recently he has pointed out that the accent of the institute will be on the identification and development of human resources. Special attention is to be paid to comparative analysis, intra-regional, inter-regional and international, and to problems of backward regions and backward classes in a developing society. Training programmes, essentially practical oriented, are also to be taken up by the institute.

I.D.A. CREDIT

Improvements in the agricultural marketing system in Bihar state, an important element in India's strategy to sustain the momentum of growth in the agricultural sector, will be assisted by a credit of \$ 14.0 million from the International Development Association, an affiliate of the World Bank. The credit, first from the World Bank Group in direct support of development of market centres for farm products,

will finance a five-year programme of investment in market facilities in 50 towns in Bihar, and will also provide funds for training of personnel in marketing and project evaluation. A three-year programme to expand the volume and range of agricultural credit to farmers in Maharashtra state, will be assisted by a credit of \$ 30.0 million from the IDA. It will be used to finance investment in minor irrigation and land development. About 45,000 farmers in Maharashtra will participate in this scheme designed to expand their output of foodgrains and commercial crops. Under the project, wells and lift irrigation will be provided to irrigate 247,000 acres and land development will be carried out on six major irrigation schemes with a command area of 43,000 acres.

SEMINAR ON WELDABILITY

A seminar on "Weldability Tests for Structural and High Strength Steels" is being organised jointly by the Indian Institute of Welding and Indian Standards Institution on March 22 1972 at Manak Bhavan, office of Indian Standards Institution in New Delhi. Mr O.S. Murti, Chairman Bharat Heavy Electricals, will preside over the seminar. Two working papers will be presented one on Weldability Tests for Structural Steels by ISI Secretariat and another on Weldability Tests for High Strength

Steels by Dr V.J. Paranjpe, Director R&D, Tisco.

DELEGATION TO IRAN

An Indian industrial delegation left for Tehran for a week-long visit on March 3, under the leadership of Mr S.S. Kanoria, FICCI President. The delegation has been sponsored in pursuance of the recommendations made by the Indo-Iranian Joint Commission for Economic, Trade and Technical Cooperation which had met at ministerial level on three occasions since 1969. The objectives set for the delegation are to establish closer contacts and liaison with commercial organisations and businessmen in Iran, to investigate further possibilities of establishing joint ventures and to assess the prospects of increasing two-way trade and other forms of techno-economic co-operation. Besides Mr Kanoria, the delegation comprises the FICCI Vice-President, Mr Madanmohan Mangaldas, Ahmedabad; Mr Ramanbhai B. Amin, Baroda; Mr G.K. Deva-rajulu, Coimbatore; Mr J.H. Doshi, Bombay; Mr Ashish Kamani, Bombay; Mr Raunaq Singh, New Delhi; Mr Govind Hari Singhania, Kanpur and Dr Ram Gopal Agrawal, Secretary (Economic) FICCI, New Delhi. The Branch Manager of the State Trading Corporation in Tehran, Mr

Anand Krishna also joined the delegation.

POZNAN FAIR

India will participate in the Poznan International Fair to be held at Poznan (Poland) from June 11 to 29, 1972. This has been decided by the government of India, who will organise India's participation in this fair. The Poznan Fair is an annual event organised by the government of Poland. During the fair, Poland negotiates a large percentage of its annual purchases and the adjoining countries also take advantage of the fair for transacting considerable business on the spot.

NAMES IN THE NEWS

Mr K.V. Shenoy has been appointed as Deputy General Manager of United Com. Bank recently. He started his banking career with Reserve Bank of India, and later joined the Bank of Bikaner (subsequently State Bank of Bikaner & Jaipur) as manager, circle manager and Agent. He joined United Commercial Bank as Regional Manager in July 1967.

Mr A. Bakshi will be Comptroller and Auditor General of India in succession to Mr S. Ranganathan when the latter vacates his office.

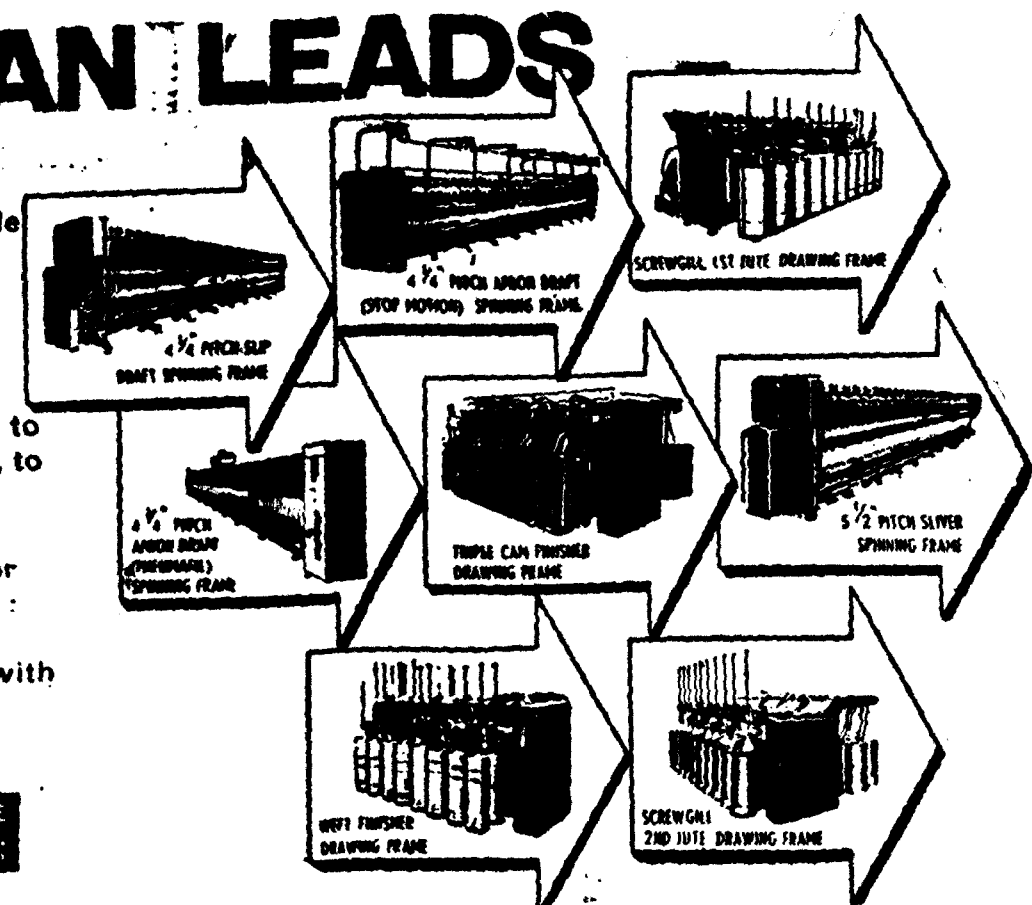
LAGAN LEADS

With 8 different Jute Processing Machines available for the Jute Industry, Lagan maintains the lead. It leads this vital industry to modernisation, to greater efficiency, to higher export performance. Two big names for the Jute Industry: Lagan in collaboration with James Mackie.

In Association With
**JAMES MACKIE
AND SONS LTD.**

Manufactured by

THE LAGAN JUTE MACHINERY CO. PRIVATE LTD.
24-B, PARK STREET, CALCUTTA-16



REG. LAGAN-870

Company Affairs

ICICI

THE INDUSTRIAL Credit and Investment Corporation of India Ltd (ICICI) has recorded, during the year ended December 31, 1971, a net profit of Rs 1.79 crores after providing Rs 2.91 lakhs for depreciation, Rs 14.20 lakhs for bad and doubtful debts and Rs 1.56 crores for taxation. The directors have recommended a dividend at the rate of 10 per cent which will absorb Rs 78.13 lakhs and is to be paid out of the general reserve. The directors have reported that during the year the corporation received 286 applications for financial assistance covering various industries such as chemicals, petrochemicals, fertilisers, pharmaceuticals, aluminium, steel billets, alloy steel, iron and steel products, machinery, commercial vehicles, textiles, paper and hotel.

The lending operations of the corporation continue to cover a wide range of industries. During the year under review the directors approved 263 requests for assistance for a total amount of Rs 50.16 crores to 84 enterprises. One hundred and twelve applications were under examination at the end of the year. Rupee assistance in the form of loans and guarantees, underwriting of and direct subscription to ordinary and preference shares and debentures amounted to Rs 23.92 crores to 29 companies, and foreign currency loans equivalent to Rs 26.24 crores to 63 companies. The amount disbursed during the year, including disbursement in foreign currencies, totalled Rs 30.57 crores. During the year, the corporation signed underwriting agreements for 14 issues for a total amount of Rs 218 lakhs, out of which 12 for Rs 203 lakhs were completed. The corporation was called upon to take up Rs 98 lakhs in respect of these 12 issues. In addition, the corporation also took up Rs 19 lakhs in respect of five underwriting agreements for Rs 26 lakhs signed in the previous year. During the year, repayment instalments of loans falling due from 286 companies amounting to Rs 13.92 crores were received. The corporation realised Rs 206.56 lakhs during the year by way of sale proceeds of investments, of which a sum of Rs 53.69 lakhs was realised by way of capital gains.

UNION CARBIDE

Union Carbide India Ltd has recorded during 1971 a net profit of Rs 3.32 crores, after tax and provision for

development rebate, against Rs 3.25 crores in 1970. The provision for corporate tax and surtax and development rebate was Rs 3.90 crores and Rs 66 lakhs respectively. An interim dividend of 75 paise per share (subject to deduction of income tax) was paid to the shareholders on November 22. Of the remaining surplus for the year, Rs 2.25 crores has been transferred to general reserve and Rs 16 lakhs to sinking fund reserve to provide for redemption of the balance of Rs 50 lakh 15 year 6-1/2 per cent, debentures. A final dividend of one rupee per share amounting to Rs 1.23 crores (subject to deduction of income-tax) has been proposed to be paid. Construction of additional zinc rolling facilities was started during the year. Shrimp fishing activity was also started during the year and prospects in this totally export oriented project appeared encouraging. Plans for expansion were being negotiated with the government.

INDIAN OXYGEN

A new factory building is being put up by Indian Oxygen Ltd in Taratala, south-east Calcutta, to house the air separation plant and cryogenic equipment manufacturing unit of the company. It has been estimated to cost about Rs eight lakhs. Oxygen and nitrogen plants ranging from a capacity of 45 cubic metres to 400 cubic metres per hour, cryogenic vessels and high pressure gas compressors will be manufactured.

DUNLOP INDIA

Dunlop India Ltd has earned a gross profit of Rs 7.51 crores for 1971 against Rs 8.35 crores for the previous year. The company's income, however, increased to Rs 98.91 crores from Rs 88.41 crores. The directors have proposed a final dividend of 12.5 per cent for the year. This together with the interim dividend of 7.5 per cent makes a total of 20 per cent, the same as paid for the previous year. The fall in the company's profitability has been attributed to the increase in the cost of raw materials and wages and power shortages in West Bengal during the first half of 1971. The company's working during the second half of the year improved following better power supplies, improved law and order situation, and additional production from the expansion of the Ambattur factory. The company's pre-tax profit amounted to Rs 6.04 crores against Rs 7.04 crores after providing Rs 1.48 crores for deprecia-

tion. The directors have provided Rs 2.25 crores for taxation and Rs 61.34 lakhs for development rebate reserve. There was a net profit of Rs 3.17 crores against Rs 3.71 crores. The total dividend distribution would amount to Rs 2.05 crores. A sum of Rs 1.12 crores was transferred to the general reserve.

TATA CHEMICALS

For the half year ended December 31, 1971 the value of sales (inclusive of excise duty) of all products of Tata Chemicals Ltd was Rs 661.41 lakhs, exceeding the turnover over the corresponding period of the previous year by Rs 122.85 lakhs, or 22.8 per cent. Among the company's major products, the output of soda ash during the half year at 118,145 tonnes was higher by 15,950 tonnes (15.6 per cent) over the corresponding period of the last year.

STATE BANK OF HYDERABAD

The State Bank of Hyderabad has made a net profit of Rs 6.22 lakhs for the year ending 1971 as against Rs 10.52 lakhs for the previous year due to higher operational expenses. After making the usual and necessary provisions, the amount available for distribution including a sum of Rs 9,000 brought forward is Rs 6.31 lakhs. The Directors have transferred Rs 1.25

THE ECONOMIST INTELLIGENCE UNIT LTD., London.

MULTINATIONAL BUSINESS

As the multinationals move further towards the center of the business stage, Multinational Business, the new EIU quarterly gains even greater relevance. Issues in the news are analysed concisely and in depth reports treat three selected topics in detail.

In Issue No. 2
Controlling the Multinational
Corporation:
Is it necessary?

Western Europe's Corporate Tax in Flux.

A Family Business grows up:
Evolution and Adaptation at Philips.

Annual subscription £ 40.00 + £ 2.75 airmail charges. Single copy £ 15 each (payment with order). Available against Rupee payment at the conversion rate of £ 1 = Rs. 19.00, from the exclusive representative in India, J. A. SHAH, 67 Marine Drive, Bombay-20 Telephone 291283.

lakhs to the reserve fund and Rs five lakhs to the pension fund. The bank's deposits and other accounts increased to Rs 80.14 crores at the end of 1971 from Rs 64.77 crores at the end of the previous year—recording a rise of Rs 15.37 crores. The number of accounts increased from 282,044 to 347,051 at the end of the year. While the advances increased by Rs 8.04 crores to Rs 58 crores at the end of 1971, the advances to small-scale industries were higher by Rs 1.98 crores. The advances granted by the bank covering both pre-shipment and post-shipment credit increased from Rs 2.69 crores to Rs 3.53 crores at the end of the year. The bank opened 19 branches during the year out of which 15 were in rural centres, one in an urban centre and three in metropolitan centres.

SOMANI STEELS

Somani Steels Ltd entered the capital market on March 9, 1972 with an issue of Rs 25 lakhs made up of 250,000 equity share of Rs 10 each. The subscription list will close on March 22 or earlier at the discretion of the directors but not before March 14, 1972. The company has an authorised capital of Rs 1.50 crores. The company proposed to establish electric arc melting furnace to manufacture mild steel, alloy steel ingots, billets and other sophisticated items. The factory is being constructed at Sonik in UP. The erection of the plant is in progress and is expected to be completed in April 1972. The total cost of the project is estimated at Rs 1.20 crores.

BANK OF BARODA LTD.

The negotiations for the merger of the Bank of Baroda Limited into Tata Chemicals Limited have been terminated by mutual consent and the proposed scheme of merger will not therefore take place, stated a press note recently.

UNIT PRICE RAISED

The sale and repurchase prices of units of the Unit Trust of India have been raised by five paise each with effect from March 3, 1972. The sale and repurchase prices have been fixed at Rs 10.90 and Rs 10.50 per unit respectively.

CAPITAL AND BONUS ISSUES

Consent has been accorded to five companies to raise capital amounting to over Rs 2.55 crores. Following are the details:

Milkar Textiles Limited, Ahmedabad, has been given consent, valid for three months, to capitalise Rs 20 lakhs out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Philips India Limited, Calcutta, is granted consent to capitalise Rs 1.33 crores divided into 13,30,000 equity

shares of Rs 10 each to be issued partly for cash and partly on conversion of loan at a premium of Rs 15 per share. The object of the issue is to convert the foreign loan into equity and also to reduce foreign holding in the share capital of the company. The consent is valid for 12 months.

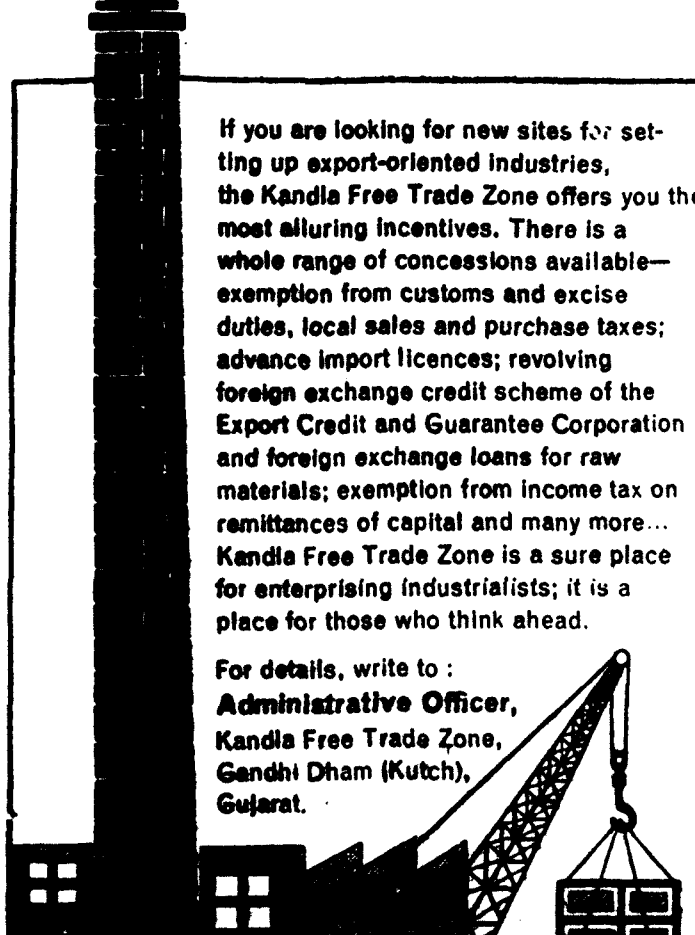
Mahalakshmi Syndicate Private Ltd, Allahabad, has been given permission, valid for three months, to capitalise Rs 40,000 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one for four equity shares held.

The Boots Company (India) Ltd, Bombay, has been accorded consent, valid for 12 months, to issue debenture

stock (1971-1982) of the value of Rs 50 lakhs carrying 8½ per cent of taxable rate of interest. The debentures will be privately placed with financial institutions at par. The debentures will be payable to registered holders only. The proceeds of the issue will be utilised in rehousing, modernising and setting up a unit for the manufacture of pharmaceutical lozenges.

Rathi Alloys and Steel Ltd, New Delhi, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the extent of Rs 52 lakhs in 4,20,000 equity shares of Rs 10 each and 10,000—9.5 per cent cumulative redeemable preference shares of Rs 100 each for cash at par.

**KANDLA
CALLING
ENTREPRENEURS**



If you are looking for new sites for setting up export-oriented industries, the Kandla Free Trade Zone offers you the most alluring incentives. There is a whole range of concessions available—exemption from customs and excise duties, local sales and purchase taxes; advance import licences; revolving foreign exchange credit scheme of the Export Credit and Guarantee Corporation and foreign exchange loans for raw materials; exemption from income tax on remittances of capital and many more... Kandla Free Trade Zone is a sure place for enterprising industrialists; it is a place for those who think ahead.

For details, write to:
Administrative Officer,
Kandla Free Trade Zone,
Gandhi Dham (Kutch),
Gujarat.

deep-71/518

RECORDS AND STATISTICS

Commodity Prices in 1971

THE GENERAL price level as measured by the wholesale price index of all-commodities (Base 1961-62=100) rose by 3.9 per cent during the year 1971 over 1970. The price rise during 1970 over 1969 was, however, 6.2 per cent. The pressure on price in 1971 was less as compared to 1970. The price index of all commodities for the year 1971 stood at 186.1 as compared to 179.2 for the year 1970. The index number of all-commodities which stood at 183.3 in January 1971 declined marginally in February and March; it moved up slightly in April and declined again in May. From June it began to move up till it reached its peak (192.5) in September 1971. Thus there was continued pressure on prices beginning from June 1971 up to the end of September 1971. In October, 1971 with the onset of harvest season, the rise in the price level has been checked and the index has begun to move down touching the level of 185.9 in December 1971.

An examination of wholesale price index on sectoral basis reveals that increases were registered by all the major groups. The highest rise was noticed in the "manufactures" group, while the rise in the prices of "industrial raw materials" was the minimum. Food articles advanced by 1.8 per cent in 1971 over 1970, as compared to 5.2 per cent in 1970 over 1969, liquor and tobacco rose by 2.5 per cent in 1971 as compared to a fall of 8.7 per cent in 1970; fuel, power, light and lubricants rose by 5.3 per cent in 1971 compared to 4.6 per cent in 1970; industrial raw materials by 0.4 per cent as compared to 10.4 per cent, chemicals by 3.3 per cent as compared to 4.1 per cent; machinery and transport equipment by 7.5 per cent as compared to 7.7 per cent and manufactures by 8.3 per cent as compared to 7.7 per cent in 1970. A group-wise analysis of items with significant variations in prices is given below:

Food articles

The items which showed rise in prices are pulses (+5.9 per cent); fruits and vegetables (+4.8 per cent); milk and milk products (+3.7 per cent); Fish, eggs and meat (+10.4 per cent); sugar and allied products (+21.5 per cent), tea (+18 per cent) and salt (17.5 per cent). The items which recorded decrease in prices were edible oils (-8.9 per cent); spices and condiments (-26.3 per

cent), coffee (-19.3 per cent) and betelnuts (-11.2 per cent).

Liquor and tobacco

The price of tobacco manufactures advanced by (+10.8 per cent), while the price of raw tobacco receded

(-8.1 per cent). The price of liquor remained constant at the 1970 level.

Fuel, power, light and lubricants

The prices of coke and mineral oils continued their upward trend. The price of coke rose by 13.9 per cent and mineral oils by 7.0 per cent, (kerosene oil 3.9 per cent, petrol 13.5 per cent, aviation spirit 16.7 per cent and diesel oil 3.9 per cent).

Industrial raw materials

In the sub-group fibres, the prices of cotton raw, wool raw and hemp raw

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS AND SUB-GROUPS OF COMMODITIES

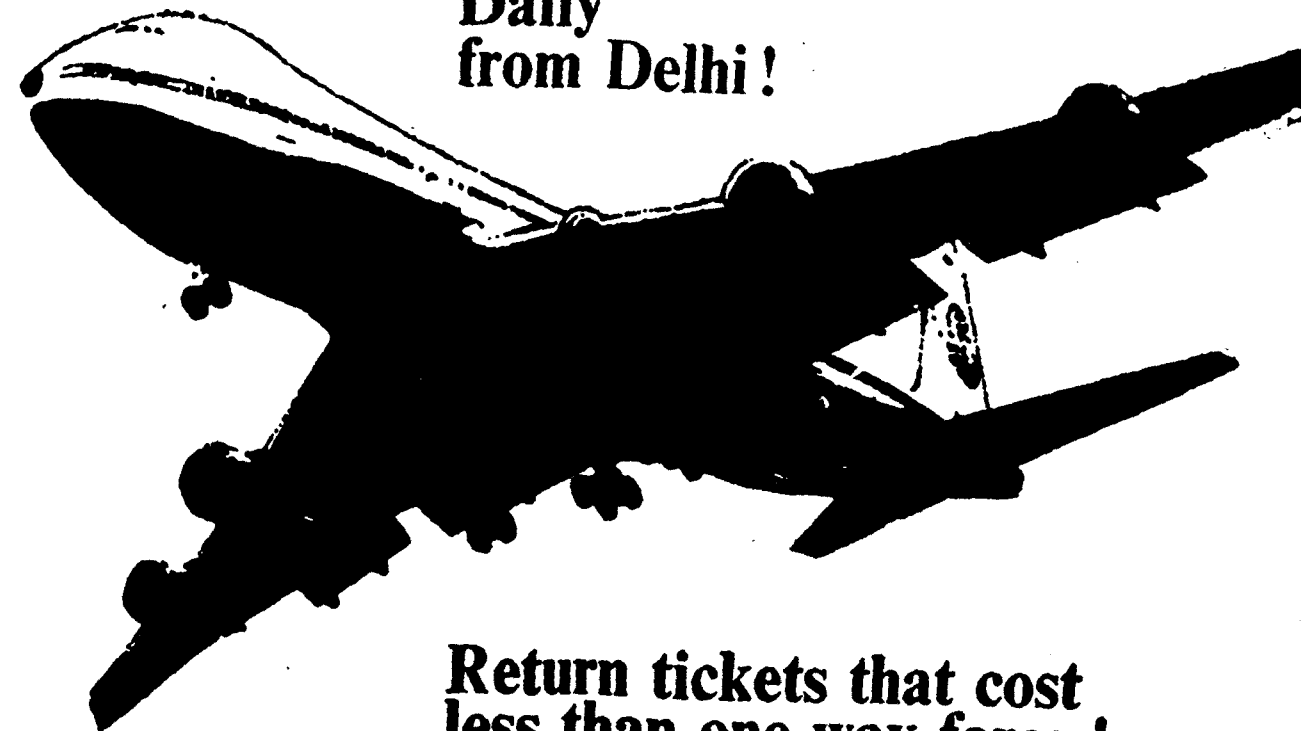
(Base: 1961-62=100)

Groups and Sub-group	Annual average		Percent- age rise or fall in 1970 over 1969	Percent- age rise or fall in 1971 over 1970	
	1969	1970			
Food Articles	193.3	203.3	207.0	+ 5.2	+ 1.8
Foodgrains	202.8	209.7	209.8	+ 3.4	—
Cereals	197.5	202.1	199.0	+ 2.3	- 1.5
Pulses	226.4	243.9	258.2	+ 7.7	+ 5.9
Fruits & vegetables	180.1	196.2	205.7	+ 8.9	+ 4.8
Milk & milk products	201.0	210.6	218.3	+ 4.8	+ 3.7
Edible oils	195.3	230.0	209.5	+17.8	- 8.5
Fish, eggs & meat	199.2	209.0	230.7	+ 4.9	+10.4
Sugar & allied products	183.1	167.1	203.0	+ 8.7	+21.5
Others	166.3	193.4	172.5	+16.3	-10.8
Liquor & Tobacco	203.1	185.5	190.2	- 8.7	+ 2.5
Fuel, Power, Light, and Lubricants	153.3	160.4	168.9	+ 4.6	+ 5.3
Industrial Raw Materials	175.4	193.6	194.4	+10.4	+ 0.4
Fibres	156.2	169.2	189.1	+ 8.3	+11.8
Oilseeds	197.4	229.1	212.9	+16.1	- 7.1
Minerals	136.2	138.1	138.8	+ 1.4	+ 0.5
Others	165.9	166.3	171.2	+ 0.2	+ 2.9
Chemicals	180.7	188.1	194.4	+ 4.1	+ 3.3
Machinery & Transport Equipment	134.8	145.2	156.1	+ 7.7	+ 7.5
Electrical machinery	133.9	143.6	155.3	+ 7.2	+ 8.1
Non-Electrical machinery	136.4	150.8	164.4	+10.6	+ 9.0
Transport equipment	132.5	136.2	141.9	+ 2.8	+ 4.2
Manufactures	140.9	151.7	164.3	+ 7.7	+ 8.3
Intermediate Products	154.1	174.8	192.2	+13.4	+10.8
Finished Products	137.7	146.1	157.6	+ 6.1	+ 7.9
Textiles	136.2	145.4	164.1	+ 6.8	+12.9
Cotton manufactures	132.1	140.6	160.3	+ 6.4	+14.0
Jute manufactures	152.5	165.8	186.6	+ 8.7	+12.5
Silk and rayon manufactures	114.4	116.7	124.4	+ 2.0	+ 6.6
Woollen manufactures	167.3	180.8	188.0	+ 3.1	+ 4.0
Coir mats & mattings	162.8	166.5	175.8	+ 2.3	+ 5.6
Metal products	149.0	161.9	171.1	+ 8.7	+ 5.7
Non-metallic products	132.0	139.3	148.7	+ 5.5	+ 6.7
Chemical products	135.2	143.1	149.6	+ 5.8	+ 4.5
Leather products	95.5	92.1	95.3	- 3.6	+ 3.6
Rubber products	156.5	156.2	156.7	- 0.2	+ 0.3
Paper products	118.3	122.1	126.5	+ 2.4	+ 4.5
Oil cakes	187.7	204.4	180.2	+ 8.9	-11.8
Miscellaneous products	120.0	121.1	123.4	+ 0.9	+ 1.9
All Commodities	168.8	179.2	186.1	+ 6.2	+ 3.9

Source: Office of the Economic Adviser, Govt. of India, New Delhi, January 19, 1972.

The lowest ever fares to New York - on Pan Am's 747.

Daily from Delhi!



Return tickets that cost less than one-way fares!

Delhi — New York — Delhi Rs. 4125 (\$ 550)

Bombay — New York — Bombay Rs. 4125 (\$ 550)
(via Delhi both ways)

Calcutta — New York — Calcutta Rs. 4875 (\$ 650)
(via Delhi both ways)

Excursion Economy 14/120 days fare.

Call your Pan Am Travel Agent or call us.

• New Delhi: Chandralok, 36, Janpath, Tel.: 41571

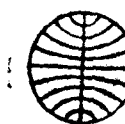
• Bombay: Taj Mahal Hotel, Tel.: 255448, 255634

• Calcutta: 42, Chowringhee Road, Tel.: 66-3251

• Madras: 8/9, Thambu Chetty Street, Tel.: 29201, 23242

• Kottam: Hotel Sathya-Oboro, Tel.: 11214

• Colombo (Ceylon): Kottapitaya, Tel.: 78271



Pan Am.

Pan Am, first with daily 747 service round the world.

**MR. EXPORTER,
GETTING
A PERFORMANCE
GUARANTEE
FROM YOUR BANK
CAN BE EASIER
WITH A
COUNTER
GUARANTEE
FROM
E.C.G.C.**



A performance guarantee from your bank is often essential when you plan an export proposition—whether it is a turnkey project, a bid bond to be furnished under a tender, an export obligation under an advance import license or excise clearance, etc. But the proposition may fall through if the bank is hesitant to grant you the required limit or stipulates terms that are likely to cause a strain on your resources.

What you probably do not know is that the Export Performance Guarantee of the E.C.G.C. will enable you to obtain a higher guarantee limit on easier terms, because under the guarantee, E.C.G.C. covers a major portion of the bank's risks.

EXPORT CREDIT & GUARANTEE CORPORATION LIMITED

(INCORPORATED IN INDIA)
REGD. OFFICE: 10th Floor, Express Towers,
Marina Point, Bombay 1, BA

BRANCHES

BOMBAY: 4, Rampart Row, Bombay-1.
CALCUTTA: Tata Centre,
10th Floor, 43, Chowringhee Road, Calcutta-16.
NEW DELHI: Chaudri House, 10-A Curzon Road, New Delhi-1.
MADRAS: Indian Bank Bldg.,
1st Floor, 17th North Beach Road, Madras-1.
COCHIN: Chathuruthy Bldg.,
1st Floor, Mahatma Gandhi Rd., Ernakulam, Cochin-11.



Please send me complete details
regarding the services
offered by E.C.G.C.

NAME _____

ADDRESS _____

DEPT. _____

For complete details mail the coupon to your nearest branch office.

went up by 22.3 per cent, 8.0 per cent and 10.7 per cent respectively while raw jute & mesta and silk raw declined by 7.4 per cent and 16.1 per cent respectively with the result that the index for this sub-group rose by 11.8 per cent. The prices of oilseeds declined by 7.1 per cent while minerals including metallic ores advanced marginally by 0.5 per cent

Chemicals

Although chemicals as a group rose by 3.3 per cent, a significant rise was noted in soda ash (21.9 per cent).

bleaching powder (10.2 per cent) and hydrochloric acid (9.8 per cent). The price of sodium hydrosulphite however, fell sharply (-22.5 per cent).

Machinery & transport equipment

The price of electrical machinery was up by 8.1 per cent non-electrical machinery by 9.0 per cent and transport equipment by 4.2 per cent

Manufactures

Among the finished products, "textiles" as a sub-group advanced by 12.9 per cent; (cotton manufactures +14.0 per cent; jute manufactures +12.5

per cent; silk and rayon manufactures +6.6 per cent and woollen manufactures +4.0 per cent). The price of metal products (such as iron and steel manufactures, cutlery and hardware and aluminium utensils) stepped up by 5.7 per cent. The prices of leather products increased by 3.5 per cent and an increase of 4.5 per cent was recorded in the case of paper products. The price of building and construction materials, such as bricks and tiles and cement, rose by 8.5 per cent and 6.2 per cent respectively. The prices of oilcakes, however, declined by a big margin (-11.8 per cent).

INDEX NUMBERS OF INDUSTRIAL PRODUCTION (Yearwise)

(Base: 1960=100)

Items	Weights	1961	1965	1966	1967	1968	1969	1970†
I General Index	100.00	109.2	153.8	152.6	151.4	161.1	172.5	180.8
II Basic Industries**	25.11	112.7	164.3	172.9	176.5	194.6	212.0	221.7
Mining and quarrying	9.72	105.4	131.7	136.1	135.8	144.2	147.4	149.0
Heavy inorganic chemicals	0.69	121.4	213.8	227.8	243.2	270.2	308.0	337.4
Cement	1.17	105.1	134.8	141.0	143.9	152.3	173.7	177.9
Basic Metals	7.38	118.7	180.1	189.6	181.8	193.7	209.7	205.5
Iron and steel basic industries	6.23	121.0	185.3	193.6	177.7	185.4	201.2	187.8
Aluminium manufacturing	0.57	110.6	225.9	273.2	339.2	400.5	424.0	508.7
Electricity	5.37	116.3	190.9	207.8	230.7	266.6	301.1	334.0
III Capital Goods Industries**	11.76	118.0	244.2	210.1	205.3	210.3	214.0	224.6
Prime movers, boilers and steam generating plants	0.59	130.3	438.6	364.6	377.7	494.5	496.9	486.4
Industrial machinery	0.93	111.0	153.6	135.8	125.6	149.6	130.6	120.6
Machinery components and accessories	1.06	121.2	428.8	378.6	367.8	337.2	360.9	396.0
Electrical cables and insulated wires	0.68	104.2	198.3	195.9	206.7	191.5	201.9	220.1
Railroad equipments@	3.50	126.2	259.2	181.9	142.8	130.7	116.8	93.6
Motor Vehicles	2.51	104.2	136.0	136.2	131.8	149.5	145.2	157.8
IV. Intermediate Goods Industries**	25.88	105.8	140.1	136.7	139.7	148.2	154.4	158.8
Cotton spinning	11.79	108.4	120.9	117.3	116.7	124.1	127.8	127.0
Jute manufactures	3.97	89.1	120.3	100.4	104.1	96.4	77.8	85.1
Manufacture of wood and cork except manufacture of furniture	0.80	95.5	235.2	205.1	218.1	233.9	256.6	198.7
Tyres and tubes	1.48	114.2	173.5	174.1	185.4	227.6	255.0	258.3
Synthetic fibres	0.64	116.2	174.0	181.4	207.3	230.4	223.1	230.7
Dye-stuff and dyes	0.61	102.7	141.8	161.7	164.8	181.1	198.4	195.6
Petroleum refinery products	1.34	106.0	158.7	195.9	234.2	260.1	280.8	297.3
Structural clay products	0.77	118.5	124.1	169.0	214.0	232.9	280.9	302.3
Fittings, fixtures and fasteners	0.85	107.3	197.2	205.7	149.7	101.9	98.8	104.8
V. Consumer Goods Industries**	37.25	106.6	127.5	131.3	125.7	131.9	145.3	154.7
(i) Consumer non-durable goods industries**	31.57	105.8	120.5	122.6	114.9	117.4	128.3	137.6
Flour milling and grinding	1.49	100.7	127.6	185.2	131.6	125.4	185.9	231.0
Sugar factories and refineries (sugar refined)	3.58	110.0	124.7	129.8	84.0	84.5	149.1	165.3
Hydrogenated oil (vanaspati)	1.09	100.4	127.1	106.2	116.4	140.4	142.7	154.4
Tea	5.12	111.6	114.1	113.5	116.6	104.9	108.1	128.4
Cigarettes	2.15	106.7	146.1	157.5	147.4	163.3	161.4	168.0
Cotton weaving	9.39	100.3	100.0	92.9	90.1	96.2	91.5	92.7
Paper and paper products	1.61	105.8	147.2	160.0	167.1	185.0	201.4	216.2
(a) Paper	1.36	104.1	143.5	159.7	167.3	186.8	200.2	217.4
Drugs and pharmaceuticals	2.20	114.7	133.7	155.9	135.8	154.4	156.7	156.7
Soaps and other washing and cleaning compounds	0.95	104.5	121.0	127.6	143.3	154.5	187.1	195.6
Matches	0.50	97.1	110.9	94.8	89.4	97.9	96.2	88.0
Glass and glass products	0.57	104.6	131.1	141.7	153.5	120.9	116.6	110.6

(Contd.)

INDEX NUMBERS OF INDUSTRIAL PRODUCTION—(Contd.)

Items	Weights	1961	1965	1966	1967	1968	1969	1970†
(ii) Consumer durable goods industries**	5.68	110.8	166.5	179.4	185.6	212.4	239.7	249.5
Commercial office and household machines	0.53	128.4	137.6	151.8	147.2	145.9	125.3	143.6
Electrical appliances	0.56	108.2	152.5	145.8	154.5	170.5	183.4	190.9
Communication equipment	0.61	121.6	217.4	265.6	318.3	510.1	646.8	661.1
Bicycles and tricycles	0.51	99.9	146.6	155.4	162.3	182.7	188.9	194.9

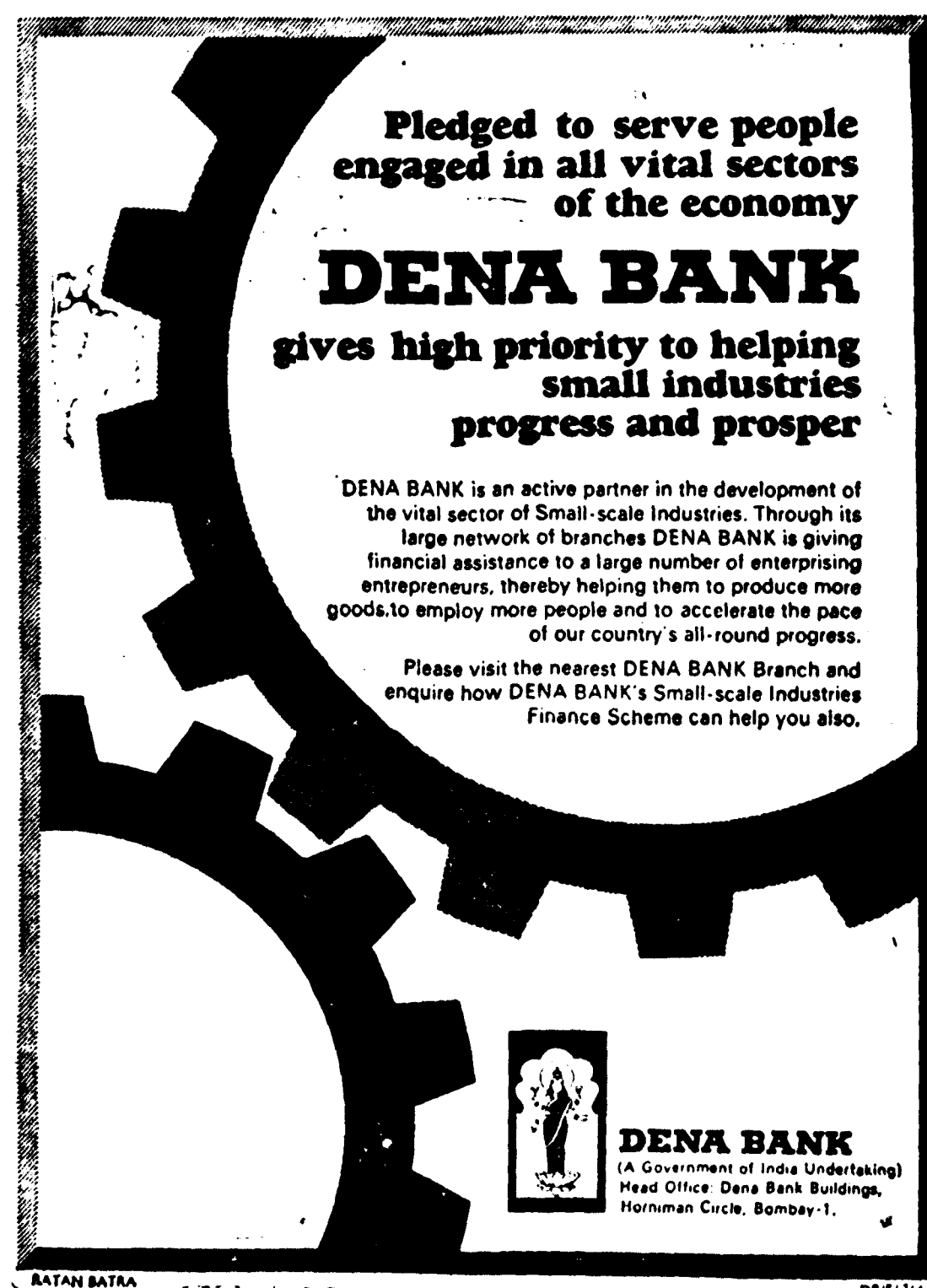
Note:—Weights of individual industries may not add up to that of any of the groups as only selected industries are presented in the table.

@Relates to production in private sector only up to 1964 and to both private and public sectors thereafter.

** Derived Series

† Provisional

Source : Reserve Bank of India



Pledged to serve people engaged in all vital sectors of the economy

DENA BANK

gives high priority to helping small industries progress and prosper

DENA BANK is an active partner in the development of the vital sector of Small-scale Industries. Through its large network of branches DENA BANK is giving financial assistance to a large number of enterprising entrepreneurs, thereby helping them to produce more goods, to employ more people and to accelerate the pace of our country's all-round progress.

Please visit the nearest DENA BANK Branch and enquire how DENA BANK's Small-scale Industries Finance Scheme can help you also.



DENA BANK
(A Government of India Undertaking)
Head Office: Dena Bank Buildings,
Horniman Circle, Bombay-1.

RATAN BATAA

INDEX NUMBERS OF INDUSTRIAL PRODUCTION (Monthwise)

(Base: 1960=100)

Items	1970	1971					
	June†	Jan.†	Feb.†	March†	April†	May†	June†
I. General Index							
Unadjusted*	179.0	188.4	178.7	192.4	183.7	177.7	185.0
Adjusted*	182.4	183.0	182.3	184.4	188.2	181.8	188.4
II. Basic Industries**	212.4	236.5	221.8	248.5	235.5	229.6	227.5
Mining and quarrying	144.6	152.4	150.6	156.7	156.4	155.1	150.4
Heavy inorganic chemicals	322.2	380.2	337.4	347.0	333.7	344.1	354.0
Cement	166.0	198.5	187.4	206.3	193.5	187.6	169.7
Basic metals	196.2	216.3	200.0	229.2	216.0	199.5	192.4
(a) Iron and steel basic industries	178.2	197.2	179.0	210.7	194.3	177.5	168.4
(b) Aluminium manufacturing	503.4	536.8	519.6	542.4	554.4	557.4	558.1
Electricity	315.0	350.5	330.4	363.7	—	357.9	—
III. Capital Goods Industries**	249.8	235.7	221.3	262.4	206.9	194.1	210.8
Prime movers, boilers and steam generating plants	547.7	760.7	483.5	865.6	419.6	382.9	444.1
Industrial machinery	107.0	91.8	88.9	101.8	87.1	87.0	95.5
Machinery components and accessories	407.3	383.2	419.2	445.4	421.6	379.9	408.8
Electrical cables and insulated wires	230.0	246.0	243.3	276.3	268.8	261.9	247.1
Railroad equipment	98.8	80.0	76.4	92.5	64.9	57.4	74.9
Motor vehicles	158.3	178.1	177.5	198.2	137.9	149.4	157.0
IV. Intermediate Goods Industries**	158.0	158.5	155.1	155.8	160.9	159.2	161.1
Cotton spinning	126.3	119.0	109.0	113.2	114.7	114.7	120.0†
Jute manufactures	88.6	90.3	89.9	87.5	99.0	92.1	94.2
Manufacture of wood and cork except manufacture of furniture	194.4	219.5	236.6	205.4	275.4	257.7	251.3
Tyres and tubes	248.8	281.6	269.2	283.2	267.1	242.6	266.7
Synthetic fibres	236.6	216.0	242.6	218.4	248.0	256.1	260.6
Dye-stuff and dyes	175.2	229.1	223.8	199.8	188.4	193.7	173.9
Petroleum refinery products	295.2	290.6	305.3	293.6	281.3	337.4	310.7
Structural clay products	326.4	290.7	293.6	321.2	346.5	314.4	308.1
Fittings, fixtures and fasteners	126.0	114.8	106.1	111.7	110.1	114.7	124.1
V. Consumer Goods Industries**	148.9	161.9	152.6	157.9	157.3	150.4	164.8
(i) Consumer Non-durable Goods industries**	133.0	144.5	134.1	140.5	136.4	126.3	139.4
Flour milling and grinding	198.9	238.2	240.9	260.0	249.6	248.5	332.2
Sugar factories and refineries (sugar refined)	66.4	356.2	321.1	319.9	198.0	65.2	17.3
Hydrogenated oil (vanaspati)	156.9	195.8	181.0	177.4	167.4	167.4	164.5
Tea	172.1	22.1	23.9	38.1	81.8	128.9	194.1
Cigarettes	162.9	185.5	142.6	165.8	178.2	178.5	188.2
Cotton weaving	94.3	90.0	85.7	87.0	90.4	88.0	91.4†
Paper and paper products	208.1	223.8	197.7	215.6	220.9	182.3	21.81
(a) Paper	208.1	225.1	200.2	222.9	223.3	184.5	214.2
Drugs and pharmaceuticals	156.7\$	156.7\$	156.7\$	156.7\$	156.7\$	156.7\$	156.7\$
Soaps and other washing and cleaning compounds	193.2	199.3	199.4	201.4	201.3	200.6	209.6
Matches	89.3	78.2	80.8	78.9	62.4	75.7	83.8
Glass and glass products	109.4	168.4	119.4	118.1	141.0	174.7	167.8
V. Consumer Durable Goods Industries**	237.4	258.5	255.3	254.7	273.5	284.1	305.9
Commercial and household machines	146.7	168.9	171.8	196.3	201.7	194.1	202.7
Electrical appliances	176.7	232.8	227.2	234.8	225.9	237.0	243.2
Communication equipment	646.4	627.9	678.1	592.7	601.6	661.1	796.8
Bicycles and tricycles	199.4	180.5	190.3	195.4	187.9	198.3	196.7

*For seasonal variations. **Derived Series. †Provisional. \$Due to nonavailability of production data, figure for November 1968 has been repeated. ‡Estimated.

Source: Reserve Bank of India.

RESERVE BANK OF INDIA

(Rs crores)

	Feb 11, 1972	A week ago	A month ago	A year ago
Issue Department				
Notes held in bank- ing department	13.91	15.06	4.82	4.26
Notes in circulation	4647.70	4583.12	4584.57	4208.35
Total notes issued	4661.62	4598.18	4579.39	4212.60
Gold coin and bullion	182.53	182.53	182.53	182.53
Foreign securities	238.65	238.65	220.92	278.42
Rupee coin	37.61	39.17	40.38	52.41
Government of India rupee securities	4202.82	4137.82	4135.56	3699.24
Banking Department				
Deposits of cen- tral government	223.10	158.24	200.43	298.61
Deposits of state governments	16.25	10.20	2.82	6.63
Deposit of scheduled commercial banks	242.89	237.54	233.62	179.16
Other deposits	97.27	93.33	105.61	87.11
Other liabilities	943.21	955.63	906.46	639.85
Total liabilities or assets	1522.72	1454.94	1448.93	1211.36
Notes and coins	14.00	15.14	4.90	4.34
Balances held abroad	190.92	196.39	194.59	89.19
Loans and advances				
State governments	495.37	489.33	491.39	219.82
Scheduled com- mercial banks	215.66	162.88	165.31	394.27
State co-op- erative banks	338.59	344.94	349.85	318.47
Other loans and advances	81.49	79.86	80.11	30.96
Bills purchased and discounted	57.31	36.86	44.02	5.80
Investments	86.30	85.03	77.63	107.58
Other assets	43.08	44.51	41.14	40.93

SCHEDULED COMMERCIAL BANKS

(Rs crores)

	Feb 11, 1972	A week ago	A month ago	A year ago
1. Demand de- posits*	2972.18	2965.28	2896.56	2537.11
2. Time depo- sits*	3969.97	3950.74	3942.20	3269.86
3. Aggregate deposits*	6942.15	6916.02	6838.76	5806.97
4. Cash	176.48	182.61	163.32	165.85
5. Balances with Reserve Bank	232.27	229.94	238.37	182.30
6. Cash and balances with Reserve Bank	408.75	412.55	401.69	348.15
7. Borrowings from Reserve Bank	215.66	162.88	165.31	394.26
8. Investments in government securities	1651.63	1656.58	1655.85	1358.05
9. Advances	4126.54	4136.42	4081.50	3665.15
10. Bills pur- chased and discounted	993.02	978.40	947.37	976.19
Inland bills	772.00	757.21	734.74	764.11
Foreign bills	221.02	221.19	212.63	212.08
11. Total bank credit	5119.56	5114.82	5028.87	4641.34
12. Percentage of (6) to (3)	5.89	5.97	5.87	6.00
(8) to (3)	23.79	23.95	24.21	23.39
(11) to (3)	73.75	73.96	73.53	79.93

*Excluding inter-bank borrowings.

Source: Reserve Bank of India.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1961-62=100)

Week ended	1971		1972			
	Feb. 13	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12
Government and semi-Government Securities—All-India—						
Total	98.1	97.6	97.6	97.6	97.6	97.6
Government of India	97.6	96.9	96.9	96.9	96.9	96.9
State governments	100.5	100.3	100.3	100.3	100.3	100.3
Semi government institutions	100.7	101.1	101.2	101.3	101.3	101.3
Debentures—All India	93.2	92.7	92.7	92.7	92.7	92.7
Preference Shares—All-India	86.4	82.6	82.7	82.6	82.7	82.7
Variable Dividend Industrial Securities—All-India—Total	100.8	94.6	95.2	95.4	95.2	94.6
Agriculture and allied activities	90.0	87.0	87.2	87.8	87.9	88.0
Mining and quarrying	52.9	47.9	47.4	47.7	47.4	47.5
Processing and manufacturing: Total	97.7	92.3	93.0	93.2	92.7	92.0
Foodstuffs, textiles	83.7	77.5	78.1	78.3	78.0	77.5
Metals, chemicals	103.4	97.3	98.2	98.1	97.6	96.7
Others	123.7	122.3	123.6	123.6	122.9	121.8
Other industries	123.9	113.5	114.6	115.2	115.9	115.8
Financial	129.5	112.9	110.3	110.3	110.2	111.3
Variable Dividend Industrial Securities—Regional						
Bombay	113.8	103.4	104.2	103.9	103.9	103.0
Calcutta	95.3	93.7	94.9	95.9	95.5	94.9
Madras	89.2	84.1	83.7	83.8	83.6	83.6
Ahmedabad	80.6	70.7	70.7	70.4	69.9	69.4
Delhi	117.7	105.7	106.2	106.0	105.4	104.9

Source: Reserve Bank of India.

MONEY SUPPLY WITH THE PUBLIC

(Rs crores)

Week ended	1971		1972			
	Feb. 5	Jan. 7	Jan. 14	Jan. 21	Jan. 28	Feb. 4
A. Money Supply with the Public	6,986	7,779	7,812	7,799	7,811	7,859
Currency with the public	4,335	4,689	4,757	4,735	4,709	4,748
Other deposits with the Reserve Bank	57	66	65	63	64	53
Bank money	2,594	3,024	2,990	3,001	3,038	3,058
B. Factors affecting Money Supply (1+2+3+4-5-6)						
1. Net bank credit to government sector	5,149	6,150	6,198	6,203	6,208	6,226
2. Net bank credit to commercial sector	2,200	1,977	1,991	1,980	2,063	2,053
Of which: banks* net credit to commercial sector (a-b)	2,085	1,784	1,794	1,783	1,863	1,861
(a) Claims on commercial sector	5,504	5,916	5,929	5,884	6,007	6,004
(b) Non-monetary liabilities of banks	3,419	4,132	4,135	4,101	4,144	4,143
3. Net foreign exchange assets of banking sector	565	612	610	624	632	630
4. Government's net currency liabilities to the public	378	392	392	391	391	394
5. Net non-monetary liabilities of the Reserve Bank	653	931	932	931	967	977
6. Residual	653	421	447	468	516	477

*Excluding Reserve Bank.

Source: Reserve Bank of India.

SEASONAL CHANGES IN SELECTED BANKING VARIABLES

(Rs crores)

Item	State Bank of India				14 Nationalised Banks			
	Busy Season 1970-71	Slack Season 1971	Busy Season upto		Busy Season 1970-71	Slack Season 1971	Busy Season upto	
			January 21, 1972	January 22, 1971			January 21, 1972	January 22, 1971
	1	2	3	4	1	2	3	4
Deposits Growth	105.1	144.4	27.9	18.5	237.5	347.0	147.3	143.5
Total Credit	104.8	-6.4	106.8	106.8	232.9	99.1	71.0	124.4
Credit for food procurement	38.8	10.4	87.1	67.3	34.7	126.9	38.7	36.7
Credit (excluding food procurement advances)	66.0	-16.8	19.7	39.5	198.2	-27.8	109.7	87.7
Investment in government and other approved securities	45.6	69.6	29.9	40.3	45.0	125.0	87.4	37.2
Cash in hand and balances with R.B.I.	3.6	24.0	-7.8	4.2	4.8	20.6	-4.3	1.6
Borrowings from R.B.I.@	33.0	-33.0	73.5	158.5	9.6	-113.6	26.0	35.4
Bills rediscounted*	0.2	-0.2	6.2	—	0.2	3.0	1.5	—

SEASONAL CHANGES IN SELECTED BANKING VARIABLES—(Contd.)

(Rs crores)

Item	Other Scheduled Commercial Bank				All Scheduled Commercial Banks			
	Busy Season 1970-71	Slack Season 1971	Busy Season upto		Busy Season 1970-71	Slack Season 1971	Busy Season upto	
			January 21, 1972	January 22, 1971			January 21, 1972	January 22, 1971
	1	2	3	4	1	2	3	4
Deposit Growth	92.9	122.8	35.2	45.7	435.5	614.2	210.4	207.7
Total Credit	56.5	66.0	18.5	53.2	394.2	158.7	196.3	284.4
Credit for food procurement	3.2	18.5	-10.5	-0.6	70.3	155.8	37.9	103.4
Credit (excluding food procurement advances)	59.7	47.5	29.0	53.8	323.9	2.9	158.4	181.0
Investment in government and other approved securities	23.5	59.1	27.2	15.2	114.1	253.7	144.5	92.7
Cash in hand and balances with R.B.I.	4.0	-17.3	-14.1	-6.0	12.4	61.9	-26.2	-0.2
Borrowings from R.B.I.@	-2.4	-25.5	13.1	11.3	40.2	-172.1	112.6	205.2
Bills rediscounted*	13.7	-3.0	-4.5	35.2	14.1	-0.2	3.2	35.2

*Under the new bills rediscounting scheme.

@Under Sections 17 (3A), 17 (4) (a) and 17 (4) (c).

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1970		1971*				
							Nov.	June	July	Aug.	Sep.	Oct.	Nov.
(Base: 1949 100)													
All India	169	191	213	212	215	226	230	227	231	236	238	238	239
(Base : 1960 100)													
All India				174**	177	186	189	187	190	194	196	196	197
Ahmedabad	130	148	168	165	169	176	177	176	178	181	183	182	186
Alwaye	145	148	183	198	197	198	199	200	200	203	204	204	206
Asansol	140	145	168	176	178	189	196	189	192	196	198	199	199
Bangalore	144	159	172	180	183	186	191	191	192	193	197	197	199
Bhavnagar	132	152	173	176	178	186	185	186	188	193	195	196	195
Bombay	130	147	162	167	175	182	183	188	189	190	192	193	194
Calcutta	131	148	163	170	172	182	190	179	184	189	194	198	200
Coimbatore	132	144	151	147	154	164	165	172	174	178	178	177	180
Delhi	136	152	172	178	185	199	202	208	211	216	215	213	218
Dighboi	138	160	198	185	180	189	196	184	186	191	192	191	191
Gwalior	139	160	191	179	184	191	192	193	197	200	201	201	200
Howrah	137	154	178	181	176	186	196	184	187	189	194	200	201
Hyderabad	140	158	167	173	185	189	192	191	192	195	199	200	200
Jamshedpur	136	158	183	171	170	183	190	185	191	191	191	191	192
Madras	134	144	151	150	160	170	175	174	180	182	183	185	187
Madurai	128	142	146	148	160	177	184	186	190	193	200	194	197
Monghyr	151	187	215	185	188	204	208	196	204	211	211	213	209
Mundakayam	138	152	173	186	191	197	196	198	194	202	204	200	204
Nagpur	138	148	164	166	176	187	191	187	189	193	194	194	196
Saharanpur	141	163	188	176	181	186	184	190	192	193	195	194	198
Sholapur	128	150	165	167	176	185	185	191	197	203	206	204	201

*Provisional **Average for eight months for August 1968 to March 1969.

Source: Labour Bureau, Govt. of India.

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

(Base: 1960 = 100)													
Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1970		1971*				
							Nov.	June	July	Aug.	Sept.	Oct.	Nov.
All India	132	146	159	161	167	174	177	176	178	181	183	183	183
Bombay	132	142	153	156	162	168	171	172	173	173	174	174	174
Delhi-New Delhi	131	142	154	162	168	174	174	176	179	182	182	181	180
Calcutta	126	139	152	156	162	170	174	172	174	177	179	179	179
Madras	133	147	154	154	161	175	180	181	183	186	187	189	191
Hyderabad-Secunderabad	133	147	155	159	167	174	177	175	186	179	181	181	184
Bangalore	133	145	156	160	164	172	176	177	177	179	180	181	182
Lucknow	132	146	159	156	161	166	169	169	171	175	177	177	178
Ahmedabad	131	146	160	162	168	171	172	168	171	174	176	174	175
Jaipur	133	150	162	168	176	183	184	182	186	189	189	189	189
Patna	139	160	179	174	180	191	194	187	191	196	196	195	193
Srinagar	134	143	160	167	174	184	186	187	187	188	191	191	192
Trivandrum	131	146	165	168	172	178	181	179	180	183	184	184	186
Cuttack-Bhubaneswar	142	154	164	167	169	176	179	178	181	183	188	185	189
Bhopal	133	144	166	166	172	180	182	181	186	191	191	189	191
Chandigarh	129	143	155	164	171	178	178	179	180	185	186	183	184
Shillong	123	134	155	163	164	166	172	172	173	178	177	180	182

*Provisional

Source: C.S.O.

ALUMINIUM IN CONSTRUCTION & STRUCTURAL USES

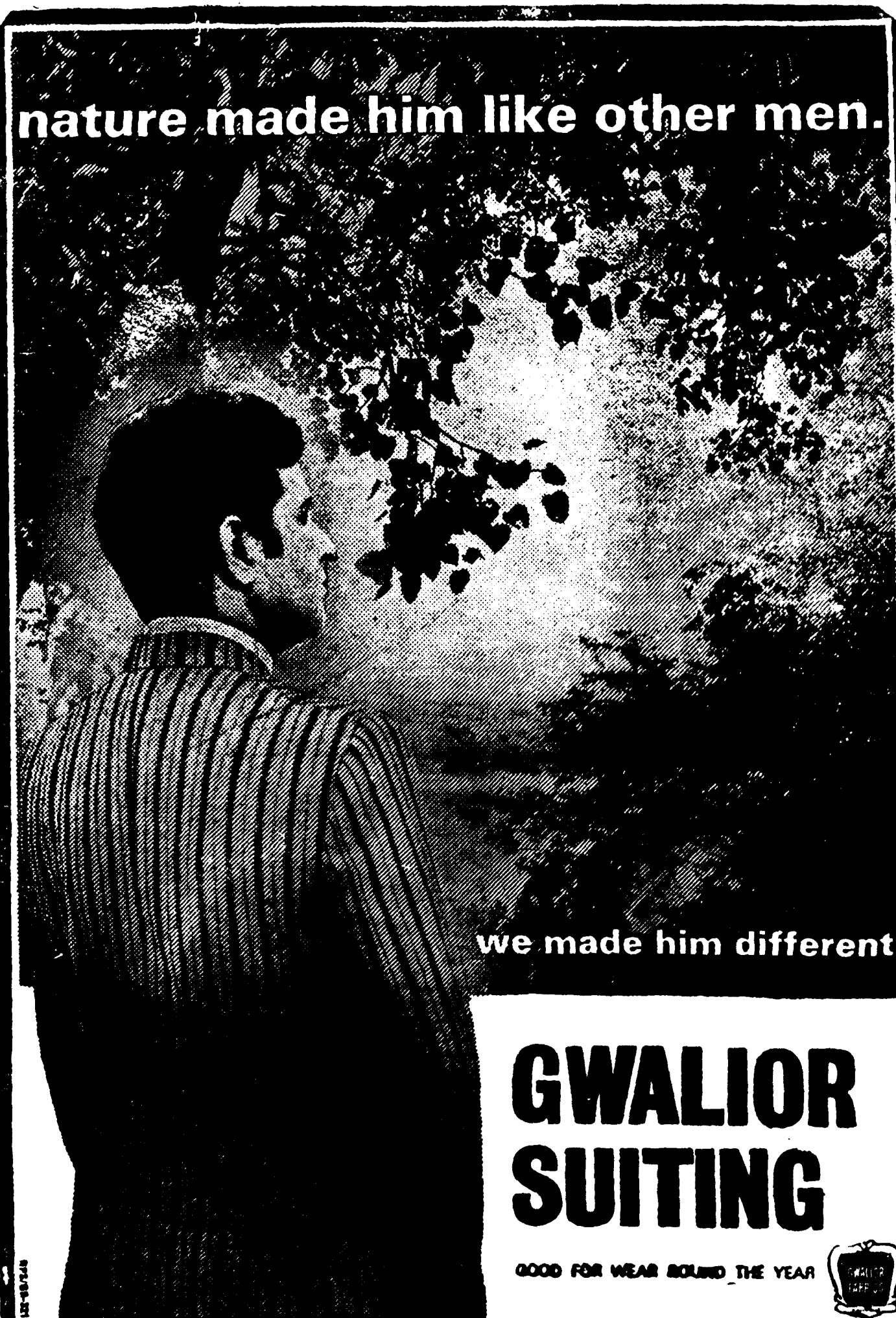
For Building & Construction, HINDALCO offers Semi-fabricated aluminium products (sheets and extruded shapes) in a wide range to suit diverse jobs. High strength to weight ratio and low maintenance costs make Aluminium the ideal choice of modern builders and architects. Besides, for making buildings cool in summer and warm in winter, aluminium panels are being increasingly used today in modern sky-scrapers. HINDALCO Semi-fabricated products are so versatile that they can be used in making almost anything, from landing mat for Aeroplane in an emergency defence purpose to drainage culverts in farms for Agricultural purposes.

MODERN BUILDERS SPECIFY HINDALCO ALUMINIUM.

The illustration depicts several key applications of aluminium in construction and structural engineering. On the right, a tall, slender tower with a lattice structure, likely for power transmission, rises vertically. To its left, a bridge with a similar lattice design spans a gap. Below the bridge, a landing mat for an airplane is shown, demonstrating the material's use in emergency defence purposes. In the bottom left, a drainage culvert is illustrated, showing its use in agricultural settings. The HINDALCO logo is prominently displayed in the center, featuring a star within a shield-like shape.

HINDUSTAN ALUMINIUM CORPORATION LTD.
P.O. RENUKOOT ■ DIST. MIRZAPUR ■ U.P.

nature made him like other men.



we made him different

GWALIOR SUITING

GOOD FOR WEAR AROUND THE YEAR



EASTERN 11 ECONOMIST

PEES 1.50 MARCH 17, 1972 VOL. 58

Relief, But No Reliefs
A Dirty Shade of Green
Karunanidhi Strikes Oil
Rising Exports : Fact or Fiction ?



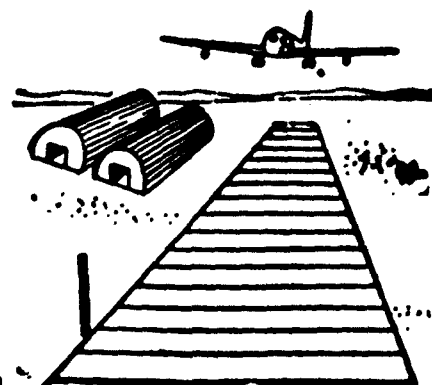
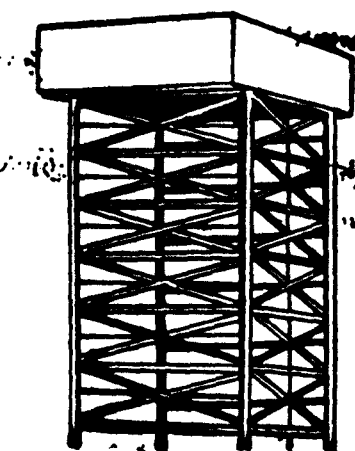
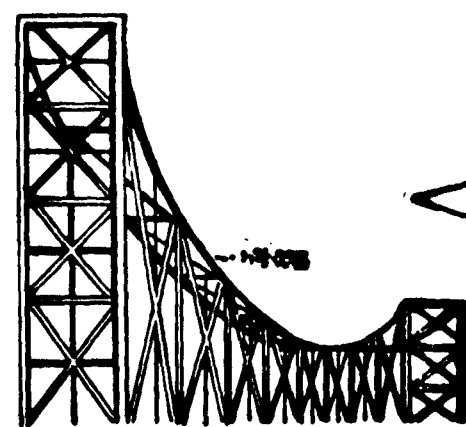
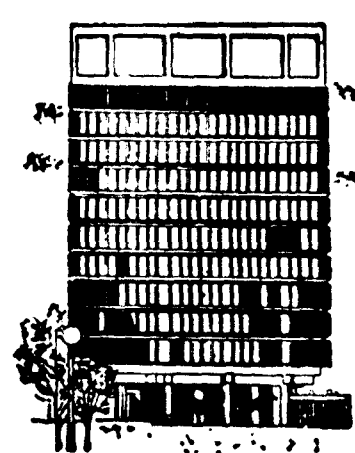
For whom did you vote—the cow or the calf ?

Kerry

ALUMINIUM IN CONSTRUCTION & STRUCTURAL USES

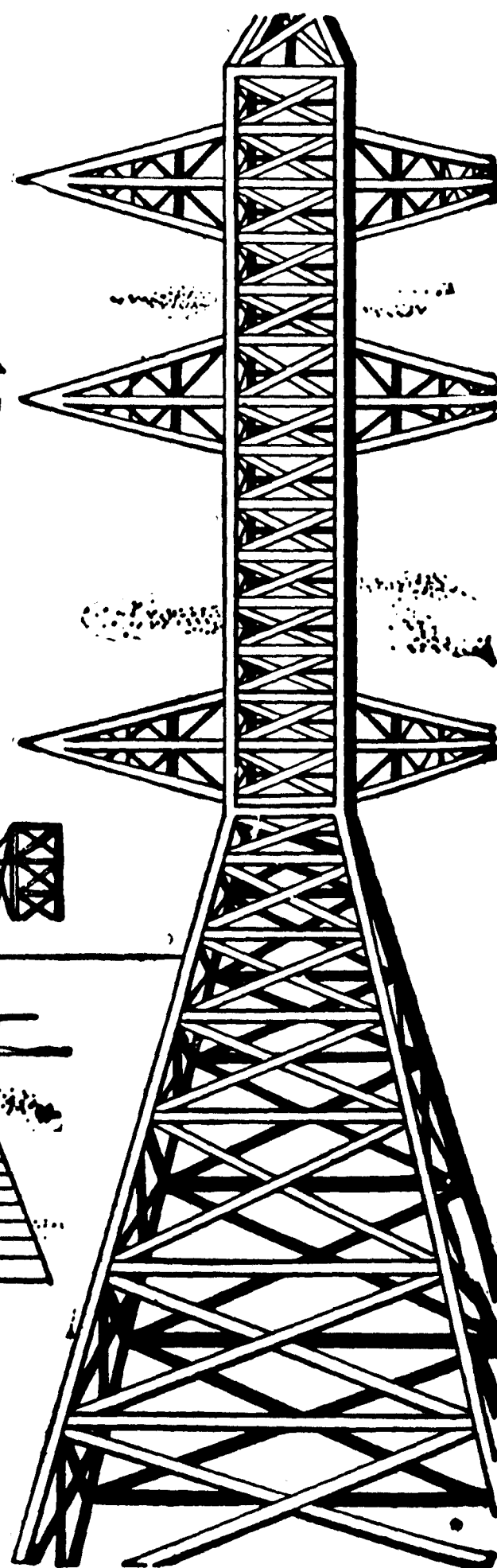
For Building & Construction, HINDALCO offers Semi-fabricated aluminium products (sheets and extruded shapes) in a wide range to suit diverse jobs. High strength-to-weight ratio and low maintenance costs make Aluminium the ideal choice of modern builders and architects. Besides, for making buildings cool in summer and warm in winter, aluminium panels are being increasingly used today in modern sky-scrapers. HINDALCO Semi-fabricated products are so versatile that they can be used in making almost anything, from landing mat for Aeroplane in an emergency defence purpose to drainage culverts in farms for Agricultural purposes.

MODERN BUILDERS SPECIFY HINDALCO ALUMINIUM.



**HINDUSTAN ALUMINIUM
CORPORATION LTD.**

P.O. RENUKOOT ■ DIST. MIRZAPUR ■ U.P.



EASTERN ECONOMIST

MARCH 17, 1972

Relief, But No Reliefs ..	413
A Dirty Shade of Green ..	414
Rising Exports: Fact or Fiction? ..	415
Karunanidhi Strikes Oil ..	416
Banking for Development ..	417
Poromerics and the Footwear Industry —T.V. Sivaraman ..	419
Small-Scale Industries in Andhra Pradesh—C. Dayakar ..	420
FROM THE PRESS GALLERY ..	423
PM on a New Wavelength ..	
WINDOW ON THE WORLD ..	424
Indo-Bangla Desh Trade Prospects. Congress Clears Funds for Aid.	
TRADE WINDS ..	428
Iron ore Exports; Indo-Yugoslav Trade; Czech Trade Delegation; Hungary Adopts GSP; Assistance from Japan; Kipping Loan; Exporting to Eastern Europe; Coach Factory Exports; More Roads; Bokaro Coke Oven Lighted; Delegation to S-E Asia; Study of Cashew Industry; Names in the News.	
COMPANY AFFAIRS ..	430
Indo Solex; Straw Products; EID Parry; Excel Industries; Mysore Sugar; Unichem Laboratories; Hindustan Garments; American Ex- press; Capital and Bonus Issues.	
BALANCE SHEET ..	432
The State Bank of Patiala ..	
CHAIRMAN'S SPEECH ..	438
The Industrial Credit and Investment Corporation of India Ltd.	
RECORDS AND STATISTICS ..	441
Towards Greater Self-Reliance. Railway Budget : 1972-73.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates
on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

RELIEF, BUT NO RELIEFS

THE NATION'S first reaction to this year's central budget has naturally been one of relief. In view of the political noises which assorted spokesmen of the government were making from time to time, many of us were concerned over the possibility of yet another sharp turn being given to the screw of direct taxation. Simultaneously, a wider cross-section of the public had been even more apprehensive of a whole series of new central excise levies or increases in the rates of existing central excise taxation. The nervous behaviour of the stock exchanges in the pre-budget week was indicative of the then prevalent fear that the central government's fiscal policies might once again prove to be inimical to saving and investment and economic growth generally. Simultaneously fears about further indirect taxation were plaguing people who were rushing to invest in consumer durables or luxury or semi-luxury articles. In the event, and on this occasion at any rate, the government's fiscal bite has turned out to be less fearsome than its political bark.

Unfortunately, however, this may not be the wisest way of looking at this budget if the more essential economics of its fiscal philosophy or proposals are to be properly evaluated. As Mr Chavan himself reminded the Lok Sabha, the government had administered three large doses of taxation to the public and the national economy in the course of the last fiscal year. As a result the additional tax burden has been stepped up by an annual rate of Rs 500 crores. It would therefore have been reasonable and right had the government refrained from making further calls on the earnings of individuals or the profits of companies, especially as the fourth Plan has been reduced by the force of circumstances to bits and pieces of *ad hocism*. The government could in fact have afforded to extend to the national economy respite from new fiscal imposts not only in this financial year but the next as well, so that the country's financial resources might be consolidated into a relatively firm base for the projects and programmes of the next Plan. It is indeed permissible to plead that the Finance Minister could have taken political courage in both hands and shown desirable economic enlightenment by proposing some toning down of the rigours of taxation, both direct and indirect. Had he done this, this would have been a fruitful reversal of fiscal policy—fruitful, that is even from the revenue point of view. A sensible parcel of reliefs and incentives to individuals and corporate earnings could only have strengthened the buoyancy of the various taxes, while reassuring the tax-paying public as well as the nation's industry and commerce that the government's fiscal attitudes are at last tending to be flexible and dynamic. Viewed in these terms, although this budget cannot be faulted on specific grounds of fiscal severity or positive economic obstructionism, it must still be criticised for being unimaginative and unenterprising.

The Finance Minister has commended the increased allocations made for the Plan on the ground that additional government expenditure in this area would help in energising the economy and thereby raising the tempo of development. To the extent these larger allocations have prompted Mr Chavan to go in for additional taxation or have come in the way of his considering reliefs and concessions, it is surely permissible to wonder whether the economy might not be faring far better had the Finance Minister chosen to do his budget arithmetic somewhat differently. In our view the economy could be growing faster had Mr Chavan dealt more kindly by the investible resources, actual or potential, which may come within the command of individual citizens or the corporate sector, instead of simply going by the book and stepping up levels of government expenditure.

More specifically, the substantial increase in the excise duty on steel products, even if it discourages marginal uses of a scarce material, could do harm to the economy, on balance, by sending up the capital cost of machinery and industrial installations generally. In any case, if it is decided that the exchequer should make more money on steel, it is clearly desirable that this should be sought to be done more through measures for improving or increasing the output of steel plants than by taxing steel products blindly for all uses of steel or all categories of steel-users. At a time when even priority users of steel often find themselves forced to buy steel expensively in the open market, an increase in the excise duty could only amount to a gross addition to their financial burden which is already heavy enough. Again, the government's treatment of aluminium or synthetic fabrics takes a step further its short-term fiscal approach to growth industries and confirms our uneasy feeling that the larger economic conditions are being subordinated unduly to motives arising from the corruption of public finance by politics. Mr Chavan no doubt shows some political toughness in the proposal to increase the tax on kerosene or fertilisers, but the reaction of his immediate audience is an indication that the backwoodsmen in his party may eventually force him to disgorge some of the additional revenues from these sources which the budget estimates are taking credit for.

Finally the Finance Minister has given notice that the income-tax and wealth

tax acts will be restructured in the course of this financial year on the basis of the report recently submitted to the government by the Wanchoo committee. It may not therefore be altogether unfair to react to the budget proposals relating to direct taxation with a suspicion that the sting may well be in the tail. It would therefore be prudent to entertain certain

reservations about this budget for the time being; meanwhile the country at large is entitled to the sentiment that the budget could easily have been worse.

The policies and proposals of the central government will be discussed in detail in subsequent issues of this journal as well as in our special Budget Number which will be published on April 7.

A Dirty Shade of Green

SOME OF the phrasing of the Railway Minister's speech introducing his budget for 1972-73 is, if not queer, certainly quaint; as quaint, in fact, as the headgear by which Mr K. Hanumanthaiya probably desires to be remembered after he has been retired from public office. His oratorical idiosyncrasies, however, need not prejudice us against the picture of Railway finances, actual or prospective, he has presented to Parliament. It is true of course that, although Railway finances have managed to move out of the red, they have been successful only in moving into a dirty shade of green. Even so, considering the fact that they have been subject to stresses and strains not all of which were within the control of the Railway administration, they look and are rather less unwholesome than what might have been expected. Since the upward trend in the production of food-grains has not been accompanied by corresponding advances in industrial or business activity, budgetary anticipations of growth of remunerative traffic have been difficult to realise. At the same time, forecasts, if not fears, of deterioration in operating expenses have been proving only too true. In the circumstances, it is surely some comfort that Mr Hanumanthaiya has been able to budget for a surplus, even if nominal, for the new financial year, after making only relatively modest demands on railway-users through selective increases in fares and freight rates. The Railway Ministry also deserves credit for proposing to pay the dividend due to General Revenues in full and the contribution due to the Development Fund also in full besides meeting liabilities on account of annual instalments or interest payable to General Revenues towards outstanding loan. It is relevant to point out here that the Railways have just passed through a period during which normal traffic was considerably dislocated due to railway capacity being diverted to refugee relief operations and subsequently to meet the requirements of military traffic.

This is not to say that the public or more specifically the travelling public or the nation's industry and commerce can have no legitimate grievance

against this budget or the general functioning of the Railway administration. Mr Hanumanthaiya has attempted to impart respectability to the proposed increased in fares or freight rates by describing them as a measure of rationalisation. He has argued that he has increased only slightly the freight rates or fares where the existing charges happen to be less than even the costs of the corresponding services provided by the Railways. He has argued that the Railways are entitled to do away with these elements of subsidy in the existing structures of fares or freight rates and that, while it might cause hardship to the public if the subsidies are attempted to be eliminated at one fell stroke, there could be no objection to their being whittled down by stages.

There is about all these pleadings an air of sweet reasonableness no doubt, but actually the Railway Minister was only making a debating point. The practice of charging what the traffic can bear is one which is much older than even Mr Hanumanthaiya himself and part of the justification for the high freight rates which some categories of goods are made to pay has been traditionally tied to the necessity or desirability of the Railways having to provide for moving other classes of traffic at low or relatively low rates. If the Railway Minister now finds it possible to act differently it is at least partly because there is not enough healthy competition from a rival mode of transport.

In the case of goods traffic, road transport finds its resources restricted by the step-motherly treatment given to it by the central or state governments. In the case of passenger traffic, state governments, which have been keen on owning and managing road transport services in this field, have not been conspicuously successful in extending facilities adequately to the travelling public. Where the more affluent classes of travellers are concerned, there is very little choice as regards cost between the fares of the nationalised airlines and the fares for air-conditioned, first-class travel by rail. The sum of it is that proliferating public ownership is steadily establishing a stranglehold of

monopolistic practices on the transport economy of the nation.

The demands which the Railway Minister has made on suburban season-ticket passengers is unlikely to be accepted in Parliament or outside as calmly as his other proposals for improving Railway revenues. Here, again, Mr Hanumanthaiya has appealed to the "subsidy argument". This seems odd in a member of a government which has swept the electorate off its feet by its protestations of affection and concern for the common man. Lower middle-class or even middle-class family budgets are just not in a position to bear the burden of what the Railway Minister or the Railway Board may consider to be the right commercial rate for the daily return journey of the family bread-winners to their places of work. It is only after the Railways have conscientiously and competently explored the possibilities of improving their operational efficiency or effecting economies in their expenditure and are in a position to provide humane conditions of travel at peak hours that they may start thinking in terms of applying the cost-of-service principle strictly to suburban traffic in metropolitan cities.

Since the current fashion in government is to talk in terms of a bigger fourth Plan — although this Plan itself is being overtaken by a fate similar to that which had befallen the Cheshire Cat — the Railway Minister has dutifully spoken of new or increased provisions for capital works in the new year. We may readily agree that the steady conversion of metre-gauge lines to broad-gauge is desirable and must be pursued. At the same time we cannot ignore the fact that the Railways are showing no signs of earning enough on their investments to be able to generate surpluses for further investment in the development of the country's economy. Mr Hanumanthaiya is happy that the Railway Convention Committee, in its interim report covering the years 1971-72 and 1972-73 had made recommendations which have given substantial relief to Railway finances. More objective observers would note that what this would in fact amount to is that the Railways are being given a lengthening rope to evade their responsibilities for contributing to the investible resources of the national economy. The problem with the Railways has always been the problem of productivity, especially in the utilisation of its inordinate man-power. Unfortunately, it is always easier for the state monopoly in the Railways to raise fares and freight rates in order to cope with costs than to step up managerial or other manpower productivity in keeping with the growth of wages, salaries or other establishment charges.

Rising Exports : Fact or Fiction?

LAST YEAR in April Mr L.N. Mishra, Minister for Foreign Trade, had expressed great satisfaction on the performance of this country's exports in 1970-71. According to the estimates of the Ministry of Foreign Trade, the value of exports in 1970-71 had recorded a rise of 8.6 per cent over the preceding year as against the target of seven per cent per annum set in the fourth five-year Plan. However, the analysis of balance of payments in 1970-71 prepared in the Division of International Finance of the Economic Department of the Reserve Bank of India (RBI) shows that the figures released by the Ministry of Foreign Trade for exports in 1970-71 were faulty and that there was virtually no increase in exports in the year under report. Whereas the Ministry of Foreign Trade had claimed that exports in 1970-71 were valued at Rs 1535.16 crores, the RBI estimate puts the figure at Rs 1402.7 crores as against Rs 1403.9 crores in 1969-70. It is legitimate to ask which source is at fault in this regard.

The Reserve Bank analysts are of the view that a part of the increase registered in 1970-71 as reported by the ministry is statistical resulting from a change in the procedure for recording exports adopted by the DGCIS which became effective from November, 1970. Exports which were previously recorded on the basis of actual shipment made are now being compiled as and when the consignments are approved for shipment. There is thus a built-in lead in the recording of exports. Hence an assessment of the export performance in 1970-71 has to make due allowance for change in the procedure for reporting which has resulted in the data for the second half of the financial year being partly assembled on the old basis and partly on the new basis.

Two questions arise: first, why was the traditional system of recording exports by the DGCIS given up and, second, for what specific reason was November 1970 selected for the change-over? According to the Ministry of Foreign Trade, a special committee headed by Mr P.L. Tandon, had recommended the new system. Whatever the merits of the new system, it has not been explained in a convincing manner as to why the Ministry of Foreign Trade thought it fit to initiate the new system in the middle of the year. It is hard to believe that the confusion over exports data for 1970-71 was created deliberately. What is certain is that

the export figures released by the Ministry of Foreign Trade for 1970-71 are questionable.

EXPORTS OF SELECTED COMMODITIES : 1970-71

	(Rs crores)	
	DGCIS	RBI
Jute manufactures	190.44	161.1
Sugar	27.57	23.0
Iron ore	117.28	103.6
Leather manufactures	72.18	70.0
Iron and steel	79.23	74.8
	486.70	432.5

Nearly one-third of the discrepancy between the export figures of the DGCIS and the RBI is caused by different estimates in respect of five leading export commodities which incidentally account for one-third of the country's total exports (see table above). The difference of more than Rs 30 crores in the case of jute manufactures alone needs careful scrutiny. Surely, the RBI is right in recording that the slackening of world demand for jute goods was a big factor in subduing their exports and the inflated DGCIS figures for these traditional exports were due to faulty procedure.

It is worth mentioning here that the source material for compiling the export data is the same both for the DGCIS and the RBI, namely the routine

forms which every exporter is required to fill and submit in triplicate at the time of exporting. The original return is sent by the exporter to the customs authorities and is the basis of compilation of data by the DGCIS. The duplicate return is sent by every exporter to the authorised dealer in foreign exchange i.e. the commercial bank which in turn forwards it to the RBI. This procedure has been followed both by the DGCIS and the RBI and the differences in their figures have in the past been of marginal nature caused mostly due to the delay in the receipt of duplicate forms by the Reserve Bank of India through the banks. For example, the value of exports in 1969-70 estimated by the DGCIS was Rs 1413.21 crores but the RBI put the figure at Rs 1403.9 crores. This small difference can certainly be explained. But the DGCIS has committed a grievous error in adopting two different systems in 1970-71.

It is now conceded by the Ministry of Foreign Trade that the export data for 1970-71 are not exactly comparable with those for the preceding year. The claim is however made that in 1971-72 the export data for the first nine months show a rise of about 14 per cent over the corresponding period in 1969-70 on comparable basis implying that even if the export figures for 1969-70 were ignored, the export performance between 1969-70 and 1971-72 had attained the planned target of a rise of seven per cent a year or 14 per cent in two years. The RBI and the Ministry of Finance, however, do not subscribe to this view and on valid grounds. The rise in exports in 1970-71 was, in their view, of a marginal nature and during the current year it might not be more than three per cent. The Planning Commission is reported to be taking the middle view, i.e. a rise of 4.5 per cent in 1969-70 and five per cent

INDIA-EAST ASIA SPECIAL NUMBER

EASTERN ECONOMIST has presented in this Special Number, published on February 25, 1972, an Economic Survey on Japan, Hong Kong, Singapore and Malaysia with special reference to India's economic relations with these countries.

This Special Number is priced at Rs 10 per copy for casual sales. Regular subscribers are entitled to receive it without any extra charge.

On sale with leading booksellers or direct from:

The Manager,
The Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

in 1971-72. It means that neither of the three agencies is in a position to be categorical in regard to our export performance in 1970-71 and 1971-72. Great interest now attaches to the special working group set up under Mr B.S. Minhas, Member, Planning Commission. This group is examining the data collected by the DGCIS so as to suggest ways and means for maintaining the records in an impartial manner.

Some observers have commented that this jugglery in export data had been undertaken for political considerations while others hold the view that this unnecessary controversy has been engendered by the misplaced enthusiasm of some officials in the Ministry of Foreign Trade. Whatever the reason for this confusion, it is necessary that steps be taken to put the fact-finding machinery of the Ministry of Foreign Trade on a sound basis and changes in computation

Karunanidhi Strikes Oil

CLEVER accounting, massive assistance from the centre and a big spurt in revenues, following the scrapping of prohibition and adjustments in sales tax rates have been responsible for imparting a healthy look to the Tamil Nadu budget in spite of a big rise in non-Plan and Plan expenditures. At one stage it was feared that the state government would not be able to implement a Plan of Rs 575 crores in 1969-74 as there was an unexpected rise in non-Plan expenditure as a result of an increase in emoluments to government employees, state electricity board workers, teachers and others. As at the same time there was no desire to reduce Plan expenditure, the ways and means position became extremely difficult and there was a minus closing balance of Rs 37.00 crores in the budget estimates for 1971-72 with a deficit on revenue account of as much as Rs 15.87 crores.

The revised estimates for the current year however are in complete contrast with the budget estimates, as state excise duties alone rose from Rs 1.39 crores (budget) to Rs 25.12 crores (revised) and sales tax receipts to Rs 95.50 crores (revised) from Rs 81.85 crores (budget). With an improvement in other heads as well, revenue receipts jumped to Rs 377.41 crores from Rs 342.65 crores and even with an increase in expenditure to Rs 375.67 crores from Rs 358.52 crores the revenue deficit of Rs 15.87 crores in the budget estimates has been converted into a surplus of Rs 1.74 crores. This is indeed a satisfactory development though many may question the

be brought about only after careful consideration. That exports in 1971-72 will show a rise is a foregone conclusion because of the spurt in the value of jute manufactures consequent upon the political trouble in Bangla Desh. If this fortuitous increase in exports in 1971-72 is isolated, then it will be seen that there has not been any significant increase in exports over 1969-70. Recent official policies in regard to exports have been not only unwise but also detrimental to the interests of the country. The increasing canalisation of exports through the state trading organisations has slowed down the tempo of exports though certain other potent factors have also been operative equally strongly. The paucity of raw materials such as steel and cotton has had an adverse impact on our exports and despite heroic attempts made by various economic ministries, the supply of these raw materials has been far from satisfactory.

ethics of collecting tax revenues through the scrapping of prohibition and causing misery to many homes. The state government can however claim that its revenue budget has been put in order and that the target for mobilising additional revenues through new levies has been more than fulfilled.

It is on the capital budget side however that the accounting techniques have concealed the real position. The revised and budget estimates for 1971-72 do not disclose what happened in between as the minus closing balance of Rs 37.00 crores has been converted into a credit balance of Rs 55 lakhs. Likewise, the opening cash balance also is a credit amount of Rs 5.83 crores against a minus of Rs 23.23 crores (budget). This must be due to the assistance given by the central government of Rs 43.70 crores on June 30, 1971. Again, it has been assumed that special accommodation will be forthcoming from the centre to the extent of Rs 66.33 crores for clearing all unauthorised overdrafts.

This clearly indicates that over Rs 107 crores was received from the central government as special accommodation and the usual assistance for overcoming the acute ways and means difficulties that arose out of the additional expenditure of over Rs 50 crores in two years on Plan schemes in excess of the targets suggested by the Planning Commission for the annual Plans. The actual Plan outlay in 1971-72 is estimated to be Rs 114.98 crores against the target of Rs 80.20 crores suggested by the Planning

Commission. It was however eventually agreed that there should be an outlay of Rs 115 crores in 1971-72 and Rs 117 crores in 1972-73. The estimates for the next year thus provide for Plan expenditure of Rs 116.63 crores. It has been agreed that there should be a repayment of Rs 1.99 crores in 1971-72 to the centre against special assistance and Rs 1.95 crores in 1972-73.

The state government's contention that it cannot afford to reduce the tempo of Plan implementation and that it has been handicapped on account of the adverse findings of the Fifth Finance Commission and lower central assistance has in effect been conceded. Whatever might be the criticism of the utilisation of available funds and the methods adopted for raising revenues, the fact remains that heavy expenditure has been incurred on Plan schemes and the state is in a position to say that its financial target of Rs 575 crores for 1969-74 will be reached without difficulty.

There was actually no need for raising additional revenues as there is a lot of cushion in Plan allocations and it is also likely that there will be an increase in the state's share of central tax revenues as a result of the new efforts made by the centre itself to bolster the financial position of all the states.

There was no need therefore for the Tamil Nadu government to extend the surcharge of 10 per cent which was hitherto applicable to passenger cars, motor cycles and scooters to all commercial vehicles. The yield will be Rs 1.50 crores, which will be credited to a special rural road development fund. The increase in betting tax by 5 per cent will fetch Rs 50 lakhs and the amount will be utilised for a beggar rehabilitation fund. These amounts could have been easily found out of the existing resources and those likely to be received from the centre during the course of the year. The state government perhaps has adopted a cautious attitude because of the likelihood of there being a further increase in non-Plan expenditure due to adjustments in emoluments to government employees and others. It is also likely that the revenue from state excise duties may not be as buoyant as expected.

The position in regard to Plan schemes however is not quite happy. Major irrigation projects have been already completed and the few under implementation will not require any large outlay. Greater attention is therefore being paid to the maintenance of the existing irrigation systems and improving water management, so that the scarce resources could be made to go

a longer way. If the World Bank can make available the required assistance for modernising the Cauvery delta irrigation system, the saving effected in the use of water can be helpful for extending the irrigated area in the Thanjavur and adjoining districts.

A similar situation has also arisen in regard to power projects. The hydel resources have been effectively harnessed and there are only minor schemes, which are costlier to implement. There can of course be large additions to hydel generating capacity if agreements are reached with Kerala and Mysore for using the surplus waters. A new hydel scheme in the Nilgiris can be implemented only with the concurrence of Kerala while the Hogenkal project on the Cauvery is hanging fire due to the disagreement over the location of the project and the anxiety of the Mysore government to develop the Kalinadhi Project, which is considered more economical.

In the Plan outlay for the next year out of the allocation of Rs 32.66 crores as much as Rs 25 crores will be taken up by the construction of transmission lines and rural electrification schemes. There will of course be a sizable addition to the capacity of the Ennore thermal station. Some progress is also expected to be made on the extension scheme for installing a fifth unit.

The power situation however can be comfortable only if there is quick implementation of the Kalpakkam Atomic Power Project and the existing capacity of the Neyveli thermal station can be effectively used with an increase in the output of lignite. While this can be accomplished with the acquisition of additional mining machinery, the opening of a second minecut in this area seems inescapable. There will also have to be a new thermal station at Tuticorin with a capacity of at least 300 m.w., as a large industrial complex is coming up in that area and there will also be need for stabilising voltage and ensuring regular availability of power.

The state electricity board is in a position to implement new schemes without difficulty as it has the requisite technical personnel. What is required is the sanction for new projects. Additional thermal capacity will certainly be helpful for overcoming immediate problems but an undue increase in the cost of power generation can be avoided only if hydel power also is secured in large quantities from neighbouring states.

The state government has therefore to explore the possibilities of developing hydel resources on a regional

basis and if need be it should not hesitate to make a contribution to the neighbouring states for implementing specific projects on the understanding that power would be available on a stipulated basis. There will also have to be inter-linking of rivers, firstly on a regional basis and thence from the all-India angle. It is not surprising therefore that the Chief Minister, Mr M. Karunanidhi, who presented the budget

Banking for Development

If a public opinion poll were taken and the people asked whether they need a development banker or a planner in the prevailing conditions of our economy, more than 75 per cent would unreservedly opt for a development banker. Accordingly few would question the necessity for strengthening development banking in this country, a passionate plea for which was put forward, the other day, at a press conference, by Mr H.T. Parekh, the new Chairman of the Industrial Credit and Investment Corporation of India (ICICI) when he released the ICICI's seventeenth annual report and his first statement as chairman of that corporation. If development banking is strengthened and the sane and sound counsel of an outstanding development banker such as Mr Parekh is accepted and acted upon, the ICICI's operations in 1972 should rise by not just 10 to 15 per cent, as envisaged by Mr Parekh but by a still larger percentage.

However, it is a big if, considering the political or rather the ideological climate obtaining in India today. But this does not seem to have daunted the ICICI chairman. Nor, for that matter, the certain prospect of a cut in the US aid to this country. Mr Parekh established his *bona fides* as a good development banker straightaway when he assured newsmen that he did not think the latter was likely to have an adverse impact on the corporation's current operations, thanks to adequate resources in the pipeline, and also disclosed that the ICICI was exploiting the prospects of raising additional resources outside the pale of the World Bank. The negotiations already in progress for a further line of credit of DM5 million from the Kreditanstalt für Wiederaufbau (KfW) might be a case in point. The Asian Development Bank could be another source of such finance. Finance-finding should present no problem to the ICICI: whichever the source or agency that might be tapped.

This confidence is fully warranted by the latest working results of the ICICI, for 1971, which represent an all round improvement over those

estimates in the Assembly has emphasised the need for inter-linking Cauvery with Krishna and Godavari and Godavari with Mahanadhi and so on. The recent developments clearly highlight the need for planning on a regional basis for making the best use of natural resources. Also Tamil Nadu will have to lay greater emphasis on industrialisation in the coming years if it is to maintain an assured rate of progress.

for 1970. Thus, not only the total number of applications for assistance and gross sanctions but net sanctions and disbursements in 1971 exceeded those in the previous year.

The corporation's net sanctions of assistance as at the end of 1971 amounted to Rs 333.75 crores, comprising Rs 191.93 crores of foreign currency loans, Rs 67.71 crores of rupee loans, Rs 7.07 crores of guarantees, Rs 56.49 crores of underwriting and Rs 10.55 crores of direct subscription. As against these, total disbursements amounted to Rs 229.70 crores, comprising Rs 139.10 crores foreign currency loans, Rs 51.22 crores of rupee loans, Rs 31.33 crores of underwriting, and Rs 8.05 crores of direct subscription. In concrete terms, this assistance is represented by the setting up of over a thousand projects promoted by as many as 685 industrial units, throughout the country, some in the backward areas too. The 1971 record comprised, *inter alia* assistance to 95 new entrepreneurs and 17 small-scale units.

In 1971, the ICICI received 286 applications (218 in 1970). Gross sanctions made were Rs 50.16 crores (Rs 43.14 crores in 1970) or 16 per cent more, net sanctions aggregated Rs 40.50 crores (Rs 34.02 crores in 1970) or 19 per cent more and actual disbursements amounted to Rs 30.57 crores (Rs 27.62 crores in 1970) or about 11 per cent more. It is not only the quantitative increase in operations thus but the perceptible improvement in operations of borrower-concerns financed by the ICICI that needs to be underscored. For, apart from reflecting a revival in the economic climate, the latter has the effect of improving the volume of repayments to the corporation. This is of as great importance as the steady enlargement of the corporation's equity base to meet the requirements of its growing operations. Revolving existing capital is as important as raising fresh capital. In this connection, it is noteworthy that, as in 1965, in 1971 also, the ICICI's rights issue of Rs 2.50 crores was over-subscribed.

To turn now to some of the observa-

tions of Mr Parekh. As a backdrop to these, he pertinently pointed to three facts: one, the fact that the initial impulse to growth given by planning worked itself out even by 1965-66; second, the fact that the recovery in agricultural output has failed to be the trigger of growth as it had been initially expected to be; and three, the fact that the fourth Plan has failed to take off. And all these when conditions for rapid industrial growth have been better than ever before and the need for it never greater. (The time for which rising expectations can be kept in check is running out").

So much for the problem. Has the ICICI chairman any solution to offer? Yes, if only our policy planners are prepared to ponder over and pay prompt attention to it. The solution demands according to him the need to tackle the problem of economic growth at two levels: the short-term one of using existing resources and capacity fully and the longer term one of accelerating the secular growth rate of the economy. In the short run, as Mr Parekh put it, "the major problem is in the industrial sector". It is thus essentially a sectoral one. After having invested a large amount of resources in establishing new industries, the country can ill afford to see rates of unutilised capacity in these industries range from 20 per cent for castings to 60 per cent for railway wagons.

Whatever the explanation for this, the economic wastage involved is indisputable and it is not a luxury which a poor country like ours can afford to indulge in. Equally disappointing is the simultaneous emergence of shortages in a number of important consumer goods industries, such as paper, cement, caustic soda, soda ash, scooters and passenger cars. For the immediate problem therefore, to quote Mr Parekh, "the government needs to take measures in three directions: firstly, it needs to take steps to stimulate demand in industries having excess capacity; secondly, a concrete programme to make public sector units run on efficient lines needs to be formulated; and thirdly, steps to increase capacity in sectors where shortages exist need to be taken. In many respects, the short-term problem before the economy is not so much of raising resources as of better management of resources available in the economy and some husbanding of scarce foreign exchange resources, now that aid prospects have become more sombre."

No less important is the need to tackle the more complex long-term problem, inasmuch as here expansion is needed in all sectors of the economy, whereas resources are not adequate to achieve simultaneous expansion in all

these sectors at the required rate. Hence the need for a clear strategy for long-term growth. In determining such a strategy, some important propositions that need to be enunciated were put down by Mr Parekh. According to him it is necessary that we precisely define the relative rates of growth for agriculture and industry in the long run; in our prevailing conditions, it is imperative that the rate of growth in industry should be much faster than that in agriculture. Moreover, industry must be developed on the basis of domestic resources and, to the extent required, on imports financed by exports. Our country has large reserves of iron ore, bauxite and (inferior grade) coal; these must become lead sectors in our development strategy. Then again, we need to work out a clear energy policy, setting out a balance between solid, liquid and nuclear fuels.

Mr Parekh went on to enumerate the more immediate objectives of the five-year Plan. These briefly are (i) that emphasis should hereafter be on increased production of agricultural inputs for industry; (ii) that power supply based on coal and atomic fuel should be increased and, at the same time, regional grids should be developed with a view to having an all-India grid as early as possible; and (iii) that road transport and communication facilities should be improved rapidly fully to serve the production structure in the country. When we are seeking to bring about a structural change in the economy thus, the ICICI chairman pointed out, industry must carry the main burden of the charge.

In other words, a crucial factor in the long-term development of the economy is the strategy of industrial growth. This, in turn, must be based on our main resources for industrial

growth, such as iron ore, bauxite, design and fabrication facilities and educated and technical manpower. The present slow down in industry, according to Mr Parekh, is due to our failure to make full use of this potential since 1960. His suggestions to make up for this lapse and lag are indeed breath-taking—doubling of the Bokaro plant and the establishment of three more steel plants to ensure an output of about 21 million tonnes of steel by 1978-79 at a cost of some Rs 2500 crores; to build up by the end of the fifth Plan a firm annual capacity of 600,000/700,000 tonnes of aluminium involving a total investment of about Rs 500 crores and to develop a range of modern industries—automobiles, petrochemicals, electronics and so on—to provide the broad framework for keeping our economy in step with international developments in the industrial field.

Not being only a visionary but a pragmatic person as well, the new ICICI chairman added an important *must* to the propositions he prescribed. Past experience has shown, he said, that Plan formulation is not enough, what is equally necessary is an efficient machinery for Plan implementation and Plan follow-up. And who can take on this vital role more effectively than a development banker? A development banker is more than a financier; he steps in with money once a project is approved to follow it up at the execution stage and through all stages of progress, removing shortcomings where these exist or emerge, and improving the viability of the project so as to make it an economic proposition. "Engineering", once observed the late Dr M. Visvesvaraya, "is the economic extraction of efficiency" and with due apologies to him, "development banking might as well take the place of the term 'engineering' in that statement."

Eastern Economist 25 Years Ago

MARCH 21, 1947

Reparations are being exacted both from Germany and Japan. So far as Germany is concerned division of reparations among claimant countries was decided by the Paris Conference and the decisions were embodied in the Paris Agreement. In terms of that Agreement India is entitled to receive 2 per cent of general reparations called category "A" and 2.9 per cent of industrial and capital equipment called category "B". The question of Japanese reparations is still under discussion in the Far Eastern Commission at Washington on which India is represented. The allocation of German reparations to

claimant countries has been entrusted to Inter-Ally Reparations Agency which has been set up at Brussels in pursuance of the Paris Agreement. India is represented on the Agency by a Delegate and an Alternate. So far three lists of German plants have been received from the Agency and bids have been made by Government for 19 plants. India's bids for 9 of the 19 plants have been considered by the Agency and two plants and some machines out of a third plant have been allocated to India. Arrangements are being made for their transportation to India and it is expected that they will arrive in India in a couple of months or so.

IOL re-checked each part of this Cutting Machine—then sent it for delivery

That's IOL building in "Quality-Plus"



When an IOL cutting machine reaches the delivery line it's a sure sign of a product that's the finest in quality and service. And only IOL products have a reputation which is difficult to match. And behind it are the specialists who make it a point that every little part of a product is as important as the product itself. That's why at IOL tremendous importance is always given to checking and re-checking.

Not just by one man, but several, on the manufacturing, assembling and testing lines. All this, coupled with the world-wide expertise and latest know-how and processes, build into each IOL cutting machine the well-known IOL "Quality-Plus". A coupling of the finest materials into the finest products with the help of the most advanced welding technology which others can't beat!

IOL builds in "Quality-Plus" others can't beat.



INDIAN OXYGEN LIMITED

reco

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

manufacturing Rayon-grade Dissolving Pulp out of

bamboo, eucalyptus and wood

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

Poromerics and the Footwear Industry

T. V. SIVARAMAN

THE LION'S SHARE of the world leather output is consumed by the footwear industry. Alongside the growing demand for footwear, prices have also been going up resulting in substitutes such as poromerics making their appearance. In a short span of time they have been able to replace leather by five per cent. New research in the field of synthetics means further erosion in the demand for leather.

Hides and skins constitute an important sector of international trade. Being a byproduct of livestock breeding for purposes of meat, milk and wool, their supply is independent of demand and price fluctuations are wider than in many other raw materials.

During the last decade and a half utilisation of hides and skins and leather grew rapidly with the expansion in footwear industry the world over. A shift in the location of tanning and footwear industry from the high income countries of North America and north-west Europe to less industrialised countries of the Mediterranean and eastern Europe, USSR, Japan and also a number of developing countries including India was witnessed during the period.

World Trade

Though the huge gap in statistical data renders it difficult to assess the size of the industry in many countries, a fairly good estimate could be made on the basis of the value of foreign trade in the commodity. The annual world trade in raw hides and skins, leather and footwear averages about Rs 16,000 million. India's export of about Rs 950 million works out to a mere 6 per cent of the world turnover though the country accounts for about 17.5 per cent of the livestock population of the world. This only shows that the potential for development of the leather industry in this country is significant even though the religious attitude to cowslaughter has not changed.

The growth in world trade of raw hides and skins was of the order of four per cent per annum recently and India was also able to achieve a similar increase. The policy of encouraging exports of more and more processed lea-

ther has helped India to stimulate the growth in processed leather exports at 13.3 per cent against the world average of only 10 per cent. But in the case of leather footwear and components the 1969-70 increase of about 7 per cent for India fell short of 40 per cent average recorded for the world as a whole. In 1970-71 there was actually a decline in exports by about 8 per cent. It should, however, be noted that the developing countries' share in world footwear exports is only 2 per cent.

According to estimates 75 per cent of the world leather output is now consumed by the footwear industry, 15 per cent by leather goods industry and 5 per cent each by clothing and glove manufacture.

Effect of Synthetics

The demand for hides and skins in recent years has been affected by the growing production of synthetic substitutes. However, while leather has increasingly been replaced in utility products by PVC and polyurethane-based material, in products such as clothing and gloves where appearance, comfort and fashion are important, it has retained its hold.

In an overall study of the world leather economy, the FAO places the global production of footwear with leather uppers at around 2,700 million pairs annually. Out of this 1,370 million pairs come from developed countries and 770,000 pairs from USSR and eastern Europe. Although the USA and the USSR are the world's two leading footwear producers they are also the principal importers. Other important producers are Italy, France, West Germany, Spain, Poland and Czechoslovakia.

India's current footwear capacity is placed at 150 million pairs (including sandals of the indigenous type) and exports are of the order of 5 million pairs, mainly to USSR and eastern Europe. But the per capita availability at 0.29 pair in India is much lower compared with 2.79 pairs in USA and 2.57 pairs in USSR. About 80 per cent of the Indian output comes from the small sector.

World trade in footwear grew extre-

mely rapidly in the last decade. The average rate of growth worked out to 40 per cent. While aggregate exports from high income countries rose by almost six fold, Italy's export increased by more than 40 times and Czechoslovakia trebled its sales to other east European nations.

In the footwear sector synthetics have so far made inroads only in two components — linings and soles. But the supremacy of leather in footwear uppers has already been challenged by 'poromerics' which resemble leather and are said to possess some of the properties of the latter. According to the report of the FAO, poromerics have so far been able to replace leather uppers only to the extent of 5 per cent. But enormous research going on in the field to evolve a complete substitute for leather and the drastic reduction foreseen in the cost of these substitutes make it clear that the threat to leather will be serious in future.

Market Leaders

The first poromeric, 'corfam', was introduced by du Pont in 1964. Since then the USA, Japan, West Germany, UK and the Netherlands have put some 20 brands on the market. Nearly a dozen new poromerics are expected to be marketed shortly by well known firms such as Union Carbide, Mitsui, Hoechst, BASF and General Tire. Today Japan has the largest capacity for poromerics.

In the beginning the price of 'corfam' worked out much higher than that of calf leather. But when both demand and production grew and competition appeared the prices came down considerably. Recently the price of poromerics ruled around 65 per cent of that of best calf uppers and were no more expensive than average kip uppers. This has helped to almost halve the selling price of footwear using poromeric uppers.

Since poromerics come in the form of sheets and rolls of uniform quality and thickness their use in footwear helps the producers in several ways. Of course stitching, welding and moulding of poromerics present some problems and they do not absorb moisture as readily as leather. Despite these drawbacks increasing use of the synthetic material is contemplated in many countries.

In the USSR which is one of the important markets for Indian footwear, the emphasis now is on import substitution. Russia has plans to put up five units for the production of synthetic shoe uppers. A similar trend

prevails in countries like GDR and Czechoslovakia.

The utilisation of collagen (leather protein) in blends with synthetic fibres is estimated to help leather. Such a blend has recently been developed and is said to possess almost all the properties of leather. The attraction is that it can be made in rolls or sheets of uniform size and thickness. The Central Leather Research Institute in India is also doing some research in the field of collagen.

The FAO's demand/supply projections for 1980 indicate a growth rate of eight per cent for cattle hides and calfskins in the high income countries. There will be moderate surplus in these countries except USSR and Eastern Europe, which will be substantial net importers. In the case of sheep and goat skin, the demand in these countries is likely to exceed production throughout the seventies, the excess of demand touching nearly 60 per cent by 1980.

The traditional pattern of footwear consumption may also alter with more people going in for specialised footwear

for sports and other leisure activities. The garment section also promises to grow considerably and the trend will extend to USSR and other east European countries.

It is, however, feared that these favourable factors will be more than offset by further inroads by synthetics. Therefore the supplementary projections for 1980 indicate a small surplus of hides and skins in the high income countries. If the property of comfort in wearing is imparted to synthetic substitutes for leather uppers, they will certainly gain an upper hand although price may be a factor in determining the uptake. If the new collagen-synthetic fibre blends are developed they can help retain the position of leather to some extent. Some firms in UK are reportedly supplying collagen-synthetic fibre blends in roll form to footwear makers. Already India has noted the scope for expansion in the leather garment sector abroad and it will be in the interest of the country to adopt suitable measures and develop techniques to meet the changing market requirements abroad.

Small-Scale Industries in Andhra Pradesh

C. DAYAKAR

ANDHRA PRADESH is one of the few states in the country rich in agricultural production and having plenty of natural resources. The state has good transport system and a large communications network. The mineral deposits include coal, asbestos, barytes, iron ore, manganese ore, kyanite, mica, china clay and limestone.

But largely due to its agriculture-oriented economy, Andhra Pradesh has been a late entrant in the field of industrialisation. Even then, the development programme initiated during the first three Plans towards promotion of small-scale industries have gone a long way in locating entrepreneurial skills and building up industrial consciousness.

The number of small-scale units registered in Andhra Pradesh as on March 31, 1971 was 21,000 with a total capital investment of Rs 60 crores.

The following are the directions in which positive results are achieved:

For improving technical skills the state government sanctioned the establishment of training centres in carpentry, coir products, ceramics, enamelware etc. At these centres located in various parts of the state several hundred

reds of people have so far been trained.

With a view to stimulating the establishment of new industries, pilot production centres have been started for the manufacture of items in general demand like Mangalore tiles, bicycle spare parts and accessories, radio spare parts and receivers, and stoneware pipes.

Setting up of industrial estates is by far the most important achievement in the small-scale sector during the second and third five-year Plans. The objects of this programme are to encourage the growth of small-scale industries generally; to shift small scale industries from congested areas to estate premises with a view to increasing their productivity; to achieve a centralised industrial development in small towns and large villages; and to encourage the growth of ancillary industries in the townships around major industrial undertakings, in both private and public sectors.

By the end of the third Plan, six estates involving a total outlay of Rs 347 lakhs have been completed. There are on these estates industrial units covering about 30 categories of industries with a total capital investment of over Rs 300 lakhs and an estimated

annual turnover of the order of Rs 700 lakhs.

During the last two years, efforts have been made to increase the working of assisted private industrial estates also. Out of 960 developed plots, 462 have been occupied. The total turnover of the working units accounts for Rs 25 crores.

State Assistance

Financial assistance under State Aid to Industries Act is provided to small-scale industries units as well as to individual artisans on easy terms. These loans can be used for the purchase of land, for construction of factory buildings, or purchase of machinery and for working capital. During the third Plan period a provision of Rs 70 lakhs was made for this purpose as against Rs 46 lakhs during the second Plan.

The Andhra Pradesh State Financial Corporation also provides loan assistance to small-scale industries up to a limit of Rs 10 lakhs in each case. The corporation has sanctioned 806 applications involving a financial outlay of Rs 16.18 crores during 1970-71. Of these, 654 units have availed themselves of the loan amounting to Rs 524 lakhs. Similarly the banking institutions have extended financial assistance to the tune of Rs 10 crores to the units in the state during 1970-71.

The most important institution which provides assistance and encouragement to the small industries in the state is the Andhra Pradesh Small-Scale Industrial Development Corporation which has been entrusted with the management of commercial units in the decentralised sector. The corporation is also charged with the responsibility of general promotion of small industries through financing, distribution of raw materials, marketing and such other functions.

While loans are available from various financing institutions, there is no institutional arrangement in the state for providing risk capital in small industry and thereby strengthening the capital base so as to enable the units raise more long-term and short-term loans from the banks. To remove this impediment and goaded by the object of fostering the growth of industries in the state, the corporation devised a scheme to participate in the risk capital of limited companies. The corporation will provide capital base to the small-scale industries by participating in the capital structure not only on minority basis but on joint venture basis also. The joint venture schemes aim at participation in the capital structure by the corporation to an extent of 50 per cent.

The corporation has so far invested

in the share capital of seven limited companies to an extent of Rs 7.73 lakhs and has committed to invest a sum of Rs 13.99 lakhs in eight more companies.

The corporation has successfully enthused resourceful entrepreneurs from the agricultural sector in the districts to set up joint ventures. Over 30 joint venture schemes have been promoted in Andhra Pradesh with capital participation of Rs 45.05 lakhs. Out of these, 19 industrial units are located in the districts.

Aid to Technocrats

The country is facing the problem of unemployment among the educated. The total number of educated unemployed in the state is 1,45,273 as at the end of December, 1970, according to the live registers of employment exchanges. The unemployment among the technical persons is much more distressing. The total number of unemployed engineers and technicians in the state is 14,000.

The state government has been taking special steps to encourage the setting up of self-employment schemes by unemployed engineers and technicians. The banks also started a number of schemes for them. The Andhra Pradesh Small Scale Industries Development Corporation on its part, acts as a co-ordinator and an adjunct and endeavours to offer effective assistance to qualified technocrats by rendering a number of services such as technical advice, marketing assistance and training facilities.

The corporation also provides infrastructural facilities necessary by constructing industrial estates called Technocrats' Industrial Estates where cheap sheds are provided to the technocrats on rent.

The APSSIDC has started a Technocrat Industrial Estate at Hyderabad and fifty factory sheds have been constructed. All of them have been occupied and 24 units have already gone into production.

Altogether 120 schemes have been prepared for the technocrats. The commercial banks have given financial assistance to them to the tune of Rs 2 crores while Rs 30 lakhs were spent on the infrastructural facilities.

Recently the government of India has identified the regions which are comparatively backward and indicated the steps that are required to develop them. Andhra Pradesh is one of the states declared backward. Further, ten districts have been declared

backward within the State. Special incentives by way of concessional finance have been announced for investment proposals in these districts. Again, within these districts certain areas which are backward but which have growth potential have been identified and would qualify for subsidy of 10 per cent on capital investment up to Rs 50 lakhs. So far 2,130 applications have been disposed of under the scheme of incentives.

In Andhra Pradesh there is large scope for developing coir and leather industries. There is an extensive acreage under intensive coconut cultivation in the coastal districts of East Godavari, West Godavari and Srikakulam with an average yield of 3000 nuts per acre. During the past decade the developmental effort was confined mainly to training artisans in coir goods manufacture. Mechanisation of industry as a step-in-aid of better utilisation of the coir, improving the quality of the products and offering their goods at competitive prices should receive due attention in the coming years.

Andhra has abundant resources of leather-forming raw materials. Hides and skins worth over Rs 7 crores are annually produced in the state. The various materials required for producing finished and modern types of leather are also available locally. Efforts have been made during the last ten years towards the integrated development of both the tanning of leather and leather goods manufacture in the state including the setting up model tanneries at places like Hyderabad and Guntakal.

Significant Progress

There has been significant progress in the location and growth of small-scale industries during the past decade and a half. There was not only a substantial increase in the volume of production but also diversification. Efforts during the third Plan period were also directed towards securing closer integration between small and large industries and promotion of small industries as ancillaries to larger industries. This movement should receive added emphasis during the coming years taking advantage of a number of large-scale industries coming up in the state.

The future programme of development should address itself to the various measures to be taken towards accelerating the tempo of development. An outlay of about Rs 300 lakhs is proposed in the fourth Plan for implementing these objectives.

If these objectives are to be achieved

the difficulties confronted by small manufacturers must be removed. The above resume does not mean that there are no obstacles on the way of small industrialists.

It has been stated that the tax structure in the state is not favourable to small industry. In Maharashtra there is only a 2 per cent tax on raw materials bought locally for industrial production. Some of the small manufacturers are reported to have been compelled by the price structure to buy their requirements of electrical goods from Bombay because purchases in Andhra entailed a tax of 7.5 per cent while those from Bombay have only a 3 per cent tax.

Anomalous Position

Further if educational institutions outside Andhra Pradesh purchase their requirements from it, they have to pay a 10 per cent tax whereas in states like Mysore the tax is only 5 per cent. Such anomalies are not good for the state commercially as they tend to depress the turnover of the local units.

Another damper to small industrialists is the allocation of raw material to the manufacturers by the government on the basis of the value of the machinery. Often manufacturers are able to attempt a larger output with existing machinery but the raw material is not being supplied to them. If additions to the existing machinery are made, that again is not recognised as a reason for increased supplies of raw material. They have to show that some new industry is being started in order to get further supplies of raw material. I hope the government, which encourages an increase in productivity, would redress this grievance of the producers.

On the whole, we have to admit the fact that compared to states like Punjab, Maharashtra and Tamil Nadu, the development of small industries in the State has been slow.

An important factor which should not elude our consideration is the concentration of industries. A major percentage of registered industries is concentrated at a few urban centres such as Hyderabad, Vijayawada, Vizag and Rajahmundry. Efforts should now be made to ensure greater dispersal of industries throughout the state. Dispersal is essential for an even and balanced development of different regions. As a matter of fact that is the exact aim of small-scale sector which is also known as the "decentralised sector".

The lowest ever fares to New York—on Pan Am's 747.

Daily
from Delhi!



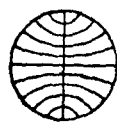
Return tickets that cost less than one-way fares!

Delhi — New York — Delhi Rs.4125 (\$ 550)
Bombay — New York — Bombay Rs.4125 (\$ 550)
(via Delhi both ways)
Calcutta — New York — Calcutta Rs.4875 (\$ 650)
(via Delhi both ways)

Excursion Economy 14/120 days fare.

Call your Pan Am Travel Agent or call us.

• New Delhi: Chandralok, 36, Janpath, Tel: 43571
• Bombay: Taj Mahal Hotel, Tel: 255448, 255454
• Calcutta: 42, Chowringhee Road, Tel: 44-3251
• Madras: 8/9, Thambu Chetty Street, Tel: 29301, 23242
• Kathmandu: Hotel Saultee-Oberoi, Tel: 11211
• Colombo (Ceylon): Kollupitiya, Tel: 78271



Pan Am.

Pan Am, first with daily 747 service round the world.

FROM THE PRESS GALLERY

PM on a New Wavelength

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Wednesday

OPINIONS may differ on whether the massive victory scored by the Congress in the last week's state assembly elections is due to the personal popularity of the Prime Minister, Mrs Indira Gandhi, or owing to the radical economic programme put by her before the country during the past two years. But there is no denying the fact that Mrs Gandhi is now in a position to carry out her plans without hindrance from any quarter.

The Congress party has got firmly entrenched not only at the centre but also in all the states and union territories, except Tamil Nadu, Orissa, Manipur, Meghalaya and Goa. In Tamil Nadu, the party in power is the Dravida Munnetra Kazhagam with which the Congress had an alliance during the last parliamentary election. In Meghalaya, the field had been left open by the ruling party at the centre to the All Party Hill Leaders' Conference. The truly non-congress governments, thus, now are there only in Orissa and Goa. Orissa did not go to the polls last week; it has a coalition government of the Swatantra party and Utkal Congress. The Maharashtra Gomantak Party is back in power in Goa. It is not as yet clear who will form the government in Manipur. The Congress has failed to secure a majority here, but the opposition parties too are not in a position to form the government on their own. Nearly one-fourth of the seats in Manipur have been won by independents; they will be a big factor in ministry-making in this state.

Great Setback

Not only have the rightists suffered a great setback in the state assembly elections, but also the extreme leftists. Besides smoothening the centre-state relations, the state assembly elections are of great import for Parliament. They will help the Congress in obtaining an absolute majority in the Rajya Sabha where, hitherto, it had to depend on its allies—the Communist Party of India, the Dravida Munnetra Kazhagam, etc.—for seeing some important pieces of legislation through. The strength of the Congress in the Lok Sabha has also gone up by four members to 362 in a House of 524 as a result of the parliamentary by-elections.

Having won the political battle, the Prime Minister now can be expected to devote her full attention to the task

of economic development of the country, which, as President Giri's inaugural address to the joint session of the two Houses on Monday as well as the economic survey for the year just coming to close reveal, has tended to slow down in the recent past. The President expressed the hope that concerted efforts would be made soon to accelerate the pace of economic growth. In her address to the Congress Parliamentary Party on the eve of the current (budget) session of Parliament, the Prime Minister indicated that some of the Plan targets would be revised to stimulate economy.

Important Pronouncements

The Presidential address to the joint session of the two Houses, which was marred by the noisy scenes created by the Communist Party (Marxist), presumably to give vent to its frustration over its debacle in the West Bengal assembly election, was notable for two other important pronouncements. Welcoming the emergence of Bangla Desh as a free nation, the President emphasised that India did not seek leadership or domination in south-east Asia; nor would it tolerate domination by any other country. The President extended a hand of friendship to the people and government of Pakistan and revealed that his government had taken the initiative in proposing talks with Pakistan without any preconditions.

The President reiterated that the Indo-Soviet Treaty of Peace, Friendship and Co-operation, which was signed in August last, was not aimed against any country. He expressed great disappointment at the lack of sympathy displayed by the US Government towards the struggle of the people of Bangla Desh for their democratic rights and fundamental freedom. Public opinion in the USA, however, he noted with gratification, was sympathetic in an abundant measure towards the cause of Bangla Desh and critical of the policies of the erstwhile military regime in Pakistan. This, he felt, "gives us hope that our relations with the USA, based on mutual respect and understanding, will not be allowed to deteriorate". The efforts by the USA and China at "rearranging their relations", the President hoped, would lead to a true relaxation of tensions and not to a sharpening of divisions.

Referring to reduced external economic assistance, the President stressed

that "arthik swaraj requires greater mobilisation of domestic resources and stricter financial discipline all round." The state governments, he expected, would bring about reduction in their overdrafts on the Reserve Bank by the close of the current year. Measures he stressed, needed to be devised to tap for national development a part of the additional incomes which were accruing to the affluent sections of the farming community. The President called for continuous efforts towards self-reliance, economic growth and social justice.

Out of the Red

The Railway Budget, presented to Parliament today by Mr K. Hanumanthaiya, reveals that after five years, the railways would be showing a modest surplus next year. The gross receipts in 1972-73 are expected to be Rs 1143.10 and the expenditure Rs 950.87 crores. This leaves a revenue surplus of Rs 192.23 crores. After fully meeting the liability of dividend to the general revenues (Rs 159.70 crores), there would remain a surplus of Rs 32.53 crores. Out of this, Rs 20 crores would go to the development fund and Rs 12.03 crores for meeting the interest liability on loans taken by the railways from the general revenues (Rs 106.22 crores) in the past five years and for part repayment of these loans. The revised estimates for 1971-72 show a surplus of Rs 9.08 crores, as against the budgeted deficit of Rs 6.87 crores.

The improvement in the railway finances during the current year has primarily resulted from the relief provided by the Railway Convention Committee of Parliament which, in its interim report, has recommended exemption from the payment of dividend by railways on the capital-at-charge of the non-strategic portion of the North-Eastern Frontier Railway, unremunerative branch lines and over-capitalisation of certain railway lines in north-east India. The committee has also recommended exemption, for a period of three years, from payment of dividend the capital outlay to the extent of 25 per cent annually when the work is in progress, and payment of interest to railways by the Finance Ministry at the current dividend rate on balances kept by the former with the latter. The improvement in the railway finances, however, has not deterred Mr Hanumanthaiya from raising passenger fares and freight rates. The additional income from the enhancement of fares and freight rates in a full year would be Rs 17.68 crores. Since the increase comes into effect on April 15, the additional income next year is expected to be Rs 17 crores (see details in the Records and Statistics section).

WINDOW ON THE WORLD

Indo-Bangla Dosh Trade Prospects

V. RAMACHANDRIAH

BANGAL DESH with an area of 143,300 sq. km. and a population of 75 million is on the threshold of rapid economic development. The Bangla Dosh government has been giving top priority to rehabilitate and reconstruct its war-torn economy on an urgent basis. It has taken stock of its needs, having regard to its aspirations and resources, with a view to formulating plans for sustained economic growth. Nevertheless, as of today, the economy is bedevilled with a variety of problems common to developing countries.

Bangla Dosh is primarily an agricultural country. Its two major commercial crops are jute and tea. Rice and fish constitute the staple diet of the bulk of population. The density of population is 525 persons per square metre. The per capita income at 1959-60 prices has been estimated at Rs 300 (PR) as against Rs 339 for India. The pace of growth in GNP slowed down in 1970-71. At constant prices, GNP rose by about 1.4 per cent—the lowest rate of increase during the decade.

The Economy Today

Till normalcy is resumed in its agricultural and industrial activity, parity is established with other currencies and the entire economy is put on even keel, it would not be possible for Bangla Dosh to enter into economic arrangements with other countries. But there are certain areas which need immediate attention. Further, it would, perhaps, be useful to have a look at the Bangla Dosh economy as it is existing today. Nature has been kind to Bangla Dosh in bestowing on it vast areas of cultivable land and forest and river resources. Of the 35 million acres of total cultivable area, about 65 per cent is under cultivation, 15 per cent under forests and the rest is uncultivated. Notwithstanding vast area under cultivation, food production in recent years has been showing a declining trend and in 1970-71 was lower by 1.9 per cent than in the previous year.

Of late, the economy has been experiencing chronic food deficits. In order to tide over the food shortage, Bangla Dosh would require every month an additional 200,000 tonnes of foodgrains. Apart from jute and tea, other agricultural products of significance in Bangla Dosh are sesamum, sugar-cane and tobacco. Save for jute

This article from the issue of the *Foreign Trade Bulletin* for February, 1972, is reproduced by courtesy Indian Institute of Foreign Trade.

and paper and paperboard industries, the industrial base is still in its infancy.

Jute, its principal commercial crop, earns sizable amount of foreign exchange to the nation. Its annual production has been of the order of 580,000 tonnes. It will be seen from Table I that in tune with the world demand, jute goods production has been showing a rising trend. In fact, as against 23 mills producing jute textiles in 1965-66, as many as 53 mills reported production in 1969-70 with 320 spindles and a loomage of 22,914. However, at the end of the period, the working capacity was of the order of 21,969 looms. Bangla Dosh has thus a strong jute textiles base.

Cotton Textiles Production

Second important activity in Bangla Dosh relates to cotton textiles. Table II gives the trends of production of cotton and cotton textiles in Bangla

Dosh during the period 1965-66 to 1969-70.

It will be seen that in 1969-70 there has been a slight decline in production of cotton cloth although there was a rise in production of cotton yarn presumably because of the closure of a few mills. It has been reported that in 1969-70, 44 mills were operating with an installed capacity of 7,000 looms having 750,000 spindles; the actual operating capacity however was of the order of 3,000 looms with 660,000 spindles. Table III indicates that production of cotton fabrics has been on a low note necessitating bulk imports from abroad, hitherto from Pakistan.

Cloth Requirements

Despite its fairly strong cotton textile industry complex, availability of cotton textiles in Bangla Dosh works out to one metre per head per annum as against 15.6 metres in India. Thus, Bangla Dosh will continue to depend on supplies from abroad for meeting its heavy requirements in the coming years.

Apart from jute and cotton textiles, the new Republic has a well established tea industry (70 million lb.), sugar industry (8,900 tonnes) and vegetable oils (6,400 tonnes). Among the manufactured items, mention may be made of tyres and tubes (300,000 nos.). The demand for fertilisers is met partly by the local production of urea (94,300 tonnes). In the small-scale sector, 13 million gross boxes of safety matches are produced annually. Cement output, con-

TABLE I

PRODUCTION OF JUTE TEXTILES IN BANGLA DESH

Year	Hessian	Sacking	Others	Total	Raw jute consumption (million bales)
	('000 tonnes)				
1965-66	106	279	24	409	2.38
1966-67	110	264	30	404	2.37
1967-68	140	334	38	512	3.00
1968-69	189	289	44	518	3.01
1969-70	233	292	55	580	3.36

TABLE II

PRODUCTION OF COTTON AND COTTON TEXTILES IN BANGLA DESH

Year	Cloth (million yards)	Yarn (million lb.)	Consumption of cotton (million lb)
1965-66	40	73	90
1966-67	55	74	97
1967-68	52	77	94
1968-69	61	96	112
1969-70	59	106	135

centrated in Sylhet area, is about 63,000 tonnes per annum. Another well developed industry is paper and paper manufactures. Production of printing paper, writing paper, packing and other papers and newsprint is 21,400 tonnes, 10,300 tonnes, 11,700 tonnes and 39,000 tonnes respectively per annum. Despite a sound industrial base, the growth rate of industrial development in Bangla Dosh has slowed down from 8.8 per cent in 1969-70 to three per cent in 1970-71.

Within the framework of the existing industrial structure and agricultural development, the new nation needs substantial quantities of raw materials, manufactured and semi-manufactured goods to sustain the level of its economic development and rebuild the economy *de novo*. It is against this background that the planners and policy-makers of Bangla Dosh will have to view its development programmes in the coming years. India's participation in the economic development of Bangla Dosh should, however, be limited to the extent it is desired by the new Republic.

Aid from friendly countries, notably India, will play a vital role in engendering Bangla Dosh's economic growth. But aid alone is not enough. Trade has to play a significant — perhaps a more crucial — part in extricating the economy from the morass of stagnation. With a low level of industrial activity and growing developmental and maintenance requirements, Bangla Dosh has all along been heavily dependent on imports from various sources, more particularly the western wing of the erstwhile Pakistan. In 1969-70, as much as 48 per cent of its requirements were procured from there.

Major Imports

Major items, which have figured prominently in the import list of Bangla Dosh in recent years, are: coal, cotton fabrics, rubber goods, cotton yarn and thread, bidi leaves, medicines and pharmaceuticals, iron and steel, limestone, bamboo and cane, glassware and textile and tea machineries. Some other items, which have found their way into Bangla Dosh market, are: oilseeds, raw cotton, tobacco, foodgrains and cement. A quick assessment of the immediate requirements of the new republic indicates that there is a pressing demand for foodgrains, sugar, cotton textiles, kerosene, soaps, tyres and tubes, drugs and medicines, agricultural implements, hardware and sanitary fittings. In exchange, Bangla Dosh can offer to the overseas markets fish, betelnuts, spices, and wood and timber among primary products and tea, jute goods, paper and paper board, matches and leather

goods among the manufactured products.

An idea of the foreign trade of Bangla Dosh can be had from Table IV.

In 1960-61, the total trade turnover of Bangla Dosh was Rs 3,463 million, of which its imports accounted for Rs 1,840 million and its exports, Rs 1,623 million. The corresponding figure for 1969-70 was Rs 6,066 million: imports, Rs 3,480 million and exports, Rs 2,586 million. It will also be seen from Table IV that Bangla Dosh has consistently been having a deficit balance of trade during the past few years. This was due mainly to heavy imports of capital goods and intermediate products and, to a lesser extent, essential consumer goods. During the period, 1960-61 to 1969-70, while imports into Bangla Dosh grew at a compound rate of 7 per cent per annum, exports rose by 5 per cent. During the same period, its exports to Pakistan rose by 12 per cent and imports by 7 per cent per annum. Imports from other sources registered an 8 per cent annual growth, while exports grew only by 3 per cent annually.

Areas of Collaboration

A great deal of thinking has been going on in both India and Bangla Dosh to identify the products, which we can offer to Bangla Dosh and *vice versa* and pinpoint the areas where collaboration between Bangla Dosh and India would be feasible. As stated earlier, Bangla Dosh will be a major market for a wide variety of our cotton textiles amounting to Rs 1,000

million a year. It may be recalled in this context that the bulk of its cotton textile requirements had earlier been met by Pakistan. We can also explore the possibilities of exporting coal which we were shipping till 1965 and limestone, sugar, kerosene, tyres and tubes, drugs, footwear, agricultural implements, tea and cotton textile machinery. With a little effort on the part of Indian exporters, the market for sports goods, carpets, handicrafts, surgical instruments and leather manufactures can easily be tapped.

Selectivity Approach

In the absence of detailed information and adequate data on various segments of Bangla Dosh economy, it would perhaps be premature to dwell on the areas where joint collaboration is possible. However, in so far as investment opportunities are concerned, although Bangla Dosh offers varied areas, it will be prudent on our part to have a selectivity approach and to go slow and in only those areas which need immediate attention. Preferably the collaborations should, to begin with, be on government-to-government basis, although joint venture arrangements among private parties may not be ruled out altogether. The initiative for collaboration arrangements is, of course to come from Bangla Dosh. With its wide network of rivers, rivulets, streams ponds and vast coastline, Bangla Dosh offers great potential for the development of its fishery resources. With a scientific and dynamic approach to fishery development programmes, it may be possible for Bangla Dosh not only to cater for consumer preferences

TABLE III

PRODUCTION OF COTTON FABRICS IN BANGLA DESH

(In million yards)				
Year	Fine	Medium	Coarse	Total
1965-66	5	32	3	40
1966-67	5	42	8	55
1967-68	2	36	14	52
1968-69	3	47	11	61
1969-70	4	43	12	59

TABLE IV

FOREIGN TRADE OF BANGLA DESH

(In million rupees)			
Year	Imports	Exports	Balance of trade
1960-61	1,840	1,623	-217
1964-65	2,577	1,805	-772
1968-69	3,235	2,411	-824
1969-70	3,480	2,586	-894

in India but also to enter the growing world markets in a big way. Yet another area where investment possibilities exist is the paper and paper-board industry. Bangla Desh has about 22,000 sq. kilo metres of forest resources, which could yield 15 million cubic feet of timber. Forest-based industries such as paper and paperboard and newsprint provide scope for development.

India perhaps will have to cater for the needs of the Bangla Desh economy in the initial stages. Aid apart, India may offer concessional treatment in bilateral trade. It would be mutually beneficial and advantageous for Bangla Desh and India if a system is evolved for the common use of waterways, railways and ports in the region. In order to meet the immediate requirements of Bangla Desh, a limited payments arrangement may be arrived at between Bangla Desh and India for imports of fish, poultry, betelnuts, jute, spices, leather, paper and paper products from Bangla Desh to be matched by supplies of coal, limestone, cement, cotton yarn and textiles, drugs and medicines and tobacco from India. "Most-Favoured-Nation" treatment should be accorded by the two countries to each other's products.

Necessities of Life

With a view to having smooth, uninterrupted and unrestricted flow of goods between the two countries, exchange of necessities of life on either side of the border within a range of 10 km should be allowed free. The bulk of the trade between the two countries should however be governed by the export and import control procedures and foreign exchange regulations as are being evolved in Bangla Desh and as exist in India today. It is also worthwhile examining whether or not a few essential commodities be made available to Bangla Desh without any duties or restrictions. Even on those commodities on which excise duties are levied, the proceeds of the excise may be remitted to the Bangla Desh account in the initial stages as aid, ensuring however that the goods do not find their way back to India. It will be desirable to consider a common policy for overseas marketing of jute and jute products with a view to maximising gain for both the countries. In arriving at a trade accord, a limited payments arrangement and joint marketing strategies, the initiative however rests with the government of Bangla Desh.

In the process of building up effective trade relations between Bangla Desh and India, the State Trading Corporation and the Minerals and Metals Trading Corporation should take the lead in supplying articles of necessities

such as coal, rice, kerosene, cotton textiles, cotton yarn and thread, cement, and drugs and medicines. The State Trading Corporation, in consultation with Jute Corporation, should also co-ordinate the marketing policies of

Bangla Desh and India for jute. The recently set up Tea Trading Corporation, in consultation with the Bangla Desh tea industry, should take active part in exploring markets and arranging joint marketing programmes abroad.

Congress Clears Funds for Aid

WASHINGTON.

THE US Congress has enacted four bills approving a total of 4,578 million dollars in multilateral and bilateral assistance to friendly nations.

Three bills pertain strictly to multilateral economic aid, authorizing 1,960 million dollars. The fourth bill carries both economic and military funds on a multilateral and bilateral basis, appropriating 2,618 million dollars.

Upholding President Nixon's thesis that multilateral organizations provide a worldwide sharing of responsibility for development assistance, the Congress authorized contributions to three international financial institutions over the next three years.

The action reflects America's role in apportioning funds, with other industrialized countries, to continue promoting economic progress in developing countries.

In three bills, the Congress authorized:

—For the Inter-American Development Bank (IDB), two annual instalments of 450 million dollars, without fiscal limitation.

—For the International Development Association (IDA), three annual instalments of 320 million dollars each, without fiscal limitation.

—For the Asian Development Bank (ADB), 60 million dollars for fiscal 1972, ending June 30, and 40 million dollars for fiscal 1973, beginning July 1.

The three bills now go to President Nixon for his signature into law. The authorizations set a ceiling on the amounts the United States can contribute to the financial institutions. The actual funds will be allocated in separate appropriation bills, expected to follow within several months.

In his February 9 Foreign Policy Report to Congress, Mr Nixon called multilateral assistance "a necessary complement to the more effective bilateral programme we are attempting to build, and a major element in my new approach to foreign assistance."

Multilateral institutions, he said, have made outstanding progress in providing aid and in assuming a lea-

dership role. "We are committed to continue to provide assistance through these institutions as they continue to progress," he added.

Moreover, the three bills relating to multilateral development assistance require the President to instruct US officials of the three financial institutions to vote against any loan benefitting a country that:

—Expropriates US-owned property without compensation unless a compensatory arrangement is made, or the dispute is submitted to arbitration, or good faith negotiations are in progress.

—Fails to take adequate steps to prevent international drug traffic.

The final Inter-American Development Bank bill, a compromise measure which, like the other two, was shaped by a joint Senate-House conference, deleted a provision in the House of Representatives version of the legislation that would make the restrictions applicable to a country that seizes US vessels in territorial waters not recognized by the United States.

IDB was established by the Organization of American States in 1959. The bank now has 23 members.

IDB is considered the hemisphere's major instrument for development financing. In eleven years the bank has made more than 666 loans totalling 4,500 million dollars.

The 900 million dollars authorized in the current legislation completes the 1,000 million dollar US commitment to the 1,500 million dollar increase in special fund resources that IDB approved in 1970. The fund provides long-term concessional loans for basic investment in transportation, agriculture, communications and vital urban needs.

The International Development Association, with a 107-country membership, is the world's largest single multilateral institution extending credit on concessionary terms.

The House of Representatives Banking and Currency Committee, in its report on the IDA bill, noted that the US contribution will "strengthen an international institution which has been a major force in attacking the gap between the developing and developed countries."

The multilateral approach embodied

by IDA, the report pointed out, promotes burden sharing and relieves any single nation of responsibility for development of a particular country.

Moreover, the committee felt that the multinational approach brings with it international expertise from donor countries and encourages less restrictive national economies among recipients.

The multinational approach frees recipient countries from political pressure and permits objective performance standards free of the foreign policy considerations of any particular nation, the committee report also pointed out.

The Asian Development Bank, founded in 1966, has demonstrated its ability to gather resources for Asian development from Europe, Asia and North America. Of the regular authorized capital of 1,100 million dollars, regional members have subscribed to 625 million dollars and non-regional members, apart from the United States, to an additional 180 million. The US contribution is some 20 per cent of the total subscribed capital. This percentage has been matched by Japan.

One half of each member's subscription is paid in capital; the other half is callable capital to provide backing for borrowings by the bank.

The fourth bill, expected to receive President Nixon's signature shortly, will provide funds for foreign aid programmes during this fiscal year, ending

June 30. Final passage of the measure ended a seven-month congressional dispute over US aid programmes, hopefully paving the way for early consideration of President Nixon's new aid proposals.

The bill contains 1,168 million dollars for economic assistance and 1,452 million for military aid.

Military assistance provisions are intended to help implement the Nixon Doctrine, which provides military hardware to friendly smaller nations undertaking increased responsibilities for their own defence. Most of these are in south east Asia.

Military assistance, however, also goes to such other countries as Jordan and Israel.

The bill carries 72 million dollars for the Peace Corps, 123 million dollars for the World Bank and \$211.7 million for the Inter-American Development Bank. (These IDB funds were authorized in previous legislation and are unrelated to the IDB funds authorized in the multilateral aid bill.)

Included in the humanitarian assistance provisions are 139 million dollars for Cuban refugee relief in the United States and 200 million dollars for South Asian relief, mostly refugees from East Pakistani civil strife.

The legislation includes 400 million dollars in foreign military credit sales, with a credit limit of 550 million dol-

lars, of which 300 million is reserved for Israel.

Since last July 1 the US foreign aid programme has operated through five continuing resolutions, a legislative device enabling government agencies to spend at established annual rates until a full appropriation is provided.

Last April 21 President Nixon sent Congress proposals that would alter and improve the US foreign assistance programmes, primarily by reorienting their objectives and overhauling aid administration.

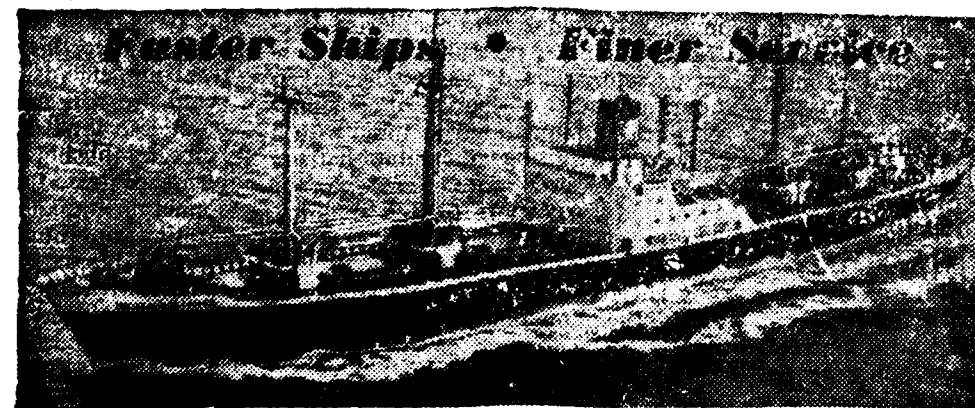
The President's proposals followed a 19-month study of foreign aid within the executive branch of the US government and by a presidential commission, called the Peterson Commission, a panel of distinguished Americans headed by Rudolph Peterson, then Chairman of the Board of the Bank of America.

Congress has yet to act on the President's proposed legislation.

In his Foreign Policy Report to the Congress on February 9, President Nixon expressed hope that Congress this year will work out a new programme, largely along the lines he proposed last April.

In the meantime, he added, changes "improving our foreign assistance programme" are already going forward and more will be put into effect.

— USIS



Our fleet of seventeen modern freighters offers fast, regular and dependable service between

INDIA—U. K. & THE CONTINENT • INDIA/EAST PAKISTAN—SOUTH AMERICA
INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
INDIA—POLAND Also around the INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

Trade Winds

IRON ORE EXPORTS

THE MINERALS and Metals Trading Corporation (MMTC) has informed the Japanese buyers that it would expect an escalation in the price of iron ore supplied to them to make up the loss arising out of the devaluation of the dollar. As the price is expressed in the US currency, the devaluation of the dollar has resulted in our foreign exchange earnings from iron ore exports going down by about 8.57 per cent. The mark up in the price desired by the MMTC is to the full extent. The negotiations on the subject, according to the present indications, are expected to be held in May or June.

Apart from the loss in foreign exchange earnings from iron ore exports due to the devaluation of the dollar, the quantum of these exports has suffered a setback during the current financial year due to the cut in steel production in the developed countries, a production shortfall at Bailadila, the port strike at Madras, the cyclone in Orissa (resulting in dislocation of traffic at the Paradeep port) and the Indo-Pakistan hostilities. As a consequence, iron ore exports by MMTC this year may total up to about 11 million tonnes, as against the target of 15 million tonnes and the 1970-71 shipments of 12.1 million tonnes. The total exports of iron ore from India this year are expected to be around 21 million tonnes. The next year's target for MMTC's exports has been put at 13 million tonnes, as any significant revival in the demand for iron ore by the foreign buyers may take place only in 1973.

Meanwhile, the MMTC has signed a contract with Rumania for the supply of 1.8 million tonnes of iron ore during 1972-73 valued at Rs. 10.6 crores.

The Chairman of the MMTC, Mr K. Ramachandran, left for Japan recently to have talks with the Japanese steel interests in regard to export of manganese ore. India supplies nearly one million tonnes of manganese ore to Japan.

INDO-YUGOSLAV TRADE

A protocol was signed in Belgrade recently between India and Yugoslavia to end the rupee trading system between the two countries with effect from December 31, 1972. By then, it is hoped, the balance remaining to the credit of either country would be only nominal. Negotiations on the mode of settlement of this balance are expected

to take place in New Delhi in the near future.

With a view to nearly balancing the trade between the two countries by the time the rupee payment system is ended, the pattern of this trade has been changed very significantly during the last two years. In 1971, India exported goods to Yugoslavia worth Rs 25.8 crores, while her imports from Yugoslavia amounted to only Rs 6.6 crores. The total turnover of trade between the two countries this year is expected to be over Rs 35 crores. The proportion of exports and imports is being so planned as not to further add to the balance to the credit of either country but to drastically bring it down. Yugoslavia will be exporting to India this year such items as steel plates, newsprint, refractories, chemicals and special and alloy steels. India's exports to Yugoslavia would include iron ore and pig iron, wire ropes, castings and forgings and several other engineering goods.

CZECH TRADE DELEGATION

The 16-member Czech trade delegation, headed by Mr F. Ruzicka, First Deputy Minister of Internal Trade in the government of the Czechoslovak Socialist Republic, which was here recently, has identified a wide range of new items which can be profitably exported by India to Czechoslovakia. These include grey iron and steel castings and forgings, auto-ancillaries, electric appliances, pressure cookers, garments, etc. The delegation has taken home a number of samples of consumer products manufactured in India with a view to organising an exhibition there so that several more items can be identified for export to that country. The delegation also proposed that, on the pattern of the Soviet Union's proposal, Czechoslovakia could supply to India Egyptian cotton for processing into yarn or finished garments on the basis of a processing fee.

The Indo-Czech trade in 1971 touched a new peak when the total turnover aggregated to Rs 75 crores. The number of items exported by Czechoslovakia to India has gone down appreciably in the recent past. Currently, the major items imported by India from Czechoslovakia are tractors and components, steel and steel products, machine tools, newsprint, chemicals and certain types of capital equipment. The number of items exported by India to Czechoslovakia is gradually going

up. More than 50 per cent of India's exports to Czechoslovakia now are of manufactured goods. This percentage should go up further following the Czech delegation visit.

HUNGARY ADOPTS G.S.P.

Hungary is the latest country to adopt a system of preferential tariff treatment of goods originating in the developing countries under the UNCTAD Generalised System of Preferences (GSP). In order to get the benefit of the preferential treatment under the Hungarian procedure, a product shall be deemed to originate in a beneficiary country if it has been produced in that country or if 50 per cent of its value has been added to it in that country. The certifying authorities for exports to Hungary under GSP would be the same as in the case of EEC. The Certificates of Origin should be produced in duplicate to the customs authorities in Hungary. Details of the procedure introduced by Hungary, the forms of Certificates of Origin and the items on which it has offered preferential tariff concession will be available from the Indian Institute of Foreign Trade, New Delhi.

ASSISTANCE FROM JAPAN

The agreement between the governments of India and Japan signed in March 1968 regarding Japanese assistance to this country in the field of agriculture was extended recently for a period of three years until March 4, 1975 in respect of Arrah (Bihar) and Vyara (Gujarat) Japanese agricultural demonstration farms. Among the activities which are covered under the agreement are research trials with the help of laboratories to solve problems of pests, soil testing, seed qualities, water and fertilisers as also of agricultural implements. Other activities covered are soil and water management practices, land shaping, pest surveillance, establishment of model machinery hiring centres, training of Indian personnel in Japan and in India, mixed farming and multiple cropping in the light of Japanese experience and vegetable cultivation. The extension agreement was signed by Mr T. Kambara, Japanese Charge d'Affaires in India and Mr T.P. Singh, Secretary, union Ministry of Agriculture.

KIPPING LOAN

The UK government has made available, as part of the assistance for Indian economic development, a loan of £1.0 million (Rs 1.80 crores) to meet the requirements of the UK oriented firms for balancing equipment. It has been decided that these funds may be used for issue of licences to actual users in both the scheduled and non-scheduled sectors including small-scale

industries with equipment of British origin, for import of minor balancing equipment needed by them to maximise utilisation of equipment already in use. The amount available for the purpose being small as against the demand from entrepreneurs, it has been decided to consider applications only in those cases where: (i) the equipment in use is mainly of British origin; and (ii) the value of the equipment sought to be imported is small in relation to the equipment already in use and does not exceed £25,000 c.i.f. value. Applications from eligible importers should be supported by the necessary information. Applications from eligible actual users for the imports of minor balancing equipments may be submitted in the prescribed form and manner to the Chief Controller of Imports and Exports, New Delhi, by April 29, 1972.

EXPORTING TO EASTERN EUROPE

A new marketing guide for developing country exporters, "Exporting to the Socialist Countries of Eastern Europe, a guide to marketing techniques", has just been issued by the International Trade Centre (UNCTAD/GATT). This 430-page book is a practical manual of the principal marketing techniques being applied by exporters to eastern Europe. It is based on the recent experiences of 30 developing countries exporting to the seven target markets reviewed in the guide, namely Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and the USSR. The handbook has been prepared for developing country traders, with the specialized needs of exporters of foodstuffs, raw materials and unsophisticated manufactures uppermost in mind, since these constitute the main exports of developing countries to eastern Europe today. But the techniques and practices described can also be applied in the marketing of industrial capital equipment by traders in this field. The case material presented as processed by the ITC through staff interviews with several hundred trade officials of the seven countries covered, and with developing officials and exporters on trade visits to eastern Europe to promote their products.

COACH FACTORY EXPORTS

Complete railway passenger coaches manufactured at the Integral Coach Factory (ICF) in Madras have now found their way into the export market. Last year, 113 passenger coaches were supplied to Taiwan. This was the first time that ICF exported complete coaches. The coaches supplied to Taiwan have several new features such as air brakes, pneumatically operated sliding doors and water-raising appa-

ratus, centre buffer couplers, revolving seats and complete fibreglass insulation. Integral Coach Factory has also successfully bid against technologically advanced nations such as Japan in price, quality, design and delivery schedule. It has supplied 66 bogie trucks to Burma railways and 45 to the Royal State Railways of Thailand. Orders are on hand for passenger coaches for the Zambian railways in Africa. The factory produces, at present, 650 coaches a year. The capacity is, however, expected to go up to 750 coaches by the end of 1974. It has so far turned out 22 types of broad gauge coaches and 14 types of metre gauge coaches, including electrical multiple units, diesel rail cars and air-conditioned express train sets.

MORE ROADS

The union government has decided to add another 3601 km of roads to the existing national highway complex. This is the biggest addition to the system ever since the centre implemented the National Highway Scheme in April 1947. The decision covers the West Coast Road passing through the states of Maharashtra, Mysore, Goa and Kerala; Courtalim-Marmagao road; Palamkottai-Tuticorin road; Chas-Bokaro-Talcher road; Bangalore-Mangalore road and Pathankot-Kandla road. The union Minister of State for Transport, Shipping and Parliamentary Affairs, Mr Om Mehta, made this announcement in New Delhi recently.

BOKARO COKE OVEN LIGHTED

The first coke oven battery of the Bokaro steel plant was lighted up on March 6, 1972, by Mr S. Mohan Kumaramangalam, Minister of Steel and Mines. This marked an important stage in the construction at Bokaro. The coke oven battery will be heated up gradually and continuously over a period of nearly three months to prepare it for the production of coke. In the meantime, a vast complex of other units will also be completed and commissioned individually to enable the first blast furnace to start the production of pig iron. The tempo of construction at Bokaro has been substantially raised during the last 15 months.

DELEGATION TO S.-E. ASIA

The Engineering Export Promotion Council has sent on March 13 a five-man delegation to Thailand, Malaysia and Indonesia. Mr V.P. Punj (M/s Frick India Ltd., Faridabad) is the leader of the delegation. The members are: Mr J.P. Mukherjee (Chief Engineer, M/s Walchandnagar Industries), Mr R. Venkataraman (General Manager,

M/s Easun Engg. Co Ltd., Madras) and Mr S.S. Kanwar (Director Raunaq International, New Delhi). Mr S.K. Khasnavis of Engineering Export Promotion Council is the Member-Secretary. The main objectives of the delegation are to explore the possibilities for increasing export of engineering goods, to explore the possibilities for joint ventures and to establish personal contacts with buying organisations, government departments, chambers of commerce and businessmen with a view to explaining the progress that the engineering industry has made in this country and the extent to which their demands could be met.

STUDY OF CASHEW INDUSTRY

The Reserve Bank of India has constituted a study group to enquire into the problems and procedures connected with the financing of the cashew industry. It is to report within three months. Headed by Mr C.E. Kamath, Deputy General Manager of Canara Bank, the group will take into account the current and prospective role of cashew as an export commodity and its employment potential. It will suggest necessary modifications in the current practices and procedures, so that credit flow is smooth and banks are able to ensure greater supervision and control over advances in the light of the special characteristics of the industry.

NAMES IN THE NEWS

Mr Ajit Haksar has been elected President of the Associated Chambers of Commerce & Industry for 1972-73 and also the President of the Bengal Chamber of Commerce & Industry. He was appointed to the Board of India Tobacco in 1966 as Marketing Director. He became Deputy Chairman in November 1968 and took over as Chairman in June 1969. Mr Haksar is on the boards of directors of several companies including Molins of India Ltd. He is a member of the Court of Governors of the Administrative Staff College of India, Hyderabad, the Indian Institute of Management, Calcutta and the Doon School, Dehra Dun. Mr Haksar is Chairman, Local Board, Indian Leaf Tobacco Development Co., Ltd., (ITC's sister concern and leaf supplier), Chairman, Indian Society of Advertisers and Chairman, National Council of Advertisers.

Mr James S. Raj, Managing Director of Industrial Investment Trust Ltd., and Chairman of Glaxo Laboratories (India) Ltd., and Precision Bearings Ltd., has been appointed wholtime Chairman of the Unit Trust of India. Mr Raj succeeds Mr R.S. Bhatt, who has been chairman of UTI since February 1, 1964. He will assume charge at the end of April.

Company Affairs

INDO SOLEX

INDO SOLEX Ltd., a new company, is setting up a plant near Sonapat for fat splitting, fatty acid distillation and glycerine recovery. The plant will produce about 185 tons of refined glycerine, 2,000 tons of distilled fatty acid and 400 tons of stearic acid per annum. The company is promoted by the management of Haryana Rubber Industries. The products of the company are in acute shortage in the country in general and in northern India in particular because there is no such plant in this part of the country. There is no scarcity of crude oil which is the main raw material for the plant. The cost of the project is around Rs 40 lakhs and financial arrangement including underwriting have been made by the company. The company is likely to issue capital in the last week of March or early in April, 1972. The construction at site is already going on and the erection of plant is being taken in hand shortly. The management of the company has set the target of going into production by September, 1972. With the production of distilled fatty acids the small soap manufacturers of Delhi and northern India would be benefited.

STRAW PRODUCTS

The recent bonus issue of 1,130,000 equity shares of Rs 10 each announced by Straw Products Limited, in the ratio of one for two will be issued to those shareholders registered as on April 11. These bonus shares shall be entitled to dividend, to be declared out of the earnings of the company for the year commencing from January 1972.

E.I.D. PARRY

The rupee accounts of EID Parry Ltd. for the year ended September 30, 1971, indicated the spectacular recovery the company staged in the second half of the last financial year. The first six months' losses were almost wiped out. This had been possible due to sharp increase in sales. Aggregate sales during the year revealed an increase of over Rs eight crores. Consequently there was a sharp rise in the profit before depreciation and interest charges at Rs 245.33 lakhs against Rs 155.24 lakhs in the previous year. Depreciation required Rs 123.54 lakhs and interest charges Rs 167.77 lakhs. A

provision of Rs 22.57 lakhs was made for bad and doubtful debts. After some adjustments relating to the previous year, the net loss for the year came to Rs 17.06 lakhs against a loss of Rs 170.80 lakhs suffered in the previous year. After taking into account Rs 5.59 lakhs for tax credit and allowing for minority interests in profits, the loss carried forward was still lower at Rs 13.42 lakhs. With better offtake of fertilisers and the profitable working of the sugar mills, the company expected to bring out encouraging results during the current year.

EXCEL INDUSTRIES

The directors of Excel Industries Ltd have stated in their latest report that the company's phosphorus plant at Bhavnagar, which was commissioned in October last, has been working smoothly. The company's working for the year ended September 30, 1971 has been better, with gross income rising from Rs 3.06 crores to Rs 3.58 crores. The profit before taxation increased from Rs 39.72 lakhs to Rs 42.30 lakhs. The directors recommended a dividend of 16 per cent for the year. A proportionate dividend is to be paid on the new shares and this worked out at 71 paise per share (gross). The chairman stated in his annual statement that efforts were being made to explore foreign markets, particularly in developed countries for some of the pesticides manufactured by the company. The company expected to export in the near future one of its pesticides products to the USA, which was now awaiting approval of the US authorities. The company was taking the necessary steps to increase its production capacity to meet the increase in demand on account of expansion in export trade.

MYSORE SUGAR

Mysore Sugar Company Ltd maintained the dividend for the year ended June 30, 1971 at 30 per cent taxable. The company's gross profit for the year was Rs 81.77 lakhs. Depreciation came to Rs 34.53 lakhs. Development rebate reserve absorbed Rs 0.81 lakhs and taxation Rs 10 lakhs. After writing back Rs 1.50 lakhs the net profit was Rs 38.02 lakhs. A sum of Rs 23.50 lakhs has been transferred to the general reserve, Rs two lakhs to the depreciation reserve and Rs two lakhs to investment fluctuation reserve. The

20 per cent dividend would need Rs 10.82 lakhs.

UNICHEM LABORATORIES

The directors of Unichem Laboratories Ltd propose to issue bonus shares, subject to the sanction of the government, in the ratio of one share for every six equity shares by capitalising Rs nine lakhs out of the reserves. The directors proposed to maintain the dividend distribution of 10 per cent on the increased capital resulting from the issue of bonus shares. The authorised capital of the company has also been proposed to be raised to Rs 1.50 crores by creation of 45,000 equity shares of Rs 100 each and 30,000 shares of unspecified class of Rs 100 each. The gross income of the company for the year ended September 30, 1971 has been higher at Rs 5.19 crores against Rs 3.89 crores for the preceding year. The profit before taxes went up from Rs 30.11 lakhs to Rs 34.06 lakhs. After providing Rs 20.25 lakhs for taxation, the profit was Rs 13.81 lakhs.

HINDUSTAN GARMENTS

Hindustan Garments is expected to start producing garments shortly. In the first phase of its operations it would be technically feasible for the



company to produce 1,000 garments per day at the rate of 500 pieces per shift. The maximum capacity for this phase is expected to be achieved by September 1972. During the period September 14, 1970 to November 30, 1971 sales amounted to Rs 10.46 lakhs. The working resulted in a loss of Rs 5.24 lakhs after providing Rs 16,960 for depreciation. The company expected to double its production in 1973. It has received good export inquiries for its garments.

AMERICAN EXPRESS

Preliminary consolidated net earnings of the company and its subsidiaries for 1971 have been placed at \$102.8 million, an increase of 20.6 per cent over the earnings of the preceding year. Assuming full conversion of the company's convertible preference shares, earnings per share increased from \$3.58 in 1970 to \$4.31 in 1971.

CAPITAL AND BONUS ISSUES

Consent has been accorded to eight companies to raise capital amounting to over Rs. 3.51 crores. Following are the details:

Warner Hindustan Limited, Hyderabad, has been given consent, valid for three months, to capitalise Rs 28 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Supreme Industries Limited, Bombay, is granted consent to capitalise Rs 1,86,500 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every five equity shares held. The consent is valid for three months.

Wander Limited, Bombay, has been given permission valid for three months to capitalise Rs 5,10,000 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 17 bonus shares for every 33 equity shares held.

Shahshah Hotels Limited, Calcutta, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the extent of Rs

57,35,000 (excluding Rs 2,65,000 already raised in equity preference shares) in equity shares of Rs 10 each. The proceeds are to be used for construction and running a five-star luxury hotel at Agra.

Andhra Foundry & Machine Co Ltd, Hyderabad, has been accorded consent, valid for 12 months, to issue a capital of Rs 31,49,000 in the form of 1,14,900 equity shares of Rs 10 each and 20,000 9.3 per cent cumulative redeemable preference shares of Rs 100 each privately.

Laxmichand Bhagaji Ltd, Bombay, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the extent of Rs 20 lakhs in equity shares of Rs 10 each.

Chamundeswari Sugars Ltd, Banga-

lore, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 160 lakhs (inclusive of Rs 80,800 already subscribed) divided into 12 lakh equity shares of Rs 10 each and 40,000 in 9.5 per cent cumulative redeemable preference shares of Rs 100 each, for cash at par, for establishing a new 1250 tonnes sugar factory.

Century Metals Ltd, Delhi, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 48 lakhs in equity and preference shares. The proceeds will be utilised for the manufacture of aluminium alloys, aluminium castings and aluminium press items.

THE BALLARPUR PAPER & STRAW BOARD MILLS LTD.

PUBLIC NOTICE

NOTICE is hereby given pursuant to the provisions of Rule 4A of The Monopolies and Restrictive Trade Practices Rules, 1970, that an application is being submitted to the Central Government under Section 23 (4) of The Monopolies and Restrictive Trade Practices Act, 1969 for approval to the purchase by The Ballarpur Paper & Straw Board Mills Limited (hereinafter called "the Company") of equity shares in The Mandya National Paper Mills Limited.

The substance of the application is that the Company intends to purchase 85,17,187 equity shares of Rs. 5/- each fully paid up in the reconstructed capital of The Mandya National Paper Mills Limited at a price of Rs. 349.05 lacs from the Government of Mysore. After the proposed purchase of the shares, The Mandya National Paper Mills Limited will become a subsidiary of the Company.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs within fourteen days from the date of publication of this general notice, his views with regard to the proposal contained in the Company's application, and also the nature of his interest therein.

For The Ballarpur Paper & Straw Board Mills Ltd.

M. L. ZUTSHI
Executive Vice President

Registered Office,
P.O. Ballarpur,
District—Chandrapur,
MAHARASHTRA STATE

March 8, 1972.

BALANCE SHEET OF THE STATE BANK OF

As at 31st December, 1970				CAPITAL AND LIABILITIES				As at 31st December, 1971			
Rs.	P.	Rs.	P.					Rs.	P.	Rs.	P.
		1,00,00,000.00		1. Capital :				1,00,00,000.00			
				Authorised Capital—1,00,000 shares of Rs. 100/- each							
35,00,000.00				Issued, Subscribed and Paid-up Capital (pursuant to Section 7 (1) of the State Bank of India (Subsidiary Banks) Act, 1959)—35,000 shares of Rs. 100 each				35,00,000.00			
36,14,000.00				2. Reserve Fund and other Reserves				36,83,000.00			
				3. Deposits and other Accounts :							
		27,21,62,340.75		* Fixed Deposits				32,45,51,358.21			
		17,42,19,752.49		Savings Bank Deposits				21,57,45,616.30			
59,44,51,241.24		14,80,69,148.00		* Current Accounts, Contingency Accounts, etc.				16,42,75,283.04		70,45,72,257.55	
				4. Borrowings from other Banking Companies, Agents, etc. :							
		2,00,00,000.00		(i) In India				2,00,00,000.00			
2,00,00,000.00		...		(ii) Outside India				...		2,00,00,000.00	
46,79,235.48				5. Bills Payable				71,78,560.11			
				6. Bills for Collection being Bills Receivable as per contra :							
		4,65,66,203.21		(i) Payable in India				2,11,21,964.48			
4,65,66,203.21		...		(ii) Payable outside India				...		2,11,21,964.48	
				7. Other Liabilities :							
		1,75,000.00		Dividend for the year				2,63,000.00			
		2,75,10,455.17		Branch Adjustments				...			
		1,21,65,448.82		Others				25,27,958.42			
4,00,00,907.74		1,50,003.75		Liability on account of assets taken for collection of taken-over Bank as per contra				1,36,303.35		29,27,261.77	
3,13,00,723.58				8. Acceptances, Endorsements and other Obligations as per contra				2,44,46,118.35			
				9. Profit and Loss :							
		3,996.87		Balance brought forward from last year				30,249.17			
		2,89,252.30		Profit for the year				3,44,733.04			
		2,93,249.17						3,74,982.21			
				Less Appropriations							
		58,000.00		Amount transferred to Reserve Fund				69,000.00			
		30,000.00		Amount transferred to Staff Welfare Fund				40,000.00			
30,249.17		1,75,000.00		Amount set aside for payment of Dividend				2,63,000.00		2,982.21	
				10. Contingent Liabilities :							
		18,11,338.57		Claims against the Bank not acknowledged as debts				20,13,257.57			
		1,56,54,489.99		Guarantees given on behalf of customers				1,80,92,121.13			
		2,36,930.91		Outstanding forward exchange contracts (sale)				1,17,577.43			
4,41,42,560.42				TOTAL				78,74,32,144.47			

* Includes staff welfare fund, ownership whereof vests in the Bank.

PATIALA AS AT 31ST DECEMBER, 1971

As at 31st December, 1970				PROPERTY AND ASSETS				As at 31st December, 1971			
Rs.	P.	Rs.	P.					Rs.	P.	Rs.	P.
4,37,63,339.65				1. Cash :							
				In hand and with Reserve Bank and State Bank of India (including foreign currency notes)				4,20,82,186.59			
2,14,60,583.83		2,43,49,562.49		2. Balances with other Banks :							
		1,11,021.34		(i) In India							
				(ii) Outside India				2,06,84,289.59			
		...		3. Money at Call and Short Notice				2,05,00,000.00			
				4. Investments (at or below market value)							
		16,86,96,950.88		(i) Securities of Central and State Governments and other Trustee Securities (including Treasury bills of Central Government)				21,88,83,530.30			
				Previous year Rs. Nil							
		5,246.50		(ii) Shares							
		18,970.61		(a) Fully Paid Preference				5,246.50			
		8,90,000.00		(b) Fully Paid Ordinary				18,961.12		24,207.62	
		2,00,000.00		(iii) Debentures or Bonds						6,09,650.00	
16,98,11,167.99		...		(iv) Other Investments						6,77,000.00	
				(v) Gold				...		22,01,94,387.92	
				5. Advances :							
				(Other than bad & doubtful debts for which provision has been made to the satisfaction of the auditors)							
		39,12,27,137.64		(i) Loans, Cash Credits and Overdrafts, etc.				40,46,57,247.11			
		...		(a) In India				...			
		2,55,05,333.93		(b) Outside India				...			
41,67,32,471.57		...		(ii) Bills discounted and purchased				1,60,68,665.36			
				(a) Payable in India				...			
				(b) Payable outside India				...			
				(Particulars of advances : See separate statement appended)				42,07,25,912.47			
4,65,66,203.21		4,65,66,203.21		6. Bills Receivable being bills for Collection as per contra :				2,11,21,964.48			
		...		(i) Payable in India				...		2,11,21,964.48	
3,13,00,723.58		...		(ii) Payable outside India				...			
				7. Constituents' Liabilities for Acceptances, Endorsements and other obligations as per contra				2,44,46,118.35			
				8. Premises Less Depreciation :							
		9,95,499.69		Total cost upto the 31st December, 1970				9,95,499.69			
		...		Additions				6,838.75			
8,00,524.19		9,95,499.69		Less Depreciation				10,02,338.44			
		1,94,975.50						2,15,136.22		7,87,202.22	
		20,47,733.66		9. Furniture and Fixtures less Depreciation :				26,37,047.91			
		5,91,251.79		Total cost upto the 31st December, 1970				8,59,395.60			
		26,38,985.45		Additions				34,96,443.51			
		1,937.54		Less Deductions				15,317.54			
15,64,572.89		26,37,047.91		Less Depreciation				34,81,125.97			
		10,72,475.02						13,52,572.96		21,28,553.01	
		75,44,039.09		10. Other Assets :				1,07,13,897.56			
		9,70,166.78		Adjusting Account of Interest, Commission, etc.				10,37,248.59			
		5,904.60		Stationery, Stamps, etc.				7,298.10			
		85,20,110.47		Security Deposits				1,17,58,444.25			
		...						24,24,930.28			
		1,62,224.16		Branch Adjustments							
		1,71,027.45		Motor Car and Van				3,33,251.61			
				Cost as at 31st December, 1970				29,395.44			
				Additions				3,62,647.05			
		3,33,251.61		Less Depreciation				2,50,069.37		1,12,577.68	
		1,79,278.95									
		1,53,972.66		Property not used as Bank Premises less depreciation				1,100.82			
		1,129.05		Assets taken over for collection of taken-over Bank as per contra				1,36,303.35			
88,60,229.27		1,50,003.75		Advance payment of telephone rents under O.Y.T. Scheme				46,314.29		1,44,79,670.67	
		35,013.34									
2,82,744.24				11. Non-Banking Assets acquired in satisfaction of Claims (at estimated market value)				2,81,909.17			
...				12. Profit & Loss				...			
74,41,42,560.42				TOTAL				TOTAL		78,74,32,144.47	

PARTICULARS OF ADVANCES

As at 31st Dec., 1970			As at 31st Dec 1971	
Rs.	P.		Rs.	P.
35,73,32,227.36		(i) Debts considered good in respect of which Bank is fully secured	38,93,47,486.4	
1,11,53,915.00		(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	41,63,164.3	
4,82,46,329.21		(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	2,72,15,261.3	
Nil		(iv) Debts considered doubtful or bad, not provided for.	Nil	
41,67,32,471.57			42,07,25,912.4	
13,38,375.13		(v) Debts due by Directors or Local Board members or officers of the Bank or any of them either severally or jointly with any other persons	15,56,591.2	
Nil		(vi) Debts due by companies or firms in which the Directors or Local Board members of the Bank are interested as Directors, Partners or Managing Agents or, in the case of private companies, as members. Please see separate statement on page 435	Nil	
14,42,875.26		(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or officers of the Bank or any of them either severally or jointly with any other persons	16,73,608.95	
Nil		(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies/firms in which the Directors or Local Board Members of the Bank are interested as Directors, Partners or Managing Agents or, in the case of private companies, as members	Nil	
1,56,19,298.84		(ix) Due from banking companies	1,165.52	

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1971

Year ended 31-12-1970		Year ended 31-12-1971		Year ended 31-12-1970		INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)		Year ended 31-12-71	
Rs.	P.	Rs.	P.	Rs.	P.			Rs.	P.
2,07,49,305.35		2,60,60,825.24		3,29,10,850.94		1. Interest and Discount		4,36,17,909.57	
1,34,56,798.38		1,68,56,195.33		43,13,372.03		2. Commission, Exchange and Brokerage		29,44,781.10	
3,920.00		3,320.00		18,360.00		3. Rents		18,360.00	
5,39,163.25		7,00,075.17				4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other assets (not credited to Reserves or any particular fund or account)		1,75,698.50	
62,875.03		47,890.20				5. Net Profit on Revaluation of investments, Gold and Silver, Land, Premises & other Assets (not credited to Reserves or any particular fund or account)		..	
4,86,149.99		5,70,019.91		66,225.31		6. Income from Non-Banking Assets and Profit from sale of or Dealing with such assets		..	
6,000.00		6,000.00				7. Other Receipts (including subsidy from the State Bank of India in terms of Section 48 of the State Bank of India (Subsidiary Banks) Act, 1959. Rs. 77,992/-) (Net)		1,13,814.77	
3,56,039.37		4,27,110.81							
3,88,082.28		4,54,378.64							
..		11,736.53							
11,77,382.95		13,88,279.07		23,689.70					
2,89,252.30		3,44,733.04							
				1,82,470.92					
3,75,14,968.90		4,68,70,563.94		3,75,14,968.90		TOTAL		4,68,70,563.94	

APPROPRIATION OF PROFITS

THE DIRECTORS REPORT THAT, THE USUAL AND NECESSARY PROVISIONS HAVING BEEN MADE, THE NET PROFIT OF THE BANK FOR THE YEAR ENDED THE 31ST DECEMBER, 1971 AMOUNTED TO RS. 3,44,733.04 WHICH, WITH RS. 30,249.17 BROUGHT FORWARD FROM LAST YEAR, MAKES A TOTAL OF RS. 3,74,982.21.

1970		This sum, the Directors of the Bank have disposed of as follows :	1971	
Rs.	P.		Rs.	P.
58,000.00		Transferred to Reserve Fund	69,000.00	
30,000.00		Transferred to Staff Welfare Fund	40,000.00	
1,75,000.00		Dividend (Subject to deduction of tax)	2,63,000.00	
30,249.17		Balance carried forward to the Profit & Loss Account	2,982.21	
2,93,249.17			3,74,982.21	

STATEMENT GIVING AN ANALYSIS OF SUB-HEAD (vi) OF ADVANCES BEING DEBTS DUE BY COMPANIES OR FIRMS IN WHICH THE DIRECTORS OF THE BANKING COMPANY ARE INTERESTED AS DIRECTORS, PARTNERS OR MANAGING AGENTS OR, IN THE CASE OF PRIVATE COMPANIES, AS MEMBERS. REFERRED TO IN THE DIRECTORS' REPORT.

As at 31st December, 1970		As at 31st December 1971	
Debits due by :			
1. Public Companies			
in which the Directors of the Bank are interested			
Nil	(a) As Directors only (holding no shares)	Nil	
Nil	(b) As Directors and Members		
Nil	(i) Holding not more than 2 per cent of the Paid-up Share Capital	Nil	
Nil	(ii) Holding more than 2 per cent of the Paid-up Share Capital	Nil	
Nil	(c) (i) As Managing Agents personally	Nil	
Nil	(ii) As Partners in Managing Agency Firms	Nil	
Nil	(iii) As Directors/Members of Managing Agents (This is included in items 1 (b) (i) and (ii))	Nil	
2. Private Companies			
in which the Directors of the Bank are interested			
Nil	(a) As Directors only (holding no shares)	Nil	
Nil	(b) As Directors and Members		
Nil	(i) Holding not more than 2 per cent of the Paid-up Share Capital	Nil	
Nil	(ii) Holding more than 2 per cent of the Paid-up Share Capital	Nil	
Nil	(c) As Members only		
Nil	(i) Holding not more than 2 per cent of the Paid-up Share Capital	Nil	
Nil	(ii) Holding more than 2 per cent of the Paid-up Share Capital	Nil	
Nil	(d) (i) As Managing Agents personally	Nil	
Nil	(ii) As Partners in Managing Agency Firms	Nil	
Nil	(iii) As Directors/Members of Managing Agents (This is included in item 2 (b) (i) and (ii))	Nil	
3. Firms			
Nil	in which the Directors of the Banking Company are interested as Partners	Nil	
Nil		Nil	

We have checked the above analysis with the records of the Bank and with the certificates furnished by each of the Directors of the Bank regarding their respective percentage of holdings in the paid-up share capital of the borrowing companies and have found it to be correctly made up.

BOMBAY,
Dated, 17th February, 1972

N. M. RAJJI & CO.,
CHARTERED ACCOUNTANTS

**PARTICULARS OF REMUNERATION RELATING TO THE GENERAL MANAGER, STATE BANK
OF PATIALA, HEAD OFFICE, THE MALL, PATIALA FOR THE YEARS 1970 AND 1971**

For the year ended 31st December	Salaries	Allowances	Sitting fees	Bonus	Employer's con- tributions to Provident Fund, Pension Fund or any other super- annuation Fund	Payments by way of gratuities, pen- sions or other- wise in excess of contributions and interest thereon.	The monetary value of any other benefits or perquisites	Total of items (i) to (vii)
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
1970	Rs. 31,200.00	—	—	—	Rs. 4,410.00	—	Rs. 5,473.34	Rs. 41,083.34
1971	Rs. 32,592.86	—	—	—	Rs. 4,418.75	—	Rs. 5,887.63	Rs. 42,899.24

- Note :
1. Increase in salary in the year 1971 is due to the fact that Shri K. Subramanian, Ex-General Manager was paid upto 22nd of February, 1971, whereas Shri S. D. Ganda, General Manager was paid with effect from 8th February, 1971.
 2. Leave salary and pension fund and Provident Fund on leave salary amounting to Rs. 5,186.03 is not included in the above statement (previous year Rs. 5,051.16).
 3. Perquisites represent rent and medical expenses amounting to Rs. 4,668.00 and Rs. 1,219.63 respectively (previous year Rs. 4,668.00 and Rs. 805.34).
 4. The General Manager is entitled to free use of Bank's residential furniture.

REPORT OF THE AUDITORS

TO THE STATE BANK OF INDIA

We, the undersigned auditors of the State Bank of Patiala, appointed under Section 41 (1) of the State Bank of India (Subsidiary Banks) Act, 1959, report on the Balance Sheet and Accounts of the Bank as at 31st December, 1971.

We have examined the foregoing Balance Sheet of the State Bank of Patiala as at 31st December, 1971, and the Profit and Loss Account of the Bank for the year ended upon that date with the Accounts relating thereto of Head Office and with the Returns submitted and certified by the Branch Managers, which Returns have been incorporated in the foregoing Balance Sheet and Accounts.

WE REPORT THAT :—

- (i) in our opinion the Balance Sheet is a full and fair one, containing all the necessary particulars and is properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the books of the Bank;
- (ii) where we have called for any explanation for information such explanation and information have been given to us and have been found satisfactory;
- (iii) the transactions of the Bank which have come to our notice have been within the competence of the Bank;
- (iv) the Returns received from the Branches of the Bank have been found adequate for the purpose of our audit;
- (v) the Profit and Loss Account shows a true balance of profit for the year covered by such Account;
- (vi) in our opinion the Balance Sheet and the Profit and Loss Account are drawn up in conformity with the law; and
- (vii) in our opinion Books of Account have been kept by the Bank as required by law.

Bombay,
Dated : 17th February, 1972

N.M. RAJJI & CO.,
Chartered Accountants

Gurdial Singh Dhillon
Chief Accountant

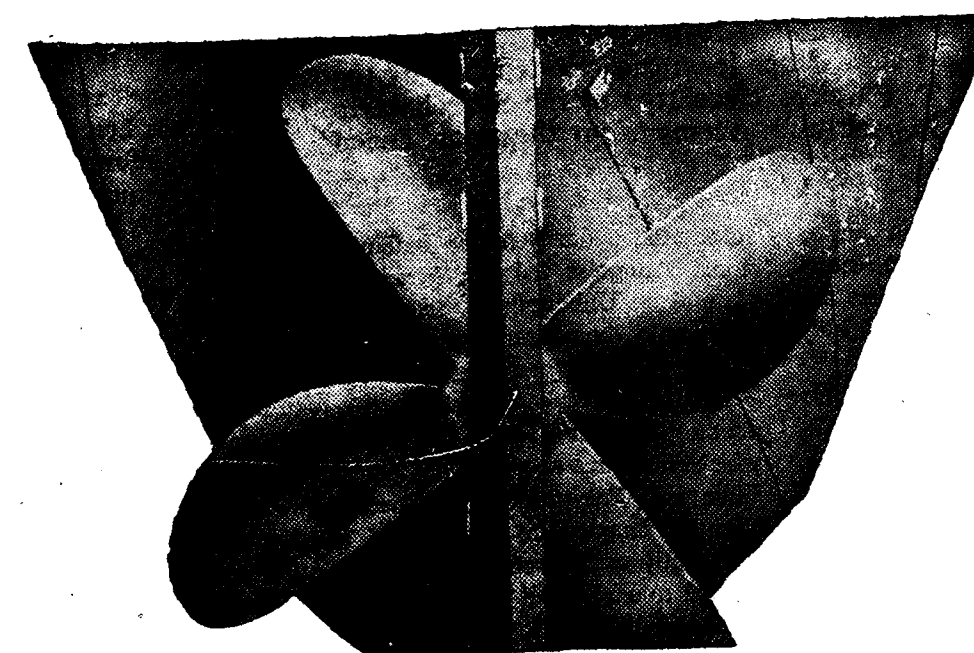
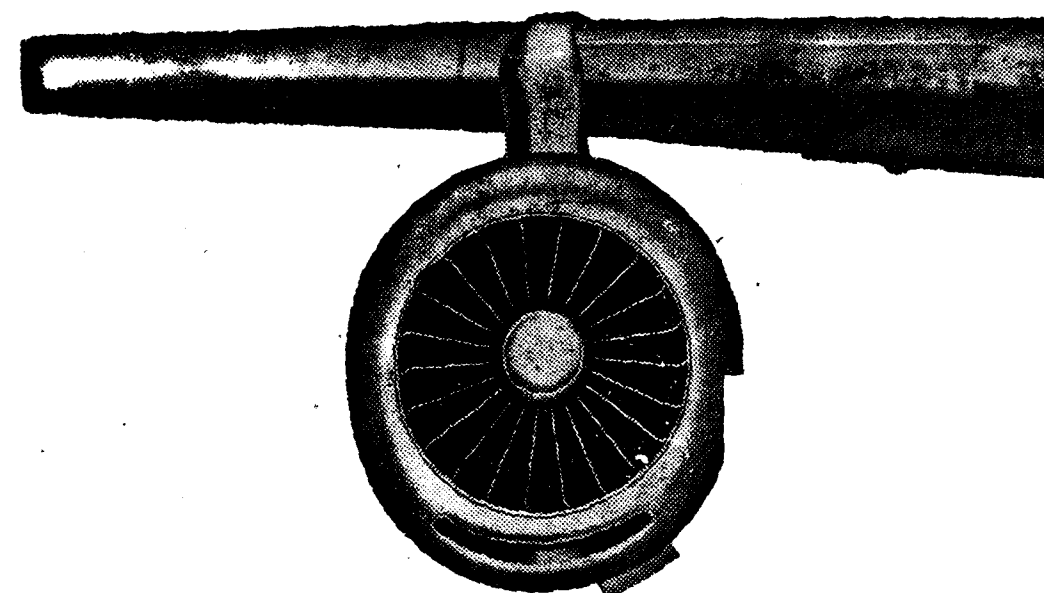
K. V. Anand
Dy. General Manager

S. D. Ganda
General Manager

R.K. Talwar
Chairman

Directors

K. Nageswara Rao
B. K. Mehan
Bishamber Das Kapur
Bhalindra Singh
T. R. Varadachary
G. R. Yennemadi
Kesho Ram Passey
L. D. Kataria
Lakshmi Chand Jain



Time is money
And JAL Air Cargo can save you both

A sea voyage is fine for a long vacation. But your freight goods don't need a vacation. They need to get to their destination fast—to start earning back the money you've already put into them. Which is why we urge you to consider this: Packing charges,

interest, insurance, storage, depreciation—all are lower when you ship JAL Air Cargo. And we'll prove it for you. For full information on cost reduction through air freight, see your cargo agent, freight forwarder or JAL Cargo Representative.



In cooperation with
Air France, Alitalia and Lufthansa.

CHAIRMAN'S STATEMENT

H. T. Parekh ICICI Chairman reports increasing operations

- Sanctions, disbursements continue to rise.
- Financing of small industries, backward areas, beginning to pick up.
- Emphasis on need for concerted policies to foster industrial expansion.

The following is the extract from the Statement by the Chairman, Shri H. T. Parekh, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1971.

This is my first statement to you as Chairman of the Board of Directors of the Corporation. As members are aware, this Corporation has been ably guided by Mr G.L. Mehta as its Chairman during the last thirteen years. He has seen the Corporation through difficult times; and under his able guidance the Corporation has made remarkable progress and has prospered. I am sure all of us will miss him as Chairman, though his guidance will continue to be available to the Corporation as a Special Adviser. While no one can succeed him in the multifarious tasks he performed, it has fallen on me to become the Chairman of this Corporation. I am conscious of the heavy mantle that has fallen on me, which I feel I shall be able to carry only with your co-operation.

In many respects, the year 1971 has been an eventful year in the political sphere. Political uncertainty, caused by a fluid party situation in the Lok Sabha, was ended when the mid-term elections, held in March 1971, gave a

substantial majority to the Indian National Congress led by Mrs Indira Gandhi. Unhappily, immediately afterwards, the country was faced with a large influx of refugees from East Bengal as a result of Pakistan army action. In the subsequent turmoil which ended in a short conflict between India and Pakistan, a new sovereign country, Bangladesh, has emerged, and sufficiently secure conditions have been created to enable the return of refugees to Bangladesh.

It is unfortunate that we cannot report similar progress on the economic front. In most respects conditions for rapid economic advance were maintained in the economy. The 1970-71 harvest produced a record foodgrain output. Deposit mobilisation by banks has continued at a rapid pace, and banks have been able to reduce their indebtedness to the Reserve Bank and be in a position to supply credit liberally. India's exports have continued to increase at the planned pace, and the foreign exchange situation, despite reduction in aid and uncer-

tainities, has remained satisfactory. These are all factors conducive to a rapid growth of the economy.

Yet, there are visible signs that the pace of economic growth had begun to decelerate during the last two years. Industrial production increased by 7.1 per cent in 1969 and 4.6 per cent in 1970. In the first six months of 1971, the growth rate had trickled down to 1.8 per cent, and several indicators suggest that there has been no improvement in it in subsequent months.

At one point of time Government was concerned about the slow pace of growth, but political events compelled it to concentrate its energies on the task of solving the Bangladesh problem. Understandably, Government has been concerned with the fiscal implications of supporting almost 10 million refugees, and has had to bring in measures, mainly surcharges on existing taxes, to raise additional budgetary resources. Given the heavy cost of feeding and maintaining the refugees which has been met only partially by the tax effort, the budgetary deficit, originally planned at Rs 227 crores for 1971-72, is likely to be much higher. This has reduced Government's capacity to deal with the deteriorating industrial situation.

The recent conflict with Pakistan has, however, again shown the inherent capability and maturity of the Indian economy. A concerted military effort requires the backing not only of the armaments industry but of all sectors—agriculture, industry, communications—of the economy. This has been one of the factors in the success of our military effort, and provides justification for the development strategy followed by India during the last twenty years.

There is little doubt, however, that the initial impulse to growth given by planning had worked itself out by 1965-66 and that the economy, in the absence of a fresh stimulus, has been drifting since then. The recovery in agricultural output has failed to prove to be the trigger of growth, which it was initially expected to be. The formulation of the Fourth Plan which was expected to set definite directions of

growth has itself, as the mid-term appraisal shows, failed to take off.

The problem of economic growth has to be tackled at two levels: the short-term one of using existing resources and capacity fully and the long-term one of accelerating the secular growth rate of the economy. Both these aspects need the attention of our policy planners.

In the short run, the major problem is in the industrial sector. In agriculture as a whole (though not in all parts of it) as also in the tertiary sector (except for the railways), progress has been satisfactory. In other words, the short-term problem is essentially a sectoral one.

When the industrial recession set in around 1965-66, it was attributed to poor agricultural harvests. However, the recession has outlasted the bad agricultural seasons, and even the small acceleration in the growth rate noticed in 1968-69 has slowed down to a trickle by 1971. Rates of unutilised capacity in industry range from 60 per cent for railway wagons to 20 per cent for castings.

The country has invested a large amount of resources, domestic and imported, in establishing these industries, and it can ill-afford to see such capacity remaining under-used. Many of these industries—railway wagons, cast iron spun pipes, electrical goods—depend upon governmental authorities for their market.

Perhaps, the initial expectations on the basis of which the capacity was established, have not been fulfilled; perhaps, there has been a major shift in the free demand pattern since the Third Plan targets were set. Yet there is little doubt that the need-pattern of the country has hardly changed: the goods that are not being produced, despite the existence of manufacturing capacity for their production, are neither luxury goods nor unrelated to the development needs of the country.

The objective of planning is to adjust the demand for goods to the resources available in the economy so as to maximise resource utilisation and growth. Having established capacity

in specific industries whose products are needed in the country, it is desirable that policy measures are taken to create adequate demand for these goods.

If demand is stimulated in these industries, it is likely that some shortages of raw materials and components will emerge. Under our planning strategy, many of these products like steel are reserved for the public sector.

Consequently, the efficiency with which the public sector units are run is vital to the health of the economy. In some industries, steel supply is a direct constraint on growth of output. Moreover, the poor performance of public sector units has been responsible for the strain on budgetary resources and consequent increase in taxation and deficit financing in the economy.

Finally, even in a situation of excess capacity in some industries, shortages have begun to emerge in other industries like paper, caustic soda, soda ash, scooters and passenger cars, and are likely to emerge in other industries like cement. It is necessary that immediate steps are taken to expand capacity in these industries.

For the immediate short-term problem, therefore, the Government needs to take measures in three directions: firstly, it needs to take steps to stimulate demand in industries having excess capacity; secondly, a concrete programme to make public sector units run on efficient lines needs to be formulated; and thirdly, steps to increase capacity in sectors where shortages exist need to be taken. In many respects, the short-term problem before the economy is not so much of raising resources as of better management of resources available in the economy and some husbanding of scarce foreign exchange resources, now that aid prospects have become more sombre.

It is not sufficient to tackle only the short-term problem; it is also necessary that we devote our attention to the problem of resuming the process of growth on a long-term basis. In some respects the long-term problem is more complex in as much as expansion is needed in all sectors of the economy,

and resources are not adequate to achieve simultaneous expansion in all sectors at the required rate.

A five-year plan has to be set within a long-term perspective of growth and we need to lay down a clear strategy for long-term growth. Some propositions in determining such a strategy can be clearly enunciated. Firstly, it is necessary that we precisely define the relative rates of growth for agriculture and industry in the long-run; in our prevailing conditions, it is imperative that the rate of growth in industry should be much faster than that in agriculture. Moreover, industry must be developed on the basis of domestic resources and to the extent required, on imports financed by exports. Our country has large reserves of iron ore, bauxite and (inferior grade) coal; these must become lead sectors in our development strategy. Then again, we need to work out a clear energy policy, setting out a balance between solid, liquid and nuclear fuels; a committee is presently inquiring into this problem and its recommendations would be valuable in evolving a long-term policy on the subject. We need, besides, to formulate a long-term transport strategy, enunciating a definite policy regarding the relative roles of railway and road transport. On the ground of both its employment and its multiplier effort, it would be economically justifiable to lay greater emphasis on road transport in future. Finally, the country needs to get into growth sectors—automobiles, electronics, petro-chemicals, sophisticated industries—if it is to maintain its position in the international community.

When we are seeking to bring about a structural change in the economy, it is industry which must carry the main burden of the change. Consequently the strategy of industrial growth is a crucial factor in the long-term development of the economy.

Our main resources for industrial growth lie in iron ore, bauxite, design and fabrication facilities and educated and technical manpower. In these respects, we enjoy a major advantage which we have to make use of. It is our failure to make full use of this potential since

1960 which is responsible for the present slowdown in industry.

In the last one year, an attempt has been made to revive interest in investment in steel industry and plans for three new steel plants, two mild steel and one alloy steel, have already been announced. While preliminary work has commenced on these plants, it is necessary that a clear programme of steel development is laid down. I suggest that in addition to the new capacity already announced — doubling of the Bokaro plant and the establishment of three new steel plants — preparation be begun to instal, by the end of the Fifth Plan, additional 5 million tonnes steel capacity. Excluding the first phase of Bokaro, this will involve an additional investment of Rs 2500 crores. The total capacity would then amount to about 21 million tonnes steel ingots by 1978-79.

In the sixties, we added 125,000 tonnes to our aluminium production capacity. We have already developed two major sites for aluminium production and one more is under development; each one of these sites should provide a nucleus for an ultimate 150,000 tonnes aluminium complex. In addition, we have three other smaller sites under production, and one under development. By the end of the Fifth Plan, we need to build up firmly an annual capacity of 600,000/700,000 tonnes aluminium. This will involve a total investment of about Rs 500 crores.

Both these industries can be the source of further processing and fabrication of a wide variety of manufactures. In addition, we need to develop further a range of modern industries — automobiles, petro-chemicals, electronics and so on. We are only making a beginning with these industry groups. The impact of automobiles in developing ancillary industries and facilities is considerable. Petro-chemicals are capital-intensive but they provide a cheaper and more economic base for many products — fertilisers, plastics and so on. We are making a hesitant beginning in electronics, developing not only consumer products like radio and television but also sophisticated goods like calculators, computers and control instruments. Television is not only a source of entertainment but is likely to have as great a social impact on the population in this century as the railways had in the nineties. The development of these industries should provide the broad framework for keeping our economy in step with international developments in the industrial field.

During the last twenty years, the country has built up considerable de-

sign facilities as also technical training facilities. This industrial infra-structure though intangible is our most precious asset and only with a fast pace of industrial development we can hope to utilise these assets fully and to our advantage.

The experience of the past twenty years shows that plan formulation is not enough; it is equally necessary that an efficient machinery for plan implementation and follow-up is established. It is in this field that development banks can play an important role in respect of industrial investment. While planning can lay down broad industrial targets, these targets have to be translated into viable industrial projects which are efficiently implemented.

Although an entrepreneur plans a project, it is a development bank which, in the process of financing it, vets the project and provides for a second independent assessment of its viability. Development banks do not seek to reject projects but endeavour to remove their shortcomings so as to improve their viability. Moreover, once a project is approved, development banks try to follow it at the execution stage thereby providing a constant check on the progress of the project.

Thus, financing is a function independent and outside of project planning and implementation. The recent use of development banks in financing public and joint sector units is a recognition of this independent service which development banks provide. It is necessary that development banking is strengthened to fulfil these tasks.

This Corporation has always been conscious of its broader role in the industrial development of the country. It has consistently tried to broaden the range of its functions to serve the needs of the economy fully. It has provided finance in the past to a large number of non-traditional industries, new processes, new products and new entrepreneurs.

During the last two years, the Corporation has sought to play an active role in financing small enterprises and in financing projects in backward areas. This year, the number of small units financed by the Corporation comes to 17 and the amount of finance provided to Rs 41 lacs, largely in foreign exchange.

The amount of finance so far provided to industries in the backward districts amounts to Rs 33.62 crores. It is expected that with the announcement of concessional terms of finance for industries in backward districts, the flow

of finance to these regions would increase. A problem we have come across is that potential entrepreneurs are not aware of the wide range of concession now available from Governments and financial institutions. To remedy this, the Corporation has already brought out a brochure outlining the diverse incentives provided by all India institutions and the Central and State Governments for industries in backward districts.

The Corporation has actively participated along with other all-India financial institutions in industrial surveys of various States. These surveys have been useful in identifying the industrial potentialities in various States and in establishing close contacts with various State Governments. It is expected that these surveys will be a source of future projects emanating from these States.

In the coming years, as industrial development gathers momentum, these attempts — to build up new entrepreneurs, to foster industry in backward regions — will bear fruit in new projects, in financing which development banks will make vital contribution. On behalf of this Corporation I would like to state that we are willing and ready to play our part fully in this development effort.

Income from interest, dividends, underwriting commission and other sources amounted to Rs 1152.59 lacs in 1971 (Rs 1016.57 lacs in 1970). Interest paid on loans and other expenses during the year amounted to Rs 817.51 lacs (Rs 713.39 lacs in 1970). Profits before tax amounted to Rs 335.08 lacs in 1970). Out of this, provision for taxation has been made at Rs 155.81 lacs (Rs 134.92 lacs in 1971). Of the balance of Rs 179.27 lacs (Rs 168.26 lacs in 1970) carried to the appropriation account, Rs 104.27 lacs (Rs 105.57 lacs in 1970) has been transferred to the General Reserve, Rs 30 lacs to Reserve Against Doubtful Debts (Rs 30 lacs in 1970) and Rs 45 lacs (Rs 43.50 lacs in 1970) to Special Reserve; in addition, the whole of the capital gain of Rs 48.69 lacs (Rs 33.39 lacs in 1970) after taxation has also been transferred to Capital Reserve Not Available for Dividend. The Directors are glad to recommend a dividend of 10 per cent (including 10 per cent proportionately on partly paid shares) (10 per cent in 1970).

Finally, I would like to mention that this Corporation has continued to receive from its staff devoted service; I take this opportunity to express my sincere thanks to them.

Bombay, February 10, 1972.

RECORDS AND STATISTICS

Towards Greater Self-Reliance

THE FEDERATION of Indian Chambers of Commerce and Industry has prepared a background paper which analyses the implications of increased self-reliance in the wake of suspension of aid by the United States to this country. This paper will be discussed at the 45th annual session of the Federation to be held in the capital between March 25 and 27. Besides bringing out the relationship between external resources and balance of payments since Independence, it stresses the importance of the generation of domestic resources and the predominant part which private savings play in national savings and consequently in investment. Again, self-reliance implies all round progress and not in any particular sector alone. The paper draws attention to the glaring fact that the success in the production of food-grains has not been matched by increased production of cash crops. Full text of the paper is given below:—

The Prime Minister, Mrs Indira Gandhi, has been repeatedly emphasizing that our nation should become more self-reliant with each passing day. What does this concept mean in economic terms?

Total Transformation

Essentially, self-reliance is a means of enabling economic growth to go on its own steam. In a limited context it implies either producing some of the imported items indigenously, or exporting on a larger scale, so as to be able to balance the external payments position. But further reflection will show that such a transformation of production and distribution patterns will call for an all-out effort to encourage savings, accelerate investment, modernise trade, and so on. The transformation, in other words, has to be total, involving the very fibre of the economic structure.

Equally important, the approach to self-reliance has to be harmonised with other socio-economic goals. The levels of living are too low. India ranked 22nd among 27 developing countries in terms of per capita income. Self-reliance, therefore, has to be achieved in a manner which will speed up economic progress and benefit the underprivileged sections of society in the greatest measure. Even in this endeavour a certain ordering of priorities is essential. For example, provision of larger employment, development of backward areas and stability of prices

will have to take precedence over other aspects of development strategy.

This paper examines the various implications of progressing towards greater self-reliance. In Section I the role of external resources in the context of development effort has been analysed. Section II broadly outlines the nature and magnitude of the problems involved in stimulating domestic resources to replace foreign loans. The change in the pattern of production which will enable import substitution and export promotion and the policy environment in which these changes can be carried out are discussed in Section III. In Section IV, some of the issues involved in energising trade channels have been indicated.

I EXTERNAL RESOURCES & BALANCE OF PAYMENTS

Foreign aid* has two economic functions: Firstly, it supplements domestic savings and thus makes it possible to step up the rate of investment. Secondly, it provides foreign exchange and increases our capacity to import. The benefit is, however, mitigated to the extent that loans are tied and consequently imports have to be made, not at international, but substantially higher prices. A reduction in foreign aid will, therefore, necessitate generation of larger savings internally and improving the payments position externally.

The inflow of foreign aid started in the first Plan itself. But it was not until 1958-59 that the inflow went beyond Rs 100 crores a year. There was continuous step up until 1965-66 when foreign aid reached a peak of Rs 1095

crores. In 1970-71, it had fallen to Rs 495 crores. Thus the drive towards self-reliance had started even before the fourth Plan. As a component of investment foreign aid will decline from 33.3 per cent in 1966-69 to 18.2 per cent in the fourth Plan (Table I).

TABLE I
FOREIGN AID & NATIONAL INVESTMENT**
(Rs crores)

	Foreign aid (utilised)	Total Plan investment	Foreign aid as % of Plan investment
Upto first Plan	202	3360	6.0
Second Plan	1430	6831	20.9
Third Plan	2867	10400	27.6
Plan Holiday	3222	9668	33.3
Fourth Plan	4130	22635	18.2

Total foreign loans and credit received upto the end of March 1971 were Rs 7930 crores.† Apart from this, India received grants to the extent of Rs 832 crores and PL-480/665 aid and third country currency assistance aggregating Rs 3112 crores.‡ Thus, the total gross inflow of loans and assistance amounted to Rs 11,874 crores.†

The USA is the major lender-country. Its share in total loans at the end of March 1971 was about 38 per cent. The other important lender-countries are UK, West Germany, USSR and Japan.

The dependence of agricultural sector on foreign loans is marginal. About

*The popular expression "aid" has been used to include long-term loans and grants.

**For details see Appendix I

†All figures converted into Rs at post-devaluation rate of exchange viz \$ 1 = Rs 7.5

TABLE II
INFLOW OF FOREIGN ASSISTANCE
(Rs crores)

	Gross aid utilisation	Amortisation payments	Interest payments	Net aid inflow (1)-(2)-(3)
	(1)	(2)	(3)	(4)
1965-66	1216.5	121.5	105.8	989.2
1966-67	1131.8	157.5	114.8	859.5
1967-68	1177.5	206.3	122.2	849.0
1968-69	913.5	207.0	136.5	570.0
1969-70	811.5	237.8	141.7	432.0
1970-71	750.0	254.3	158.2	337.5

13 per cent of the loans have been used for transport and communications (railways, airlines, ships, etc.) and 6.7 per cent for power projects. The bulk of the loans (70.6 per cent) are used to finance industrial projects. Industries which have been developed with foreign loans and credits include iron and steel, heavy machinery, heavy machine tools, cables, fertilizers, oil, ship-building drugs, etc. A part of the loans has financed import of non-project items including raw materials like non-ferrous metals, sulphur, steel, etc. and spares and components of machinery.

Since 1965-66, there has been substantial decline in net loans received. This has been partly due to the rise in debt service obligations, and partly due to fall in gross commitments attributed to what has come to be called 'aid weariness' (Table II, page 441).

The terms of foreign loans have not been uniform in respect of interest charged. As such, within a short period, debt servicing increased to more than 6.6 per cent of the outstanding debt. The rate of outflow is high in relation to the return from projects financed from loans. The outflow of foreign exchange on account of debt servicing now amounts to over 25 per cent of our export earnings.

Aid by the USA, which is a major lender-country, came under a cloud at the time of the dollar crisis in August 1971 when President Nixon announced a 10 per cent cut. The Bill authorising foreign assistance introduced later in the Senate was virtually stifled. With the beginning of active hostilities between India and Pakistan, the USA announced complete suspension of aid.

Political Influence

The steps taken by the USA indicate clearly that foreign loans are very much subject to political influence. The government of India have, therefore, declared their intention to be more choosy in accepting foreign loans. The Prime Minister, Mrs. Indira Gandhi, said on February 19 that India was prepared to accept foreign aid on the condition that it came on the basis of friendship and did not influence the country's policies in any way.

The trend towards internationalisation of aid has to be accelerated. The bulk of the loans have to be channelled through international organisations like the World Bank or the IDA. Bilateral assistance can be limited to grants and other humanitarian assistance. This would ensure more productive utilisation of international resources and lead to a better world economic order.

International aid which passes

through the World Bank and the IDA can be systematised if it is linked to the currency reserve position of the member-countries. This can be done, for example, if a part of the SDRs which are held as liquid reserves can be made available to the World Bank and the IDA for distribution as loans to developing countries. In such an event, international loans would be directly linked to international liquidity and will not create balance of payments problems or be subject to budgetary constraints.

A suggestion was made for an international treaty to establish an international regime for the exploitation of the vast economic resources of the seabed, the royalties from which can be utilised by world organisations to give assistance to developing countries. This new thought in international resource mobilisation has to be further explored.

Foreign Private Investment

The reduction in official foreign assistance can be, to some extent, made good by private foreign investment. The latter is a purely commercial transaction, and as such, can be a complement of a policy of self-reliance. The advantage is that, apart from financial resources, it brings in advanced technology.

Private foreign investment in India was about Rs 264.6 crores at the end of June 1948. In the next 20 years, the net inflow has been, on an average, Rs 64 crores annually. About 60 per cent of the new investment has been in the manufacturing industries (Appendix II).

Private foreign investment is subject to definite policy requirements. These have been designed in the context of a long term perspective and have suited the needs of development fairly well. There are, however, two major handicaps which have to be removed to ensure a larger inflow:

- The foreign investor is held back by the feeling that he is tolerated rather than welcome. A clear statement by the authorities would go a long way in creating a better appreciation abroad of India's policy.
- Foreign investment (like domestic investment) has been subject to frustrating delays at the approval stage. These delays can certainly be eliminated without compromising on policy, if investment is made free, provided it conforms to specific guidelines laid down by government. Only in cases which deviate from these

guidelines should licensing be made compulsory.

The fourth five-year Plan anticipates gross foreign private investment at Rs 60 crores per year. In the last two years, such investment has been much smaller. Investment in India, compared to other countries, is highly attractive and with a little effort, it should be possible to even exceed the Plan target.

Export Effort

The reduction in aid cannot be fully made good by the increase in private foreign investment. As such, the balance of payments may go out of gear if, assuming imports to be at a certain level, export earnings are not activated. Fortunately, the export trade has been looking up and in the last three years (1967-68 through 1970-71) there has been an increase of more than 28 per cent.* In recent months the trend has weakened. It is imperative that the rate of growth of exports is not only kept up but accelerated.

The general climate for export trade is encouraging. In spite of its limitations, the extension of the GSP by the European Economic Community has opened areas which have to be carefully examined and fully tapped. No doubt, Britain's entry into the Common Market has thrown up new problems. American markets may not be very buoyant. But larger trade may be expected with east European countries and Japan. On the whole, it appears that the opportunities for trade are growing. This is particularly so because there is appreciation in many of the developed countries that a basic shift in international production pattern has become necessary with the developing countries specialising in labour intensive goods. It is, therefore, expedient that these lines of activities are explored more fully. In a number of industries like machine tools, precision tools, jigs, moulds, tooling, bicycles and components, automobile parts, electronic components, etc. production has become uneconomic in many developed countries because of the rise in wages. These items can be produced in India, in some cases, in collaboration with foreign manufacturers on the basis of long-term trade contracts.

Export is not merely a business of selling abroad. It presumes cheapening the cost of production by establishing an economic scale of industry, using right type of raw materials, adopting most economic techniques of production and management, improving quality through research, etc. Export, in

*For details see Appendix III

other words, is the outcome of efficient industrialisation. Unless the issue is looked at in this way the success of any export strategy will remain doubtful.

An effective export effort presumes that:

- new markets and new export products are located and properly nursed and developed;
- abiding commercial contacts are built with foreign buyers and for this purpose liberal foreign exchange allocation for visits abroad is granted;
- exporters undertake aggressive salesmanship, persuasive advertising and proper after-sales service;
- exporters maintain prompt delivery schedules, ensure quality of goods, use attractive packing, etc.
- income from exports is more favourably treated for purposes of taxation.

The rate of growth of exports in the Fourth Plan was estimated at 7 per cent per year. On present indications it appears that this rate of growth may be achieved. However, in the context of the drive towards self-reliance it will become necessary to put up this target to about 10 per cent. Thus, every year additional foreign exchange resources would be generated which within a short period, would more than make good the loss in foreign exchange from foreign aid.

II DOMESTIC RESOURCES GENERATION

Apart from foreign exchange aspects, self-reliance would also entail greater domestic resource generation to support an expanding investment programme. Unfortunately, the savings trends are not at all promising. The rate of domestic savings, after

	Savings as % of NDP 1970-71	Resources available for investment as % of NDP
Public sector	1.1	4.3
Private sector	7.2	4.0
Foreign resources available for investment	—	1.3
Total	8.3	9.6

reaching a peak of 11.1 per cent in 1965-66, declined precipitously to 8.3 per cent in 1970-71. (Appendix IV)

Government Savings

Savings of the public sector have proved to be inelastic in spite of the vast increase in tax revenues. For example, in the past 10 years, tax revenue of the centre, states and union territories went up by 241 per cent while savings rose by only 24 per cent. There has been considerable diversion of resources to non-development uses (Appendix V). Unless this leakage is stopped, taxation as a savings measure would be infructuous.

Government has to exercise greater budgetary discipline. A rigorous system of performance budgeting would go a long way not only in identifying and pruning non-developmental expenditure but in economising on the cost of development projects also.

Further, the industrial and commercial enterprises in the public sector which account for a total investment of over Rs 4,500 crores have not at all contributed to savings formation. In 1969-70 there was a net loss of Rs 8.35 crores in the case of Hindustan Steel and other running concerns. Commercial working of this vital sector has to be toned up. This can be done by—

- making public undertakings free from departmental control,
- professionalising management, and
- linking a part of the remuneration of the senior managers with profits of the undertaking.

Household and corporate savings have been affected by three principal factors:

- Rise in prices,
- increase in taxation, and
- redistribution of income between sectors.

The will to save is injured in a situation of rising prices. The fall in the savings trend since 1965-66 is possibly a reflection of the steep rise in prices during that period. In the face of falling value of money, it would be unreasonable to expect people to save a larger proportion of their income. Price stability is a precondition for a resurgence of savings formation.

The capacity to save has similarly been weakened by the escalating rate of taxation. In the past 20 years tax reve-

nue as percentage of national income has gone up from 6 to 15 per cent. If this income were left in the hands of the people private savings in 1970-71 would have been higher by Rs 600 crores.* What is worse, the nature of taxation has discriminated against savings formation. As a result, the rate of private savings has been affected.

Fiscal policy in future has to be aimed more positively at generating larger savings. From this view, the following policy measures appear necessary:

- Investments from personal savings out of the income of the year should be made deductible for income-tax purposes in that year and brought to tax in the year in which they are disinvested.
- The structure of corporate taxation should be rationalised so as to have a uniform rate of taxation for all types of companies at 50 per cent.
- To provide specific savings and investment incentives:
 - undistributed profits should be charged at a lower rate provided they are invested within a specified period of time in productive assets; and
 - The development rebate for which notice of withdrawal was given in the budget for 1971-72 should be replaced by accelerated depreciation with 20 per cent write-up in capital value.

Shift in Incomes

There have also been considerable shifts in income between different sectors. Since 1967, agricultural production has substantially increased; on the other hand, the growth of industry and services sector has been in a much lower key. As such, there are larger resources in the rural sector—a factor desirable in itself—which, however, have not been sufficiently mobilised either by government or the corporate sector. Possibly, the structure of taxation can be further balanced, a point to which the Finance Minister also made reference in his budget speech last year.† Also, the corporate sector has to endeavour to sell industrial securities to the relatively wealthy farmers. Established companies can use the distribution channels to sell shares also. This is particularly important in the case of

*Assuming a marginal saving propensity of 20 per cent.

†The government has appointed a committee to examine this issue.

industries which are in direct contact with the agricultural sector either as buyers of raw materials or as sellers of agricultural inputs.

The objective of fiscal and monetary policy must be to step up savings annually by at least Rs 300 crores or about 1 per cent of the national income. These would substantially compensate for the cut in foreign loans.

Financial Organisation

Savings formation is one aspect of the problem; mobilising these for productive use is another. A well organised financial infrastructure already exists. But it has to be made to function effectively to meet the challenging needs. The requirements of finance are both short-term as well as long-term. It is also necessary to maintain a certain ratio between own finance and borrowed finance. These limitations mean that the different sources of finance are not completely substitutable. Finance for development has to conform to a certain pattern.

Government has, in recent years, depended more on taxation than on borrowing. As a result, the ratio of borrowing to taxation has fallen from 23.5 per cent in 1960-61 to 13.6 per cent in 1970-71. The market for government securities is now confined almost wholly to institutional investors. An attempt has to be made to popularise government securities among the people. This can be done by offering an attractive rate of return.

A potential resource to government is deficit financing. A limit to this source of finance is set by the possible rise in prices when the infusion of purchasing power in the economy exceeds a certain optimal level. However, it is also true that without this optimal deficit financing, growth would be affected because of inadequate money supply in the economy. In the generation of resources, therefore, these aspects have to be kept in view and an appropriate budget deficit deliberately incurred to give stimulus to the development process.

The market for corporate securities, particularly equities which provide the risk capital, is sluggish. Capital raised by issue of equities, for example, declined from Rs 79 crores in 1964 to Rs 56 crores in 1970 (Appendix VI). One of the reasons for the set-back to the market for corporate shares was the stagnant rate of dividend in face of rising rates of interest (Appendix VII). There was also a push to commodity prices which caused some diversion of funds to real assets. On the whole, the

interest spectrum moved against equities and depressed the market for shares.

For a speedy industrial growth, it is essential that share capital increases at the rate of nearly 10 per cent per annum (currently 2 per cent). To make this possible three steps are essential:

- (i) the yield on securities is made attractive enough for the people to subscribe;
- (ii) people's capacity to invest is improved; and
- (iii) companies and financial institutions, make organised effort to sell shares to the public, particularly in rural areas.

The financial institutions have considerably expanded their operations and a large part of corporate investment is financed from such assistance (Appendix VII). However, the guidelines issued in regard to conversion of loans into equities have deterred recourse to such type of finance. Conversion is apt to jeopardise the pattern of shareholding, induce interference in day-to-day affairs of companies, affect the rate of return by altering capital composition, and so on. The right to convert has, therefore, to be exercised with greatest discretion.

Industry Ignored

Short term credit is obtained from banks or by way of deposits and loans from the public. In the past two years, bank branches have increased at the rate of about 160 per month. The distribution of credit has been diversified. Industry and trade have not, however, been getting adequate credit because of overall and selective controls. The proportion of credit to organised industry declined from 62.9 per cent in March 1968 to 53.5 per cent in March 1971. Banking procedures have been made more cumbersome, efficiency levels have gone down and the quality of service is not the same. The recommendations of the Banking Commission have to be examined and expeditiously implemented so as to make the banking industry a powerful engine of growth.

One of the traditional sources of finance to industry was public deposits and loans. Both these have now been brought within the purview of the RBI directives which put a ceiling in respect of the amount and impose a minimum period of time for which the moneys can be accepted. The directives will considerably limit the capacity of the industry to acquire funds from the public. In the context of the already

stringent bank credit these restrictions on public deposits and loans seem to impose undue pressure on the finances available to industry and trade. It is, therefore, necessary that the directives in respect of deposits and loans are interpreted liberally.

The fiscal and financial policies have thus to be re-fashioned in a substantial measures to suit the requirements of speedy industrial growth.

III NEW PATTERNS OF ECONOMIC GROWTH

Resources have to be properly deployed to achieve a pattern of production which is necessary to make the economy self-reliant. The composition of imports is such that with a rational direction to investment and production, a number of items which at present absorb a large part of foreign exchange can be produced within the country, even with cost advantage. This is true as much of agricultural as of industrial goods.

The development effort has to be governed by considerations of factor-endowment. At present, labour is in surplus and capital in short supply. This has given rise to sizable labour unemployment, both in rural as well as urban areas, among educated as well as uneducated. The development strategy has, therefore, to be oriented in a manner that would create greater job opportunities in agriculture, industry and services sectors. These requirements would call for policies which would encourage:

- (a) activities which are primarily labour intensive;
- (b) techniques of production which use more labour and less capital to produce a given output; and
- (c) fiscal measures which would shift the pattern of consumer expenditure towards and stimulate exports of labour intensive goods.

Self-reliance in Agriculture

Foodgrains output in 1970-71 is estimated at 108 million tonnes, adequate enough for domestic consumption. But the rate of growth will have to be maintained and fluctuations due to vagaries of monsoons eliminated. Both these objectives would require consistent implementation of the present agricultural strategy which has already shown tangible results. Continued emphasis will have to be placed on

extensive use of high yielding varieties, minor irrigation, mechanisation, etc.

The success in foodgrains has not been matched by production of cash crops. (Appendix IX). Shortages in cotton, oilseeds, sugarcane, etc. are large and have impinged on balance of payments. In 1970-71 import of cotton was of the order of Rs 99 crores. There is no reason why more cotton cannot be grown. The same is true of other fibres, oilseeds or sugarcane. The use of agricultural inputs like fertilizers, irrigation, pesticides, etc. has to be stepped up as an immediate measure to improve the productivity of cash crops. What is equally important, there has to be intensive research in these fields for evolving high yielding varieties. This can be done in close co-operation with industries which use these raw materials. No doubt, some steps in that direction have been taken by quite a few organisations; but the problem is much larger and has to be tackled in a commensurate manner.

Self-reliance in Industry

India has a fairly well developed industry with a sizable complement of machine fabricating capacity (Appendix X). Nearly three-fifths of the production originates in the registered sector. Consistent efforts have been made to diversify production, reduce import requirements and help export promotion. But future scope in these fields is undoubtedly large. The proportion of industrial output which is hardly about a fifth of the national income will have to be raised to more than a third by the end of the Fifth Plan. This will necessitate co-ordinated effort on the part of small, medium and large industries, both in the public as well as private sector.

There is fairly well-developed entrepreneurial skill. However, in small scale enterprises, entrepreneurship has to be deliberately fostered because this creates the base for future growth of medium and large industries. Greater diffusion of entrepreneurship is one of the vital factors in dispersal of economic power.

Industrial development, properly directed, would be the main vehicle for self-reliance. This is so because the bulk of external aid, or more generally, the bulk of imports, consists of industrial goods. Even many of the imports required by agriculture like tractors, agricultural machinery and equipment, fertilizers, etc. and by services sectors like aircraft, railway equipment, ships, etc. can be produced by industries. Hence future industrial development will have to be more

carefully planned, implemented and nursed.

Industrial situation at present is characterised by considerable excess capacity in a number of industries. Capacity utilisation has been slow due to a variety of factors. In some industries like castings and forgings, wagons, etc. excess capacity has been occasioned by low off-take. In others, like engineering industries, textiles, chemicals and so on, excess capacity is largely the result of input constraints, mainly shortage of raw materials. Until recently, industries particularly in the eastern region, were subject to labour trouble also.

The shortage of raw materials is a reflection both of inadequate domestic production as well as insufficient imports. While every effort has to be made to augment domestic supplies, to the extent possible the shortages have to be made good by undertaking selective imports also. Low off-take similarly indicates delayed development in related areas. For example, the off-take of wagons has been affected by the slow growth of Railways. As an immediate relief, many of the industries which are characterised by shortage of internal demand will have to find new markets abroad, not only as a stop-gap arrangement but as a complement of the strategy of development. The labour situation has shown some signs of improvement after the recent conflict between India and Pakistan. There is also sufficient appreciation among employers and labour that what India needs most today is harmony of relations free from strikes and lock-outs. This appreciation has to find concrete expression in the form of industrial truce.

Shift in Product-Mix

Self-reliance will imply a considerable shift in product-mix and, therefore, a new direction to fresh investment. In the immediate context the investment will have to be aimed at producing:

- (a) raw materials like steel, non-ferrous metals, chemicals, etc. particularly those which will be required to sustain future growth in consumer and capital goods industries.
- (b) specialised machinery and equipment, spares and components.
- (c) exportable goods, particularly those like machine tools, precision tools, jigs, moulds, tooling and dyes, bicycles and components, automotive components, electronic components, etc. characterised as labour intensive by developed countries.

In 1970-71, foreign exchange expen-

diture on steel was of the order of Rs 123.4 crores. The imports consisted of:

	Rs crores
Bars, rods, etc.	18.1
Plates, sheets, etc.	95.9
Hoops and strips	6.9
Wire	2.5

Most of these imports would have been avoided if the installed steel production capacity within the country had been properly utilised. The main steel plants carry idle capacity to the extent of nearly 34 per cent. At full utilisation of capacity the steel plants can produce at least an additional two million tonnes of steel. Further production of steel can be generated by setting up arc furnaces utilising scrap.

Import Substitution

There is also substantial import of a number of non-ferrous metals like copper, nickel, aluminium, lead, zinc, tin, etc. These imports amounted to Rs 119.6 crores in 1970-71. It is, therefore, absolutely essential that the existing schemes pertaining to the production of some of these items are expedited. As it is, the target dates for completion of major schemes are constantly put ahead as in the case of Bokaro and Khetri Copper Smelter. The gestation period for the schemes which are already under construction has to be shortened.

Machinery is a major foreign exchange user. The different types of machinery imports which, to a considerable extent, can be substituted by domestic production include power generating machinery, agricultural machinery and equipment, offices machines, metal working machine, textile and leather machinery, machines for special industries, telecommunication apparatus, etc. In 1970-71 imports of these machinery items exceeded Rs 326 crores. Even if one-third of these imports are replaced by domestic production, the saving in imports will exceed Rs 100 crores a year.

The problems involved in import substitution vary from industry to industry. In an exercise carried out by the CSIR in respect of 132 items (imports exceeding Rs 10 lakhs each) it was found that in 128 items the capacity to produce already existed or could easily be developed. In a further exercise it was found that in respect of 637 items, substitutes were available or could be evolved. The specific problems which have held up the process of import substitution have to be examined case by case and the bottlenecks expeditiously removed. It would be useful if the CSIR

and the industrial organisations discuss and evolve a concrete programme of action.

Export promotion, as mentioned earlier, is the other limb of the strategy of self-reliance. This area has to be further explored not only as a means of earning the necessary foreign exchange but also to ensure that import substitution is not required to be carried to uneconomic limits. The specific direction to production of exportable items will be governed by considerations of cost, on the one hand, and the pattern of external demand, on the other.

Import substitution and export promotion are possible only with rapid industrial growth. At present industrial development has been hampered by a variety of regulations like price controls, industrial licensing, Monopolies and Restrictive Trade Practices Act, approval of foreign collaboration agreements, etc. Each case is considered separately and in consecutive stages. This involves delays. As a result, the time interval between investment decisions and actual manufacture usually exceeds five years. Unless a scheme is devised by which the investment decisions are speedily translated into concrete industries the achievement of self-reliance will take an unduly long time.

Undoubtedly development has to conform to public policy. But this does not mean that each case has to be considered separately once the policy requirements are known. It should be possible to evolve guidelines which give clear indications as to what industries can be put up and by whom. Once these principles are laid down industrial development should be made free to the extent that it conforms to the guidelines adopted in that behalf. Only cases which do not conform to the guidelines should be subject to Government approval.

Industrial Licences

In the context of present policies and objectives,

(a) There should be no industrial licence when total investment (including investment by related undertakings) exceeds Rs 5 crores, provided foreign exchange component of investment is less than 10 per cent or Rs 10 lakhs whichever is more;

(b) Subject to limitation on foreign exchange, there should be no industrial licence when the investment is made in

- (i) core industries
- (ii) backward regions
- (iii) export industries
- (iv) import substitution industries

(schemes involving a minimum amount of import saving);

(c) When the price of a commodity is fixed by government it should include, apart from actual manufacturing cost, a markup which creates additional resources for growth and makes investment in that industry more attractive.

Self-reliance is most necessary, and possibly most arduous, in the matter of technology. A developing country cannot afford to rediscover or reinvent technologies which are already in vogue in developed countries. However, conditions will have to be created to ensure that, within a short period, technological developments are based on indigenous talents and skills. Unless our country is able to attain a certain degree of confidence in operating and owning technology, generating technology of our own and building our own infrastructure of R & D, we shall be able to improve even our capacity to import proper technology and utilise it to our best advantage. Industries will have to invest in a substantial measure in R & D not only as a step towards developing indigenous technology but to make full use and achieve better adaptation of imported technology (Appendix XN). For this purpose, greater facilities have to be given to industry to go into research line.

Immediate Problems

The immediate problems are three:

- (a) Diffusion of imported technology;
- (b) Adaptation of imported technology; and
- (c) Development of indigenous technology.

Indian technicians and scientists have to acquaint themselves with technological developments abroad and this can be achieved if, at important centres, library facilities are set up to house exclusively patent literature and other patent information. Teams of experts can scrutinise the available technical know-how and invite the attention of industry to the possibilities of practical application.

The nexus between industry and research laboratories is extremely weak; the association with universities is even weaker. As such, the type of research that is done has not proved to be amenable to commercial use. Therefore, the relationship between research organisations, universities and industry has to be reinforced so as to give a

practical bias to research that takes place.

Import of technology has to be done primarily by purchase of designs which can be used for manufacture of necessary machinery within the country. In technical collaboration agreements there has to be greater accent on self-reliance so that within a period of time the Indian investor is able to acquire the necessary technical know-how and undertake future development on his own.

Although in the past 10 years considerable machine manufacturing capacity has been put up, capacity to design machinery has lagged behind. Therefore, machine designing capacity and related consultancy services have to be developed in a big way.

IV

THE ROLE OF TRADE

The dynamism in the sphere of production will have necessarily to transmit itself to the field of trade. The limited function of trade as a medium for exchange of goods between producers and the consumers has assumed wider dimensions. The need for change will become all the more pressing as the sellers' market gradually yields place to a buyers' market.

India has a three-tier distribution system. At the one end is the wholesaler who buys the products from the producer and at the other is the retailer who supplies these goods to the final consumer. In between, there are semi-wholesalers known by a variety of names. The system is not water-tight; and one agency may overlap the other.

The trade mechanism is based on what is called the 'forward process'. It assumes a consumer for the product that is already in the market. Such an approach may not always be right one. There has to be greater reflection of consumer preferences through a 'backward process' which carries the actual consumer preferences to the final producer for improving or altering the product. Such a mechanism presumes proper market surveys and investigations. These developments are no doubt emerging; but they have to be properly guided. A co-ordinated approach has to be evolved combining scientific marketing, advertising, transport, warehousing, quality control, etc.

Trading has to be organised in a manner that the cost of distribution is minimised. Innovations made in other parts of the world have to be incorporated in the best possible manner to

suit domestic conditions. General stores, departmental stores, etc. which are now an essential part of the market in most foreign countries and which have made their appearance in India as well can be more usefully adopted in a number of centres for cheaper distribution.

The problems of trade can be broadly divided into three parts:

- (i) Those arising from relations with the producer;
- (ii) Those arising from relations with the consumer; and
- (iii) Those arising from relations with government.

For smooth functioning of the trade it is undoubtedly necessary that the flow of goods from the producer has to be regular and the basis of distribution stable. In the case of many products of organised industry uniform prices are fixed for the entire country. This is true, for example, of soap, cigarettes, tea, etc. In such cases the trader earns a fixed margin irrespective of the state of demand. When commodities are in short supply, retail price maintenance comes under pressure and difficulties arise as to fair price at which goods will be made available by the producer to the trader and by the trader in turn to the consumer.

Trader's Margin

The trader's margin cannot obviously be uniform for all types of goods. To be fair, margins have to be governed in consideration of the economic characteristics of the goods. These margins are sometimes fixed by government. The Essential Commodities Act empowers government to regulate prices of a variety of commodities like foodstuffs, raw cotton, raw jute, trucks, tyres and tubes, etc. Similarly, there are other controls like Vegetable Oil Products Control Order 1947, Kerosene (Fixing of Sale Price) Order 1970, Drug Price Control Order 1970, etc. which govern the prices and consequently margins of the relevant commodities. While price controls may be necessary in extreme circumstances, the effect of these generally has been to perpetuate scarcities by making it unremunerative to produce and inconvenient to sell. It has to be recognised that price itself is an incentive which accelerates production and regulates distribution. It is, therefore, necessary that price controls are re-examined with this point in view.

The normal market mechanism ceases to function when the commodity is in

short supply and its price is regulated. In such situations it is essential to devise internal measures by which the schedules of supply from the manufacturer to the trader and from the trader to the consumer are maintained. Such measures will undoubtedly vary from industry to industry depending upon the prevailing arrangements.

The economic contact between the trader and the consumer is direct. Therefore, when there are distortions in the economy which result in shortages or gluts it is the trade which comes under criticism. In these circumstances, it becomes all the more necessary for trade to act with discretion and to exercise restraint. The manufacturer and the trader have to charge fair price, abstain from hoarding, avoid spurious products, prevent adulteration, maintain accuracy in weights and measures and discourage other unhealthy practices which are apt to emerge.

Counsel and Adviser

The trader is a counsel and adviser to the consumer with regard to the quality and characteristics of different products in which he deals. The service aspect is in-built in the functioning of trade and has to be discharged with a sense of social responsibility.

Trade being one of the important economic areas has attracted government intervention. Apart from participation through trading organisations like the STC, MMTC, FCI, etc., there are a number of regulations which govern distribution of goods within the country. There have been reports that the union government is considering a proposal to establish a network of distribution of essential commodities like foodgrains, sugar, kerosene, standard cloth, pulses, edible oils, etc. If this scheme in any way implies replacement of the present distribution channels, there is bound to be considerable unemployment among traders. Besides, if experience is any guide, such distribution network is likely to imply a higher cost of distribution. Possibly, the idea can be more effectively and less expensively operated if the Corporation maintains buffer stocks of essential commodities to regulate the price levels.

It appears that the handling costs of a number of government agencies have been far out of proportion. For example, the handling charges of Food Corporation of India are estimated at Rs 10 to 15 per quintal. Margins charged by private traders are considerably smaller. Besides, the performance in respect of regularity of supplies or

maintenance of quality has not been promising.

Trade has been subject to a number of restrictive measures which have come in the way of its smooth functioning:

- (i) Under Section 40A (3) of the Income-tax Act payments of sums exceeding Rs 2,500 can be made only by crossed cheques/bank drafts. While there are exceptions, the procedures make it almost impossible to avail of the normal means of payment;
- (ii) Section 194 (a) of the Income-tax Act makes it necessary for deduction of interest on securities at source. This has caused considerable hardships;
- (iii) The state sales-tax involves cumbersome procedures and confusing and often conflicting laws and regulations. The trader with his modest means is required to spend more time in filling forms than in making sales. It is imperative that simple and uniform procedures are evolved;
- (iv) The stringency of finance is acute. The Reserve Bank, apart from general credit control, has imposed selective controls on a variety of commodities like cotton, groundnuts, foodgrains, etc. The rate of interest addressed to trade is also higher*.

Transport Problems

The flow of trade depends on the prompt movement of goods within the country by road and rail. Unfortunately, there have been considerable difficulties in getting wagons for bulk goods like coal and industrial raw materials. The movement in the Bengal-Bihar region has been particularly affected. The incidence of pilferage is high. 20 to 25 per cent pilferage in case of sugar, oilseeds, and other commodities is not very uncommon. Besides, the classification of goods, operating conditions, modes of handling, etc., are obsolete and completely out of tune with modern times.

Road transport has been relatively free of such difficulties. However, the Motor Vehicles Act, the Sale of Goods Act and the Carriers Act do not provide for enough protection against defaults. Suitable steps have to be taken for proper licensing of carriers and making lorry receipts a regular negotiable instrument. The flow of traffic would be strengthened with the issue of Interstate permits to transport operators.

*In respect of selected commodities.

APPENDIX I
FOREIGN AID UTILISATIONS

(Rs crores)

Country		Upto the end of first Plan	Second Plan	Third Plan	At Post-Devaluation Rates			Outstand- ing as on March 1971
					Plan Holiday	1969-70	1970-71	
1. IBRD/IDA	—Loans	33.8	222.8	323.9	432.5	105.8	82.0	242.8
2. Canada	—Loans	..	15.7	11.5	58.7	35.1	46.1	77.0
	Grants	19.7	60.3	54.4	169.3	13.0	34.6	8.2
	Total	19.7	76.0	65.9	228.0	48.1	80.7	85.2
3. West Germany	—Loans	..	119.9	219.7	189.7	55.9	51.8	125.5
	Grants	..	0.6	1.9	6.2	6.7	3.5	0.4
	Total	..	120.5	221.6	195.9	62.6	55.3	125.9
4. Japan	—Loans	..	16.0	88.2	125.8	30.7	17.5	20.5
	Grants	..	0.4	0.1	..	..	..	..
	Total	..	16.4	88.3	125.8	30.7	17.5	20.5
5. United Kingdom	—Loans	..	121.9	170.4	226.0	81.2	75.2	101.4
	Grants	0.03	0.4	0.8	5.5	0.5	3.2	0.3
	Total	0.03	122.3	171.2	231.5	81.7	78.4	101.7
6. USA	—Loans	92.6	153.7	795.2	810.7	238.2	276.9	307.9
	Grants	44.3	85.6	31.1	10.9	..	..	22.2
	PL 480/665 and third country currency assistance	5.1	544.8	853.2	755.1	107.5	37.7	..
7. USSR	—Loans	..	74.8	207.2	139.0	49.5	36.8	351.5
	Grants	..	1.2	3.8	2.8	..	..	1.2
	Total	..	76.0	211.0	141.8	49.5	36.8	352.7
8. Others	—Loans	..	..	92.0	256.2	78.6	82.4	331.6
	Grants	6.2	12.2	14.0	33.2	9.1	2.2	6.6
	Total	6.2	12.2	106.0	289.4	87.7	84.6	338.2
Grand Total	Loans	201.7	1430.3	2867.4	3221.6	8111.8	749.9	1597.1
	Grants	126.4	724.8	1908.1	2238.6	675.0	668.7	1558.2
	PL 480/665 and third country currency assistance	70.2	160.7	106.1	227.9	29.3	43.5	38.9

Source: Economic Survey; RBI

APPENDIX II

OUTSTANDING FOREIGN BUSINESS INVESTMENT

(Industry-wise)

(Rs million)

(Countrywise)

(Rs million)

	June 1948	December 1961	March 1968	Country	June 1948	December 1961	March 1968
I. Plantations	522	1024	1225	UK	2060	4462	6255
II. Mining	115	124	96	USA	112	959	4223
III. Petroleum	223	1525	1964	Federal Republic of Ger-	..	..	..
IV. Manufacturing	707	2950	8216	many	1	107	1002
V. Services	1079	1175	3927	Japan	..	32	825
Total	2646	6798	15428	France	..	..	464
				Italy	..	41	401
				Others	385	1197	2258
				Total	2558	6798	15428

Source: R.B.I.

APPENDIX III
INDIA'S FOREIGN TRADE

Commodity Group	1960-61		1965-1966		1970-1971 (Post-Devaluation)	
	Imports	Exports	Imports	Exports	Imports	Exports
I. Food and Live Animals	214.06	198.05	354.08	240.74	271.77	412.67
II. Beverages and Tobacco	0.79	15.77	0.56	21.69	0.31	32.57
III. Crude Materials, Inedible except Fuels	155.36	112.06	123.09	135.04	200.32	251.66
IV. Mineral Fuels, Lubricants and Related Materials	69.52	7.41	68.42	9.31	136.01	12.58
V. Animal and Vegetable Oils and Fats	4.60	9.80	13.62	4.55	38.50	7.12
VI. Chemicals	85.70	7.19	104.98	11.10	192.27	36.36
VII. Manufactured Goods	234.16	263.34	216.33	343.26	344.82	615.96
VIII. Machinery and Transport Equipment	332.98	7.19	492.14	11.19	384.50	83.29
Total (including others)	1121.62	642.32	1408.53	805.64	1625.17	1535.16

Source: Monthly Statistics of the Foreign Trade of India, DGCIS.

APPENDIX IV

RATE OF INVESTMENT AND SAVING

(% of NDP at Current Prices)

year	Investment	Domestic saving	Foreign saving
1960-61	12.0	8.9	3.1
1961-62	10.8	8.6	2.2
1962-63	12.0	9.6	2.4
1963-64	12.7	10.7	2.0
1964-65	12.0	9.8	2.2
1965-66	13.4	11.1	2.3
1966-67	12.2	9.0	3.2
1967-68	10.6	7.9	2.7
1968-69	9.5	8.4	1.1
1969-70	9.2	8.4	0.8
1970-71	9.6	8.3	1.3

Source: Planning Commission.

APPENDIX V

GOVERNMENT FINANCES

(Rs crores)

	1960-61 (Accts)	1965-66 (Accts)	1970-71 (BE)
I. Total Outlay	2563	5605	7946
(a) Development	1727	3479	4697
(b) Non-Development	836	2126	3249
II. Current Revenue	1720	3828	6023
(a) Tax Revenue	1354	2922	4604
(b) Non-Tax Revenue	366	906	1419
III. Capital Receipts (net)	891	1446	1512
(a) Internal (net)	510	784	949
(b) External (net)	381	662	563
IV. Overall Budgetary De- ficit	-48	331	411

Source: Economic Survey.

APPENDIX VI

CAPITAL RAISED BY NON-GOVERNMENT COMPANIES

(Rs crores)

	1960	1965	1966	1967	1968	1969	1970
Ordinary	72.45	70.24	55.87	56.61	57.82	49.45	56.48
Preference	7.90	10.76	7.44	8.07	10.01	7.14	9.36
Debentures	9.39	21.62	15.32	21.61	28.05	32.60	10.82
Miscellaneous	21.62	16.64	19.71	3.40	6.26	9.38	1.33
Total (excluding bonus)	111.36	119.26	98.34	89.96	102.14	98.57	77.99

Source: Office of the Controller of Capital Issues

APPENDIX VII

GROSS YIELDS ON FINANCIAL ASSETS

(%per annum)

	Equities	Debentures (redemp)	Pref. shares	Government securities	Interest on 1 year bank deposits	Interest on small savings (PO Savings Bank)
1961-62	5.98	5.31	7.22	3.72	4.00	2.50
1962-63	6.21	5.57	7.51	4.03	4.00	2.50-300
1963-64	6.27	5.95	7.53	4.17	4.00	3.00
1964-65	7.14	7.09	8.22	4.88	4.25-6.00	3.00
1965-66	8.11	7.36	8.92	5.46	6.00	4.00
1966-67	7.71	7.97	9.38	5.56	6.00	4.00
1967-68	8.22	8.37	9.85	5.45	6.00-5.50	4.00
1968-69	6.81	7.96	9.95	4.99	5.50	3.50
1969-70	5.75	7.98	9.79	5.00	5.50	3.50
1970-71	5.53	8.11	9.72	5.00	5.50-6.00	4.00
1971-72 (April-November average)	6.40	8.58	10.06	5.00	6.00	4.00

Source: RBI.

APPENDIX VIII

ASSISTANCE DISBURSED BY FINANCIAL INSTITUTIONS

(Rs crores)

	1960-61	1965-66	1970-71
IDBI	—	35.3	55.8
IFC	8.5	27.1	17.4
ICICI	6.0	25.3	29.2
SFCs	4.9	18.0	33.5
SIDCs	—	1.4	12.5
UTI	—	1.8	8.4
LIC	10.7	36.3	8.1

Source: RBI

APPENDIX IX

AGRICULTURAL PRODUCTION

Unit	1950-51	1960-61	1970-71
Foodgrains million tonnes	55.05	82.21	107.82
Oilseeds -do-	5.02	6.87	9.19
Sugarcane (gur) -do-	7.05	11.40	13.19
Cotton million bales	2.87	5.25	4.56
Jute -do-	3.51	4.13	4.91

Source: Economic Survey; Planning Commission.

APPENDIX XI

ESTIMATED R & D ALLOCATIONS

(Rs crores)

	1958-59	1965-66	1968-69	1969-70
(a) Central Sector (including universities)	26.05	74.89	105.74	118.99
(b) State Sector	1.00	3.51	6.90	8.60
(c) Private Sector	0.15	2.43	7.07	8.13
Total	27.20	80.83	119.71	135.72

Source: Report on Science and Technology.

APPENDIX X

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(1960=100)

Items	1965	1970
I. Basic Industries	164.3	221.7
1. Mining and quarrying	131.7	149.0
2. Cement	134.8	177.9
3. Basic metal	180.1	205.3
II. Capital Goods Industries	244.2	224.6
4. Prime movers, boilers and steam generating plants	438.6	486.4
5. Industrial machinery	153.6	120.6
6. Machinery components and accessories	428.8	396.0
7. Railroad equipment	259.2	93.6
8. Motor vehicles	136.0	157.8
III. Intermediate Goods Industries	140.1	158.8
9. Cotton spinning	120.9	127.0
10. Jute manufactures	120.3	85.1
11. Tyres and tubes	173.5	258.3
12. Synthetic fibres	174.0	230.7
13. Petroleum refinery products	158.7	297.3
IV. Consumer Goods Industries	127.5	154.7
(i) Consumer non-durable goods industries	120.5	137.6
14. Sugar factories and refineries (sugar refined)	124.7	165.3
15. Hydrogenated Oil (Vanaspatti)	127.1	154.4
16. Paper	143.5	217.4
17. Drugs and pharmaceuticals	133.7	156.7
(ii) Consumer durable goods industries	166.5	249.5
18. Commercial, office and household machines	137.6	143.6
19. Electrical appliances	152.5	190.9
20. Bicycles and tricycles	146.6	194.9
V. General Index	153.8	180.7

Source: RBI.

Railway Budget : 1972-73

THE RAILWAY budget for 1972-73 shows a surplus of Rs 32.53 crores. This is the first time in five years that the railways will be out of the "red". The Minister of Railways, Mr K. Hanumanthaiya, who presented the budget in the Lok Sabha on March 14, referred to the upward trend of the economy. He said that the production of steel and coal would increase in 1972-73 so as to raise considerably the traffic of the railways. The traffic in foodgrains, fertilizers and petroleum products is also likely to go up. The surplus in the budget for 1972-73 has been made possible partly by the expected increase in traffic offerings and partly because of the proposed increases in freights and fares. The reclassification of some of the major commodities is expected to bring in an extra revenue of Rs 12.67 crores per year. No increase in third class passenger fares has been suggested in the budget but the fares for the higher classes have, however, been increased. The fares for season tickets have also been increased. The proposed increases in fares for long distance travel are expected to bring in an additional revenue of Rs 1.63 crores during the year while the additional revenue from season tickets is expected to be of the order of Rs 60 lakhs in a full year. A small supplementary charge of five per cent on existing parcel and luggage rates is expected to yield Rs 2.5 crores in a full year.

Taxation Proposals

Mr K. Hanumanthaiya's speech in full detailing the taxation proposals, the railway budget at a glance and the changes in freight and fare rates are given below:

Responsibility to Parliament enunciated by the Constitution, makes it my duty, to place before the Hon'ble House for consideration the annual financial statement of the railways. Thereby is ensured the responsibility of the railway administration to Parliament.

I am placing the financial statement before the House in, as comprehensive a manner as possible, and in proper sequence. To begin with, I propose to describe the accounts for 1970-71, then assess the revised estimates for the year 1971-72. Thereafter comes the delineation of the Budget Estimates for 1972-73.

I begin with the accounts for 1970-71. The Budget Estimates of 1970-71 as presented to the House envisaged a sur-

plus of Rs 22.38 crores. Rs 13 crores of revenue budgeted was given up in deference to the wishes of the House, reducing the surplus to Rs 9.38 crores. The Revised Estimates, however, ran into red showing a shortfall of Rs 23.69 crores. The reduction in traffic receipts of about Rs 5 crores and the Interim Relief given to the Railway Employees of about Rs 36 crores, compensated by certain savings, accounted in the main for this overall shortfall. The actuals have shown some improvement over the Revised Estimates.

The Gross Traffic Receipts were actually Rs 1006.69 crores showing an increase of Rs 2.69 crores over the Revised Estimate of Rs 1004.00 crores. The increase was mainly under the heads "Other Coaching" and "Goods". They have more than made up for the shortfall in "Passenger" earnings. 'Ordinary Working Expenses' amounted to Rs 732.34 crores as against the Revised Estimate of Rs 731.76 crores. There was, however, saving in respect of dividend paid to General Revenues by Rs 1.24 crores. The final actuals reveal a deficit of Rs 19.84 crores as against Rs 23.69 crores. The accounts were balanced by taking a loan from the General Revenues.

Significant Events

Before I give you an assessment of the Revised Estimates of 1971-72, I have to narrate significant events of the year 1971-72 which have affected the revenues and expenditure. The financial picture has to be judged in the background of preceding events and situations, for, they are almost woven together and are inseparable.

The year, 1971-72, has proved to be a highly significant year. The highlight of the year is, undoubtedly, our success against Pakistan. It has not only proved the might and moral worth of our nation, but has also enhanced its place and prestige in the comity of the nations.

The resounding success has been achieved by the wise leadership of our Prime Minister and by the valour of our armed forces. May I say, with some humility, that the contribution of the railways to this success is not inconsiderable? Never before in our history after the freedom, had the railways been called upon to do such a strenuous and devoted work as we did prior to, during and subsequent to the famous 14-day war. The Railways ran well over 2,000 special trains for movement of defence

forces and equipment. The end of the conflict did not mean immediate relief to the railways. They had to move prisoners of war and refugees which again involved the running of over 800 special trains. I have to specially state with some satisfaction that all these trains ran so smoothly and efficiently that there was hardly any accident or derailment. It proved the heights to which the railway employees could rise in efficiency, when inspired by patriotic fervour. This enormous work done by the railway administration has earned public approbation. But it has also entailed some sacrifices in terms of revenues to the railways and inconvenience to the public. The public has not even noticed the inconvenience caused. I hope the House will not mind the losses sustained.

While on their normal duties, 13 railwaymen lost their lives, and 26 were wounded in the border areas. I seek your permission to place on record my high appreciation of the devotion to duty displayed by railwaymen of all categories. I pay my homage to those who sacrificed their lives for the success of the nation.

Restoration of Damage

About nine thousand railwaymen who are members of the Territorial Army Units were mobilised to assist in the movement of trains in the difficult areas and for restoration of damages.

In Bangla Desh, railway communications had been battered badly. A whole programme of restoring the damaged railway system therein had become necessary. The Bangla Desh government made a request for help involving supply of materials for temporary and permanent repairs to a large number of bridges and for the restoration of tracks. Our railwaymen, in association with Bangla Desh railway authorities, did such expeditious work that the restoration of traffic on the important sections was made possible within a few weeks. The four major bridges which had been blown up by Pakistan forces are being repaired by replacement of girders.

The floods that devastated the Gange-tic plains in the states of Uttar Pradesh, Bihar and West Bengal, as the House is aware, reached unprecedented levels entailing great loss and suffering. The railway system in the region suffered from breaches and inundations. The damaged tracks and bridges dislocated traffic, resulting in loss of revenue as well as extra expenditure for repairs and restorations. The cyclone that hit the Orissa region was another great calamity.

It is not merely Nature that sometimes upsets railway finances. The

criminals and the miscreants specially in the eastern region have, during the last year, occasioned considerable losses to the railways. Thefts of overhead wires, telecommunication cables, and railway equipment, dislocated the movement of traffic. Thefts and pilferages of goods and parcels have imposed a burden of payment of compensation to the tune of about Rs 13 crores last year.

The political agitations and bandhs, I am sorry to state, also victimised the railways, causing loss of revenue and inconvenience to the public. Political parties responsible for such agitations and bandhs, I hope, will realise that in jeopardising the efficiency and profitability of the biggest public undertaking, they inevitably slow down the economic progress of the nation. May I make an appeal to them all to save the railways from their anger and agitations? The railways do no harm to them. There is neither justice nor fairplay in imposing vicarious punishments on the railways, nor is it an act of any great courage to harm the harmless.

These events of the year placed severe strains on the railway finances.

Uncovered Deficit

The House will recall that in my budget speech of May 24, 1971, I had, after assessing the revenues and expenditure of the year 1971-72, indicated that there would be an uncovered deficit of Rs 6.87 crores. I had anticipated additional goods traffic of 9 million tonnes. The anticipation, however, did not materialise, as the industries in both private and public sectors were not able to keep up the targets of production and movement of traffic. It is primarily steel production in private as well as public sector that did not come up to expected levels. I understand that labour troubles and plant failures adversely affected their production. Iron ore export suffered likewise. The movement of coal, fertilisers and other goods also lagged behind.

"Passenger" earnings in the current year are assessed at Rs 316 crores which is Rs 2.75 crores short of original estimates. The earnings in "Other Coaching" have fortunately gone up by Rs 6.5 crores to Rs 66 crores.

Though the volume of 'goods' traffic fell short of expectations, the revenues therefrom went up by Rs 6 crores to Rs 665 crores. It is mainly due to longer leads and larger proportion of high category traffic like petrol, oil and lubricants. The emerging financial picture of gross traffic receipts is Rs 1078.00 crores as against the Budget Estimate of Rs 1070.25 crores.

Revised Estimate under the head "Ordinary Working Expenses" is assess-

ed at Rs 784.32 crores as against Budget Estimates of Rs 765.44 crores. It means an extra expenditure of Rs 18.88 crores. The main element of it is the additional Interim Relief given to Railway Staff with effect from 1st October, 1971, along with all other Central Government Employees. The addition to the wage bill on this account is of the order of about Rs 14 crores for a full year. But it comes into effect from 1st October, 1971, and, therefore, the amount involved is Rs 6.6 crores. The rates of daily allowance of the Central Government servants were increased with effect from 1st January, 1971, and consequently running allowance of certain categories of railway staff had to be increased. Provision was made for it in the Budget Estimates; but the actual expenditure is going to be Rs 3 crores more than the Budget provision. It was decided during the year that higher compensatory and house rent allowances should be paid to Government servants including railway employees in some cities, because of the increase in their population and consequent changes in their classification. An award was given by the Arbitration Tribunal on night duty allowance. Government decided to sanction higher rates of stipend to 'Trade Apprentices'. These three items involve an extra expenditure of Rs 1.3 crores in the current year. The damages caused by floods and cyclones had to be repaired at a cost of Rs 3.10 crores. We had also to make increased provision of Rs 2.2 crores for the payment of outstanding compensation claims. An extra provision of Rs 1.20 crores has been made to meet the increase in the price of diesel oil.

Extra Expenditure

Extra expenditure on civil defence measures and the units of Special Railway Protection Force detailed for track patrolling duties in the Eastern Region have cost another crore. The cumulative effect of all these extra expenditures including some minor items comes to Rs 18.88 crores. The contribution to the Depreciation Reserve Fund has remained the same at Rs 105 crores. The appropriation to Pension Fund has been reduced by Rs 3.50 crores. Under the head "Open Line Works Revenue and Other Miscellaneous Expenses" we have been able to effect an economy of nearly two crores.

The major relief to railway finances, however, came from the Railway Convention Committee constituted by Parliament. The Committee did expeditious work. It submitted an Interim Report covering the year 1971-72 and 1972-73. The Convention Committee recommended:

- (i) the exemption from payment of dividend on the capital-at-charge

of the non-strategic portion of the Northeast Frontier Railway and of the unremunerative branch lines as also on over-capitalisation;

- (ii) the exemption for a period of three years from payment of dividend on the capital outlay to the extent of 25 per cent annually, when the work is in progress;
- (iii) the payment of interest to Railways at current dividend rate on fund balances kept with the General Revenues.

These recommendations give relief to the Railways to the extent of Rs 21.53 crores for 1971-72 and Rs 22.19 crores in 1972-73. The recommendations of the Committee were approved by both Houses of Parliament in December, 1971. I am grateful to the Committee and the Houses of Parliament for according this timely and just relief to the railway finances.

The resulting financial picture is, therefore, not red as is usually said. The Revised Estimates for 1971-72 show a net surplus of Rs 9.08 crores instead of a deficit of Rs 6.87 crores as envisaged in the Budget Estimates.

Drain on Revenue

Of the nine Railway Zones, five have done well, the first place going to Central Railway, who have increased their receipts and reduced their expenditure, improving upon their budgeted targets by Rs 8.15 crores. Next comes Western Railway who have improved their position by Rs 7.80 crores. Southern Railway have an improvement of Rs 2.27 crores to their credit. The Northern and North Eastern Zones have shown a small improvement of Rs 39 lakhs and Rs 10 lakhs respectively. Of the Zones that are on the minus side, Eastern Railway with its shortfall of Rs 19.21 crores have fared worst eating up all the financial improvements made by the said five Zones. Northeast Frontier Zone has fallen from the budgeted targets by Rs 4.75 crores, South Central by Rs 3.19 crores and South Eastern by Rs 2.69 crores. The House will thereby see that illegal and criminal activities of the Eastern Region have made the railway finances and efficiency suffer most. If the two Railways had performed even normally, we would have had a much bigger surplus.

May I now, Sir, delineate the Budget Estimates for 1972-73? Here again, I may weigh the prospects, before I formulate the figures. The year, 1972-73, may prove to be one of peace and accelerated progress. I hope the country will not be subjected to the same strains

and stresses as in the preceding year. Natural calamities like floods and cyclones, are not likely to recur on the same scale. Everything said and done, Pakistan may have learnt a lesson and may not venture upon another military adventure. Determined steps are being taken to counteract the crimes committed on Railways.

The most important feature of the prospect of the year, 1972-73, is the upward trend of our economy. Production of steel and coal is anticipated to increase and furnish considerable traffic to the railways. Traffic in foodgrains, fertilizers and petroleum products is also likely to go up. Economic forecasts envisage increased agricultural, industrial and mining activities in the country which will make it possible for the railways to earn more. There are already hopeful signs in sight. Improvement in our exports is also anticipated. All these factors are likely to give much business to the railways and consequently improve their earnings.

Gross Receipts

The 'gross receipts' for the year 1972-73 on the existing level of freight and fares, are estimated at Rs 1126.10 crores. They are Rs 48.10 crores more than the Revised Estimates of the current year. 'Passenger' earnings are expected to increase by Rs 10.50 crores. The main increase in earnings next year will, however, come from the 'goods' traffic, which is expected to improve quantitatively and qualitatively. Higher steel production and restoration of normal conditions in the Eastern Region would, I expect, enable the Railways to carry an additional 9.5 million tonnes of revenue-earning traffic. There will be larger movement of commodities, such as, cement, fertilizers, petroleum products, iron and steel, machinery and general merchandise, all of which yield comparatively more earnings per wagon. The receipts from 'goods' traffic have, therefore, been placed at Rs 704.00 crores, which is Rs 39 crores more than the Revised Estimates.

'Ordinary Working Expenses' will also go up to Rs 809.14 crores, i.e., Rs 24.82 crores more than in the Revised Estimates for the current year.

The payment of Interim Relief for the full year, instead of six months as in the current year, accounts for an increase of Rs 6.8 crores. The grant of annual increments to staff after setting off the reduction in expenditure due to retirements etc. is another Rs 3.5 crores. The implementation of the recent arbitration award giving casual leave to workshop staff accounts for another sum of Rs 2 crores. The staff wage bill in consequence will increase by Rs 12.3

crores next year. The balance of Rs 12.52 crores is made up of increased cost of fuel for hauling 9.5 million tonnes of additional traffic, higher expenditure on workshops for repairs and for better maintenance of permanent way. I have reduced the provision for payment of compensation claims by Rs 3.6 crores, as I am expecting at least that much of savings by the special drive initiated on 26th January this year. The appropriation to Depreciation Reserve Fund has been enhanced by Rs 5 crores to Rs 110 crores. The appropriation to Pension Fund has been fixed at Rs 16.0 crores. The expenditure on open-line works together with other miscellaneous expenditure has been placed at Rs 15.73 crores almost of the same order as in the Revised Estimates for the current year. The total expenditure of all these items amounts to Rs 950.87 crores as compared with Rs 916.77 crores of the Revised Estimates. The net Railway Revenue, therefore, will be Rs 175.23 crores.

There are three liabilities to be met:

- (a) Dividend of Rs 159.70 crores to General Revenues; it will be paid in full;
- (b) Contribution of Rs 20.00 crores to the Development Fund; it will be made in full;
- (c) Annual instalment towards the repayment of loan from the

General Revenues, which is now Rs 106.22 crores after appropriating the surplus of Rs 9.08 crores anticipated in the Revised Estimates for 1971-72. We will pay Rs 11.26 crores on account of instalments and Rs 0.77 crore as interest on outstanding loan.

The total of these payments amounts to Rs 191.73 crores.

The gap between the net income of Rs 175.23 crores and the liabilities of Rs 191.73 crores leaves a deficit of Rs 16.50 crores. In the previous five years, the gap amount was being borrowed from the General Revenues to balance the budget. But I do not propose to borrow this year. Borrowing increases our liability by way of paying interest. Nor is it a sound financial policy. I propose to find the sum, mostly by rationalisation of the present structure of freights and fares.

The freight rates for certain bulk commodities do not meet fully even the operating cost. In fact, they are being transported at subsidised rates, the subsidy coming out of the earnings on high-rated commodities. The cost of operation does not remain, however, static; the salaries and allowances go up continuously. The prices of materials also are ever increasing. These inevitable increases make

RAILWAY BUDGET AT A GLANCE

	(Rs crores)			
	Actuals 1970-71	Budget Estimates 1971-72	Revised Estimates 1971-72	Budget Estimates 1972-73
Gross Traffic Receipts	1006.6	1070.25	1078.00	1143.10
Ordinary Revenue Working Expenses (Net), i.e., after taking credit for recoveries	732.34	765.44	784.32	809.14
Appropriation to Depreciation Reserve Fund from Revenue	100.00	105.00	105.00	110.00
Appropriation to Pension Fund	15.00	15.06	11.50	16.00
Net Miscellaneous Expenditure (including cost of Works charged to Revenues)	14.62	17.91	15.95	15.73
TOTAL :	861.96	903.35	916.77	950.87
Net Railway Revenue	144.73	166.90	161.23	192.23
Dividend to General Revenues	164.57	173.77	152.15	159.70
Net Surplus (+)/Shortfall (-)	-19.84	-6.87	+9.08	+32.53
Operating Ratio	84.2%	82.7%	83.5%	81.8%

it impossible to keep the freight rates static. There has to be certain rational relationship between the cost of carrying and the income therefrom. What I propose to do is not an *ad hoc* addition to freight rates, but rationalisation of the freight structure.

In the present freight structure, all commodities other than coal and coke, food grains and pulses, moving in wagon loads, are grouped into 31 classes ranging from class 27.5 to class 130. It is proposed to raise by one step the classification of commodities up to and including class levels 52.5. Commodities now charged at class 27.5 (for wagon-loads) will henceforth be charged 30, those included at present in class 30 will be in class 32.5 and so on up to the commodities listed in class 52.5, which will now be raised to class 55. Classification for "Smalls", that is, consignments less than wagon-loads, will also be re-fixed so as not to disturb the existing relativity between the wagon-load and "Smalls" classifications. The proposed re-classification would broadly mean an increase of 8.5 per cent in the freight on commodities charged at class 27.5, the increase tapering off to 4.6 per cent for commodities now included in class 52.5.

Essentials Unaffected

The proposed re-classification will not, however, affect in any way the existing freight rates in respect of food-grains, including pulses, and iron and manganese ores intended for export. There will also be no increase in the freight rates on coal and coke.

There are certain articles like plastic utensils and containers, aluminium wares, steel cupboards, which, because of their volume, occupy space disproportionate to their weight. As the freight rates are based on weight, the charges levied on such articles do not meet fully the costs of transport. It is proposed to revise the minimum weight for charge for loading these

articles from 45 quintals to 60 quintals for a broad-gauge four-wheeled wagon, from 30 quintals to 40 quintals for a metre-gauge four-wheeled wagon and from 30 quintals to 35 quintals for a narrow-gauge four-wheeled wagon.

There are certain goods of comparatively high value, such as furniture, refrigerators, glassware, which, because of their poor loadability, do not give an adequate return per wagon. It is now proposed to upgrade their classifications.

The combined effect of these re-classifications is an extra revenue of Rs 12.67 crores per annum.

Supplementary Charges

The current scales of charges for parcels and luggage traffic came into force with effect from 1-4-1970. This category of traffic was not affected by the changes made last year. Bearing in mind the increasing costs of operation, it is now proposed to levy a small supplementary charge of 5 per cent on this traffic. This will yield Rs 2.5 crores in a full year.

Even as certain commodities are being transported at subsidised rates, the passengers also, including III class passengers, enjoy a subsidy amounting to about Rs 61 crores a year, Rs 49 crores on non-suburban travel and Rs 12 crores on suburban travel. Last year, a very modest increase in passenger rates was effected. But the income therefrom is only Rs 13.20 crores. There is yet a leeway of some Rs 48 crores to make up. I do not, however, propose to bridge the gap all at once. I want to leave the III Class passengers as such at peace this year. What, however, I propose to do is to make the upper-classes passengers and season ticket holders contribute a little more to the railway revenues. The fare for II Class Ordinary would increase from 25 paise per ticket for a distance zone 20-50 kms. to Rs. 1.50 for a distance beyond

1500 Kms. For II Class Mail/Express, the corresponding increase per ticket will be from 50 paise to Rs 2 for distances beyond 1500 Kms.. There will be corresponding increases for the other upper classes. For distances beyond 1500 Kms., the increases for the Air-conditioned Chair-car, First Class and Air-conditioned Class will be respectively Rs 3, Rs 5 and Rs 10 per ticket.

Compared with other Expresses and Mail trains, the Rajdhani Express, between Howrah and New Delhi, saves over seven hours of travelling time. To facilitate the higher speed, the Rajdhani Express must have fewer coaches and carries fewer passengers than the regular Mail and Express trains. The speed and comfort of Rajdhani Express could well absorb a little increase in its fares. I am, therefore, proposing to increase the basic fares between New Delhi and Howrah by Rs 30 per ticket for Air-conditioned and Rs 10 per ticket for Air-conditioned Chair-car. The corresponding increase for a Chair-car between New Delhi and Kanpur will be Rs 4 and that between Kanpur and Howrah Rs 7.

Additional Revenues

The additional revenue from increased fares of upper classes is expected to be Rs 1.63 crores in a year.

Indian Railways carried 2,431 million passenger during 1970-71. The suburban passengers in the metropolitan areas of Bombay, Calcutta and Madras were 1,220 million. The suburban passengers are about 50 per cent of the total passengers. But, the earnings from them are only 10 per cent. About 71 per cent the total suburban passenger traffic is by monthly/quarterly season ticket holders. By and large, a monthly season ticket costs only 10 to 15 times a single journey fare though it is available for unlimited use and is used at least for 50 journeys in a month by an average season ticket holder. The extent of concession can be measured

from the low realisation on the average from a season ticket holder for carrying him a distance of one kilometre — a passenger on single journey ticket pays 2.61 paise whereas a season ticket holder pays only 0.80 paise.

I would like to bring to the notice of the House another aspect of suburban travel. During the last two years we have revised upwards the passenger fares of III Class and other classes in the non-suburban areas as well as single journey tickets in the suburban areas. We have not touched the III Class monthly suburban season tickets since 1968, when a small increase of 25 paise per season ticket only was made. Since then, the III Class single journey fares have been revised upwards once and the upper class single journey fares and the I Class season ticket fares have been revised upwards twice. The railways have had to spend enormous sums on increasing rolling stock and augmenting track and other facilities. In this year's Budget, for the Bombay area alone, the total cost of Civil Engineering, Signalling and Electrical Engineering Works, proposed for the improvement of suburban services, is of the order of Rs 31.3 crores. Surely, we cannot afford to incur such huge capital expenditure on an unremunerative service.

Suburban Fares Rationalised

Though the single journey fares for identical distances are the same all over India—whether suburban or non-suburban—the III Class monthly season ticket fares vary from one suburban area to another. Sometimes, even in the same city, the monthly season ticket fares differ between two pairs of stations situated at equal distances. Besides, the III Class monthly season ticket fares in the Bombay area are the lowest, those in Calcutta a little higher and those in Madras the highest. This inequality needs to be ended, and all the three great cities treated alike. I, therefore, propose that as a first step the third class monthly season tickets in Bombay and

Calcutta should be brought up to the levels of those in Madras suburban area. But the increases will be limited to Rs. 2.15 per ticket for Bombay and Rs 1.15 per ticket in Calcutta. Even so, the revised fares in Bombay and Calcutta for longer distances will still be lower than those in Madras and in the non-suburban areas. This rationalisation of third class monthly season ticket fares will bring in a revenue of Rs 60 lakhs in a full year.

The fares for I Class suburban and non-suburban monthly season tickets have been revised upwards twice during the last three years. Even so, an upward revision is justified now. I accordingly propose to increase the I Class monthly suburban and non-suburban season ticket fares by Rs 1 for tickets up to the value of Rs 10, Rs 1.50 for tickets between Rs 10 and 20 and so on up to Rs 3 for I Class monthly season tickets costing more than Rs 40. Similarly, for the III Class non-suburban monthly season ticket fares, the increases range from 25 paise per ticket up to Rs 5, to Rs 1 for tickets costing more than Rs 15. Similarly, for a II Class monthly non-suburban season ticket, the increase will be 50 paise for tickets up to Rs 5 and Rs 1.50 for tickets costing more than Rs 15. The expected yield in a year from increases in suburban and non-suburban season ticket fares in I Class will be Rs 14 lakhs and from non-suburban III Class and II Class season tickets will be another Rs 14 lakhs.

The total annual revenue from all these proposals will be Rs 17.68 crores. The additional revenue for the year, 1972-73, will be only Rs 17 crores as the revised rates will take effect only from 15th April, 1972. The resulting budget picture shows a surplus of half a crore of rupees.

Fourth Plan Reviewed

In my Budget Speech in May, 1971, I had stated that the cut of Rs 250 crores in the 4th Plan was tentative, and that the position was being reviewed. I had

further indicated that the cut will be restored partially or fully when improvement took place in the eastern industrial belt of the country. The Railway Plan has to be enlarged to be in step with the growth in traffic demand.

A number of Hon'ble Members in the House had then urged the restoration of the original Plan provision. They had also asked for the extension of the railway network so as to provide the necessary infrastructure for the economic development of different parts of the country. The mid-term appraisal of the fourth Plan has increased the Railway Plan outlay by Rs 125 crores to Rs 1,400 crores. It enables the Railways to acquire Rs 37 crores worth of additional rolling stock, spend Rs 60 crores more on line capacity works and the construction of some new lines during the rest of the Plan period.

Conversion to Uni-gauge

We are now committed to the policy of uni-gauge system and it is being implemented in earnest though by stages. The three conversion projects approved by Parliament through supplementary grants in December last will cover a distance of 1,057 Km costing Rs 63.53 crores. Steps have already been taken to start the work on all the three projects.

I now propose a few more line conversions. The conversion of metre-gauge line from Barabanki to Samastipur via Muzaffarpur is a very big project, covering the states of Uttar Pradesh and Bihar. The line is 572 Km long and the conversion will cost Rs 46.80 crores. This is the biggest of conversion projects. The existing length of metre gauge is 25,847 Km and these four projects will get it reduced by 6.3 per cent.

I have been for some time nursing the idea of introducing a direct Broad Gauge connection from Kanyakumari to Delhi and to the northern-most points touching the Himalayas. Hon'ble Members of the House have blessed this

PROPOSED INCREASE IN FARES PER TICKET

Single Journey Tickets

(in Rupees)

Class of travel	Distance Zone							
	1-19 Kms	20-50 Kms	51-100 Kms	101-200 Kms	201-500 Kms	501-1000 Kms	1001-1500 Kms	Beyond 1500 Kms
II Class Ordinary ..	Nil	25	50P	50P	1.00	1.00	1.25	1.50
II Class Mail/Express ..	Nil	50P	50P	75P	1.00	1.25	1.50	2.00
AC Chair Car ..	Nil	50P	75P	1.00	1.50	2.00	2.50	3.00
I Class ..	50P	1.00	1.00	1.50	2.00	3.00	4.00	5.00
A.C.C. ..	1.00	2.00	2.00	3.00	4.00	6.00	8.00	10.00

The tax of 5% on the passenger fares introduced with effect from 15th November, 1971, will continue to be levied in addition.

THIRD CLASS AND SECOND CLASS (NON-SUBURBAN) SEASON TICKETS

Where the existing fare (excluding tax) is :	Increase per season ticket	
	Third Class	Second Class
	Rs. P.	Rs. P.
(i) Upto Rs. 5/-	0.25	0.50
(ii) More than Rs 5/- but upto Rs 10/-	0.50	0.75
(iii) More than Rs 10/- but upto Rs 15/-	0.75	1.00
(iv) More than Rs 15/-	1.00	1.50

FIRST CLASS (SUBURBAN AND NON-SUBURBAN) SEASON TICKETS

Where the existing fare (excluding tax) is:	The increase will be	
	Rs.	P.
(i) Up to Rs 10/-		1.00
(ii) More than Rs. 10/- but up to Rs 20/-		1.50
(iii) More than Rs 20/- but upto Rs 30/-		2.00
(iv) More than Rs 30/- but upto Rs 40/-		2.50
(v) More than Rs 40/-		3.00

idea. The existing connections are circuitous and irrational. They involve many a transhipment point as well as long mileage.

We have to make a sincere beginning by putting Kanyakumari on the railway map of India. A new line, therefore, will be constructed from Trivandrum to Kanyakumari via Nagarcoil and from there to Tirunelveli. The line is 164.02 kilometres, costing Rs 14.53 crores. We are also considering the conversion of Metre Gauge line from Tirunelveli to Maniachi and to Tuticorin and Madurai, a parallel Broad Gauge line from Madurai to Dindigul and a new Broad Gauge line from Dindigul to Karur. The conversion of Bangalore-Guntakal line into Broad Gauge has already been taken up. Traffic survey for a Broad Gauge line from Guntakal to Secunderabad and from Secunderabad to Wardha has been ordered. These proposals are intended to make the direct Board Gauge connection from North to South possible.

The existing pattern of railways in India is proving to be inadequate for its growing needs. More conversions from metre gauge to broad gauge and new broad gauge lines have necessarily to be taken up. The preliminary work of survey is being undertaken for converting 1121.25 kilometres from metre gauge to broad gauge and construction of 1520 kilometres of new broad gauge lines.

Maharashtra will have a new line from Bassein Road to Diva costing about Rs 13 crores. This is 42 kilometres long and links the Central and Western Railways facilitating quicker interchange of goods traffic within the two railway systems. It relieves the pressure at Dadar and other stations in Bombay City and improves the suburban railway service.

New Project Lines

Another new line is a small one of 30 kilometres costing about Rs 3 crores connecting Sabarmati and Gandhinagar broad gauge rail line in Gujarat. The new capital of Gujarat is thereby serviced by the railway system which also helps the new fertilizer factory to be set up at Kalol and the thermal power station to be set up near Gandhinagar. The government of Gujarat is giving the land free of cost and the Gujarat State Electricity Board and the Indian Farmers' Fertilizers Co-operative have agreed to pay higher freight charges to make the line remunerative.

The Budget Estimate for Works, Machinery, Plant & Rolling Stock including Open Line Works—Revenue—which for the year 1971-72 stands at Rs 280 crores, has been fixed at Rs

301.50 crores for the next year. There is also a provision of Rs 4.20 crores for the Metropolitan Transport Projects. Capital and Depreciation Reserve Fund Budget has been stepped up so that the Railways' development programme, as now included in the Fourth Plan after the mid-term appraisal, may be fully implemented. The Works Budget, *inter alia*, includes expenditure on Rolling Stock of Rs 124 crores, track renewals of Rs 48 crores, traffic facilities of Rs 51 crores, signalling and telecommunication works of Rs 15 crores, electrification schemes of Rs 16 crores, new lines of Rs 16 crores, railway users' amenities of about Rs 4 crores, staff quarters and staff welfare works of Rs 10 crores. The Rolling Stock programme for the year 1972-73 envisaged procurement of 11,000 wagons. But it has now been raised to 14,000 involving a total expenditure of Rs 41.00 crores during the year. The wagon building industry is thereby helped as well as the transport potential of the Railways.

Shortage of Track Fittings

There has been a serious shortage in the supply of track fittings from indigenous sources interfering with the programmed maintenance of the permanent-way. Uncertain supplies and irregular maintenance endanger track safety. We, therefore, propose to augment the rolling-mill facilities in the Jamalpur Workshop of the Eastern Railway and produce approximately 25,000 tonnes of track fittings per annum. Rs 1.36 crores is included in the Budget Estimate for the purpose.

Government of India has given a fresh impetus to the policy of self-sufficiency after the so-called foreign aid from certain powers stopped or threatened to be stopped. The Railways want to implement the policy in all earnestness. We propose to start two new projects to manufacture wheels and axles and traction gears.

Our requirements of wheels and axles are only met in part by indigenous production and we were purchasing the rest from foreign countries costing Rs 5.8 crores a year. Requirement of wheels and axles is growing. The proposed plant will be one more Railway Production Unit and will produce approximately 20,000 wheels-sets and 25,000 loose wheels per year making the Railways virtually self-sufficient.

There is also an increasing requirement of traction gears for diesel and electric locomotives and electric multiple unit stock. As dieselisation and electrification make further progress, the level of imports which at present stands at Rs 50 lakhs per annum will go up higher. We, therefore, propose

to add a Traction Gear plant to the Diesel Locomotive Works at Varanasi to do away with our dependence on imports.

Imported stores have, during the last two decades, been reduced from around 30 per cent to less than 9, in spite of total purchases increasing nearly four-fold. The imports are now limited to only certain essential raw materials, proprietary items and other components for manufacture of rolling stock etc. for which indigenous capacity or technological capability is not yet available in the country. Foreign exchange required for their imports is met from specific loans by foreign countries under bilateral agreements and credits given by the International Development Association (an affiliate of the World Bank).

IDA Credit for Railways

The Indian Railways have obtained a credit from the International Development Association of 75 million dollars under the agreement signed on 24th January 1972. It will be used to purchase essential raw materials and components. The credit is under the usual IDA terms with a 50 year period for repayment, there being no repayment during the first 10 years. There is no interest on the credit but only a service charge of 3/4th per cent per annum.

The Metropolitan Transport Project, Calcutta, envisages construction of an electric underground railway from Tollyganj to Dum Dum covering a distance of 16.43 kilometres with 16 stations. It costs about Rs 140 crores requiring a foreign exchange expenditure of about Rs 23.7 crores. The Project received the benefit of technical expertise from USSR and the concurrence of the planning Commission. It is before Government for sanction.

Feasibility studies have been undertaken for Rapid Mass Transit system in the cities of Bombay, Delhi and Madras. I think the rate of growth of Bangalore, Hyderabad, Poona, Kanpur and Ahmedabad is making it necessary to undertake such studies for them also. I hope that the Planning Commission and the concerned State Governments will move in the matter.

A survey to assess the extent of ticketless travel, conducted in 1967-68, estimated that the loss was roughly Rs 20 to 25 crores per annum. It constituted about 10 per cent of the Railways' annual passenger earnings then. The minimum penalty was raised from 50 paise to Rs 10/- and it had some salutary effect. Massive raids with the help of Magistrates and police forces are being periodically organised to find out and penalise the ticketless travellers. Educative propaganda is also being

done through loud-speakers and newspapers. The co-operation of educational institutions, village elders and voluntary social service organisations is being enlisted. But all these steps, I must admit, have had only marginal effect. Ticketless travel is most rampant in the northern region. We have to devise more effective measures. The State Governments and the police force have to play a decisive role. I must acknowledge with gratitude the co-operation given to the drive against ticketless travel by Mr. Bansilal, the Chief Minister of Haryana State. After a conference with him and his colleagues, a drive was initiated in October, 1971, in the State of Haryana. A Committee with the Home Secretary of Haryana as Chairman was set up to conduct and supervise the drive. It lasted 2 1/2 months. It has been a phenomenal success. 30,832 cases were detected yielding a penalty of Rs 2,81,783. The total number of passengers checked was 20,09,000. 6,396 special checks were conducted. Window sale of tickets also increased, as a result of this drive, by Rs 9,06,000. The sale of season tickets also increased. The results would have been even more impressive, but for the conditions created by hostilities with Pakistan in the month of December, 1971.

Appeal to CMs

I have subsequently made an appeal to the Chief Minister of Uttar Pradesh to do likewise in his State. After new ministries come into existence in Bihar and West Bengal, I intend making similar appeals to them. If the State Governments help us effectively, I am sure, ticketless travel will end, thereby ensuring higher revenues to the Railways. What is more important is that the great reputation of these States should not be allowed to be sullied by this crime.

I find that a big source of drainage of railway revenues is in respect of compensation paid for thefts, pilferage, damage etc. of booked consignments. There has been a continuous increase, for some years in the amount of compensation paid. This year it is likely to reach the peak figure of Rs 13.25 crores representing an increase of Rs 9 lakhs over the previous year. The five Zonal Railways, namely, Central, Southern, Western, South Central and Northern Railways have registered an improvement and their Revised Budget Estimates show a reduction of Rs 1.19 crores in the claims bill. This will be, however, more than offset by an estimated increase of Rs 1.28 crores in the claims bill of the other four Railways, particularly of the Eastern and South Eastern Railways. Again, it is the Eastern region that is the worst affected and some

places therein continue to harbour hardened criminals.

I have given serious thought to this problem. I am convinced that much improvement can be effected with the active and patriotic participation of railwaymen at all levels, and with the co-operation of the State Governments. I have, therefore, launched an all-India campaign on the Republic Day this year, to prevent thefts and pilferages. Letters for help and co-operation have been sent to the Governors or Chief Ministers, as the case may be. I have made a personal appeal to each and every railwayman. The leaders of the labour unions have promised participation in the campaign. I hope that the concerted and co-ordinated measures that are being taken, will combat the evil afflicting our Railways. In the last few weeks, detection and prevention work has received a new tempo. I am grateful to State Governments and the State police in particular, for their co-operation. Unless, the campaign succeeds and shows appreciable results, I venture to state that the Railway Administration will not be able to command public confidence in full.

The extent of land on either side of the railway track in India, I understand, is more than 1,20,000 acres. Our engineers have unhappily been oblivious to land use. They have so mutilated it as to make it unusable. Population pressure has made land highly precious in this country. We have to make use of every inch of land for productive purposes. I once saw personally that land on either side of the track is put

to agricultural use in USSR. Instructions have been issued to make use of the land, wherever possible, either for agriculture or pisciculture.

During the year, I must say the labour relations have improved. The employees and the officers have worked with such team spirit that one of the visible benefits conferred on the country is punctuality of trains. Their commendable performance helped, in its own way, the great victory that was achieved by our Defence Forces against Pakistan. Co-operation of the Labour Unions has begun to operate in preventing thefts and claims on the Railways. The two recognised federations are doing well and are co-operating with the Administration in increasing efficiency. So far as the unrecognised unions are concerned, the question of prescribing criteria for recognition is under the consideration of Government, as a whole. Besides, I understand a new labour policy is on the anvil.

Men and materials make the railway system. Materials have to be renewed and modernised. Men have to renew and reinvigorate their spirit of service. The performance of railwaymen in the matter of punctuality and defence efforts impels me to believe that they are doing so. The drives that I have initiated and the implementation of the recommendations of the Administrative Reforms Commission will put their spirit of service to test in the ensuing months. I hope we will all pass the test and present the House a better picture of our finances and performance in the next Budget.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

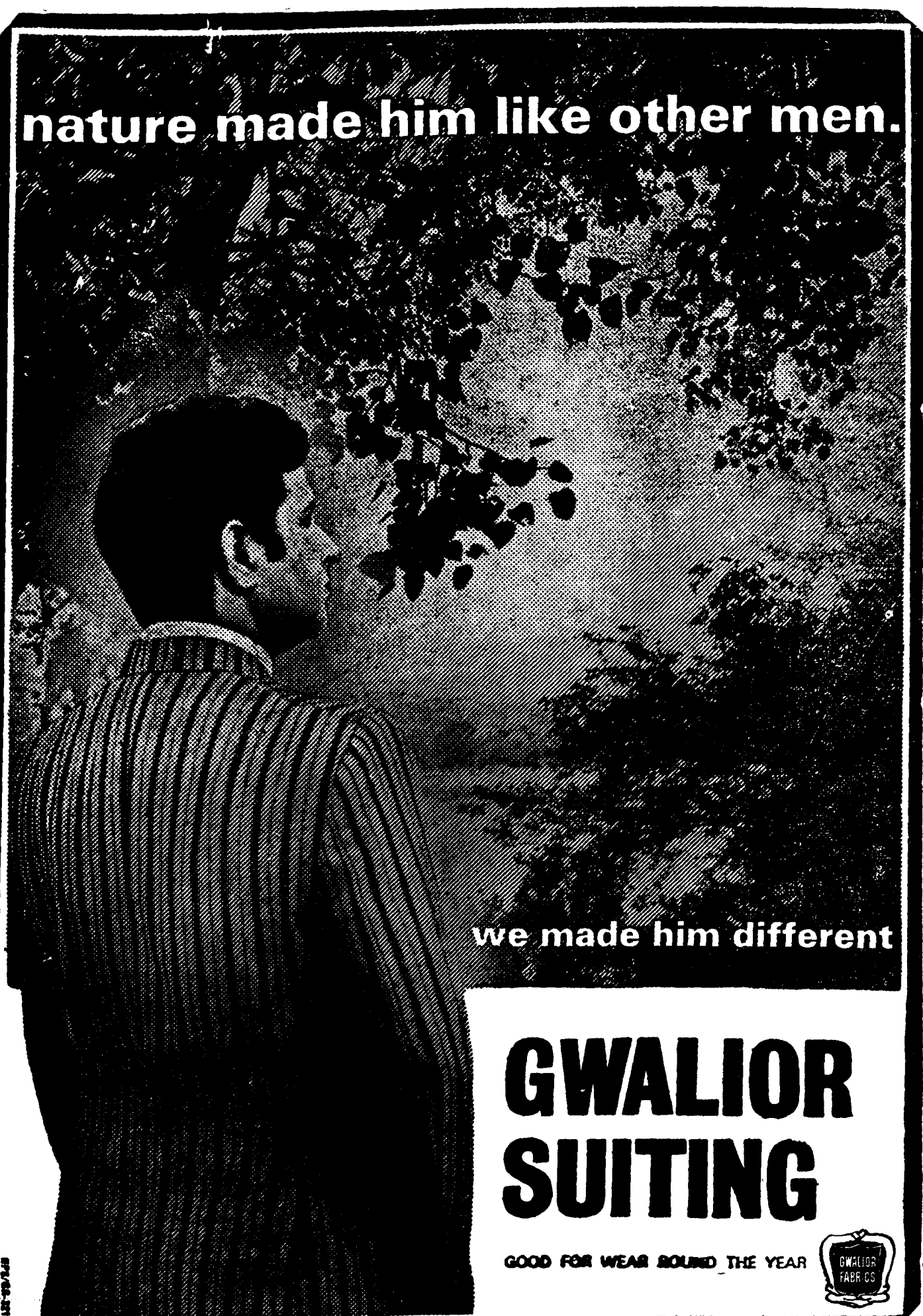
Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy for casual sales. Regular subscribers receive it without extra charge. New subscribers enrolled before March 31, 1972, will also be entitled to a free copy of the Annual Number.

On sale with leading booksellers or direct from :

**The Manager,
The Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.**

FREIGHT RATES

Class		Commodity	Remarks
Existing	Proposed		
37.5	30	Oil Cakes	The prices range from Rs 45.00 to Rs 88.41 per quintal while the enhancement in the rail freight for an average lead of 649 kms is only 21 paise per quintal. The increase forms only 0.24% to 0.47% of the prices.
35	37.5	Firewood	The retail prices of firewood ranges from Rs 7.54 to Rs 8.63 per 40 kgs. The enhancement in the rail freight for an average lead of 362 kms is only 5.2 paise for 40 kgs. The increase forms only 0.64% to 0.69% of the prices.
"	"	Charcoal	The retail price of charcoal varies from Rs 17.50 to Rs 19.80 per 40 kgs. The increase in rail freight for an average lead of 677 kms. comes to 8.8 paise per 40 kgs. The increase forms only 0.44% to 0.50% of the price.
37.5	40	Salt	The all-India average retail price of Salt is 22 paise per kg. The enhancement in rail freight at the average lead of 1,269 kms is 0.35 paise per kg. The increase comes to only 1.59% of the price.
"	"	Iron Ore (other than export)	The price of iron ore booked for steel plants is Rs 32.90 per tonne, including freight charges. The increase in rail freight rate for this commodity for the average lead of 170 kms work out to 70 Paise per tonne, or 2.13% of the price.
37.5	40	Gypsum	The price of gypsum is Rs 98.70 per tonne, inclusive of freight charges. The enhancement of rail freight for the average lead of 1,403 kms is of the order of Rs 3.80 per tonne, i.e. 3.85 per cent of the price.
40	42.5	Chemical Manures Division 'B' — Super Phosphate, Ammonium Sulphate, Calcium Ammonium Nitrate.	The prices of Super Phosphate, Ammonium Sulphate and Calcium Ammonium Nitrate are Rs 21, Rs 27 and Rs 27.25 respective per bag of 50 kgs. The increase in rail freight at an average lead of 856 kms works out to 13 paise per bag of 50 kgs in respect of Super Phosphate and Ammonium Sulphate. The percentage increase comes to 0.62 and 0.48 respectively of the prices of these items. In respect of Calcium Ammonium Nitrate, the increase in rail freight at the average distance of 700 kms comes to 10.5 paise per 50 kgs, or 0.39 per cent of the price....
42.5	45	Cement	The price per bag of 50 kg is about Rs 12.63. At the average lead of 634 kms the increase in rail freight comes to 10.5 paise per bag of 50 kg, or 0.83 per cent of the price.
"	"	Caustic Soda	The price of caustic soda ranges from Rs 1240.80 to Rs 1357.40 per tonne. At the average lead of 1,028 kms, the increase in rail freight rate works out to Rs 3 per tonne. The percentage increase in freight rate forms 0.22 to 0.24 of the price.
"	"	Manganese Ore (Other than export).	The prices of first and second grades of manganese ore are Rs 197.86 and Rs 110.61 respectively. The incidence of increase in rail freight for an average distance of 236 kms works out to Re 1/- per tonne, i.e. 0.51% of the price in the case of Grade I and 0.90% in the case of Grade II.
45	47.5	Pig Iron	The prices of basic and foundry grades of pig iron are Rs 410 and Rs 515 per tonne respectively. The increase in rail freight works out to Rs 2.50 per tonne at an average lead of 816 kms. The incidence of the increase on the prices is of the order of 0.61% for basic pig iron and 0.49% for foundry grade pig iron.
47.5	50	Chemical Manures Division 'A'—Urea	The price of a 50 kg bag of urea (45%) is Rs 45.20. The enhancement in rail freight at the average distance of 723 kms is of the order of 11.5 paise per 50 kg, i.e. 0.25 per cent of the price.
"	"	Timber	The prices of sal and shisham are about Rs 68.89 and Rs 88.57 respectively per quintal. The increase in rail freight at an average lead of 826 kms is 26 paise per quintal. The percentage increase in freight comes to 0.38 and 0.29 for sal and shisham wood respectively.
52.5	55	Food for poultry	The retail price (in Delhi) of this commodity ranges from 65 paise to 75 paise per kg. The increase in rail freight at the average lead of 643 kms works out to 0.21 paise per kg. The increase forms 0.28 to 0.32 per cent of the price.



nature made him like other men.

we made him different

**GWALIOR
SUITING**

GOOD FOR WEAR ROUND THE YEAR



Where there is Colour there is a Dye



ATUL®

Makes all the Dyes to meet the needs for each Industry.

■ TEXTILE ■ PAPER ■ JUTE
■ SILK ■ ART SILK ■ ETC.



REGD. TRADE MARK

The Atul Products Limited

P.O. Atul, Via Bulsar, Gujarat State.

Phone: Bulsar 462 Gram: TULA, Atul.

EASTERN 12 ECONOMIST

UPPER E.S. MARCH 24, 1972 VOL. 59



A New Bible for Banks
The Challenges Ahead
Planning for Power
The Bowsprit of Science Policy



I have harvested three times last year. The soil wouldn't yield any more.

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

manufacturing Rayon-grade Dissolving Pulp out of

bamboo, eucalyptus and wood

Regd. Office :
BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

MARCH 24, 1972

A New Bible for Banks	461
The Challenges Ahead	462
Planning for Power	463
STC and Industry	464
TDA's Balance-Sheet	465

The Bowsprit of Science Policy	467
—S. Sundaram	
Structure of Municipal Taxation in Haryana—Pratap Singh	469

FROM THE PRESS GALLERY	473
A Growth-Oriented Budget ?	

WINDOW ON THE WORLD	475
An Exercise in Futility.	

TRADE WINDS	476
Loan from U.K.; Overdrafts of States; Export Statistics: 1970-71; Cochin Shipyard; General Insurance; FICCI Awards; Exhibition in Nigeria; Trade with Iran; Names in the News.	

COMPANY AFFAIRS	480
Indian Copper Corporation; Ceat Tyres; Associated Bearing; Pfizer; Kulkarni Foundries; Licences and Letters of Intent.	

RECORDS AND STATISTICS	486
Recommendations of the Banking Commission.	
State Election Results.	
Economic Survey: 1971-72.	

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7-00 or \$17-00

Airmail & Advertisement Rates on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34,
Parliament Street, New Delhi-1.

A NEW BIBLE FOR BANKS

THE REPORT of the Banking Commission, released recently to the press, reads like a long and laborious essay with a plethora of generalised recommendations designed to bring about changes in banks in keeping with the new trends set in the wake of the rapid changes in the economy and the nationalisation of 14 major banks. It may be recalled that the commission came into being when the experiment of social control of banks was being tried but the political winds started blowing at such a fantastic pace that the nationalisation of major banks was hastened without waiting for the findings of the commission. In a way, the commission was overtaken by the fast moving changes in the country and it had to start working with an altered background after the state takeover of major banks though its terms of reference remained broadly unchanged.

The suggestion of the commission that the 22 separate banks in the national sector—which is a “historical accident” — need structural reorganisation so that their number is reduced to “nine, eight or seven” merits careful consideration. In the view of the commission, the number of banks is “too large” and the banking facilities provided by them are “quite uneven as between states”. Mere reduction in the number of nationalised banks is, however, not likely to reduce regional disparities in the availability of banking services. The management of 2,000 branches by each unit with possibilities of opening 200 branches a year will need vast changes in the internal organisation of these restructured banks, especially because of the persistent complaints of less developed states that “deposits mobilised in their regions were being used by the banking system to help the economies of the more developed states.” The ghost of regional disparities will be hard to satisfy even if the suggestion of the commission regarding the appointment of a committee of national banks’ chairmen is accepted. The chairmen can at best compare notes and evolve procedures so that the working of the state-owned banks does not show marked difference. But to channel funds to areas which have hitherto been non-receptive will be a hard nut to crack. Despite the initiation of the lead bank scheme, the disparities between regions in the utilisation of bank credit have tended to grow instead of diminishing. In any case, the reorganisation of the state-owned banks into “two or three all-India banks and six other banks each specialising in developing banking services in a broad region” will need gigantic efforts at amalgamation. The process of merger of smaller private banks is not difficult and should be hastened as suggested by the commission. In fact, during the last decade, the Reserve Bank of India has through a process of persuasion as well as persecution reduced the number of scheduled banks sizeably.

Two reasons have been advanced by the commission in favour of allowing the foreign banks to operate as at present. First, their branch expansion is limited to port towns, and second, their total share in the banking business in the country is fast diminishing. Both these are valid reasons for not nationalising the foreign banks, though there are some other reasons also for this, such as the smooth running of our foreign trade through these banks and offering of opportunity to foreign traders to operate through banks of their choice. But it seems that the commission has in a round-about way laid down the rule that these banks should be allowed to open branches only in port towns. The services of foreign banks are needed in urban and industrial areas which have wide links with foreign markets and these banks should not be unnecessarily restricted in their activities. It is, of course, true that deposits of these banks have not kept pace with the general expansion of bank deposits consequent upon the agricultural revolution in the country and the setting up of a large number of branches of banks in semi-urban and rural areas.

There is a general complaint in the country that the services provided by the major banks have deteriorated after their take-over by the state. The commission has applied its mind to this problem as well and has stressed the need for creating a good climate by providing a sufficient number of enquiry counters at each branch and by reducing the waiting time through courteous and helpful service. It has recommended the adoption of the teller system for encashment of cheques and receipt of cash for credit to accounts. This system has been found useful by some banks while others can profit by their experience.

In all, the commission has made 411 recommendations some of which are trivial and not of much consequence. Its emphasis on rural areas for the spread of the banking habit is, however, justified and its suggestions in this regard will need concerted efforts for implementation.

The Challenges Ahead

PRESIDENT V.V. GIRI's address to the joint session of the two Houses of Parliament on March 13 and the economic survey for 1971-72 presented to Parliament by the union Finance Minister, Mr Y. B. Chavan, on March 15 covered almost the same ground but for the realistic assessment made by the President in regard to our ties with the USA. The disappointment in our country at the lack of sympathy displayed by the government of the USA towards the struggle of the people of Bangla Desh for their democratic rights and fundamental freedom was indeed widespread though substantial encouragement was provided by the sympathetic attitude of the American people. President Giri was justified in arriving at the conclusion that there was hope that relations between this country and the USA would continue to be based on mutual respect and understanding and would not be allowed to deteriorate further.

It was natural that President Giri's address to Parliament and the economic survey should both draw the attention of the people of this country to the need for the attainment of increased self-reliance in the coming years in view of the tendency on the part of the aid-giving countries to use financial assistance as an instrument to influence political behaviour. The splendid success achieved by this country in raising food-grains production, particularly wheat, has provided courage to the policy-makers to stop all imports under PL-480. External assistance (net) of the value of Rs 383 crores is, however, anticipated in the coming financial year and it has been a pragmatic decision, not to dispense with all foreign assistance at one stroke as suggested by some persons in this country. The larger purpose of giving a push to the economy of this country is paramount at this juncture for which purpose all possible steps need to be taken in order to accelerate the pace of industrial growth. To achieve this objective, the supply of increased raw materials, especially steel and cotton, is a dire necessity; their imports will have to be given a high priority even if it means inflating the import bill.

The economic survey has indicated that the increase in industrial production in 1971-72 at four per cent is significantly below the achievement in the earlier two years. While the Ministry of Industrial Development has recently liberalised the industrial policy and has issued more than double the number of licences in 1971-72 than in the

preceding year, yet the raw materials bottleneck has continued to operate as a major brake to increased output.

The special attention which has been given to the claims of new and medium entrepreneurs is no doubt welcome but it appears that the tempo of industrial expansion cannot be hastened without seeking the assistance of big business houses on whose expansion activities an unimaginative embargo has been put for some time. Increased attention to the small-scale sector as well as the public sector will solve only a part of the problem. Unless simultaneous progress is recorded in all sectors of industry, the cherished goal of eight to nine per cent rise in industrial production (which will have to be a little higher now in order to make up for the shortfall in the current year) cannot be attained. The economic survey has rightly emphasised the need for accelerating industrial production. Says the survey: "The recent emergency has added further urgency to the task of maximising production through greater utilisation of capacity in such industries as steel, fertilisers, machine tools, railway wagons and elsewhere."

It is indeed heartening to note that despite substantial increase in money supply — 12.5 per cent in 1971-72 over 1970-71 — consequent upon increased expenditure on refugees from Bangla Desh and the Indo-Pakistan war, the price situation has not gone out of control. The relative stability in prices has been brought about by the comfortable position on the food front but unless the supply of consumer goods — foodgrains as well as industrial products — matches demand in the coming months the price situation might get out of control in the next year.

According to the economic survey, "the prospects in regard to prices are likely to continue to be uncertain, and, therefore, it would be hazardous to resort to inordinate magnitude of deficit financing, particularly since there is also the problem of restraining the overdrafts which the state governments are currently running with the Reserve Bank of India." It is precisely for this reason that the central budget has kept the overall deficit at the modest level of Rs 375 crores which can be covered by increased yield from excise duties provided the tempo of industrial growth quickens.

Accent has to be put both on production and productivity for which industrial peace is a necessary concomitant. President Giri's call to workers to put a moratorium on strikes

and lockouts, if heeded to by the workers as well as their leaders, will certainly go a long way in reviving industrial expansion particularly in West Bengal where a special sixteen-point programme has been drawn up. The change in political climate in that problem state is expected to work as a helpful factor in promoting industrial peace and progress and the consequent increase in employment opportunities.

Now that the country has come off with flying colours through stupendous stresses and strains, it is necessary that all possible efforts should be made to put the economy back on its path of onward march as laid down in the fourth five-year Plan. Happily the Plan outlay for 1972-73 shows a sizeable increase over the preceding year though not a mean part of the outlay has been earmarked for social welfare activities which are designed to assist the underprivileged sections of society but which might not hasten the tempo of economic activity in the short run.

The poor performance of the public sector undertakings has acted as a drag on the progress of the economy. According to the economic survey, the rate of public savings was to have been raised from 1.4 per cent of national income in 1968-69 to 4.5 per cent in 1973-74 but a substantial shortfall in savings is anticipated in the period under review. The revised estimates indicate that public savings as a percentage of national income would hardly rise to 3.9 per cent in 1973-74. While the government of India has failed to manage undertakings under its control in an efficient manner, its greed to extend its empire knows no bounds. Recently the government took over the management of the Indian Copper Corporation (ICC), the only company engaged in the manufacture of copper. While the government's own pet project at Khetri (Rajasthan) has made tardy progress even though work at various levels started a decade ago, it could not resist the temptation of taking over ICC irrespective of its ability to run it in an efficient manner.

The successes achieved in 1971-72 were the direct outcome of the steps taken by this country in accelerating its development both in defence and industrial expansion since 1963. The measures taken today will pave the way for future growth provided we are clear in our minds regarding the direction that we wish to give the economy. And after having decided the pace at which we wish to move forward, we must see to it that every section of society lends its helping hand. No scheme can bear fruit where only one part of the population is allowed a free play of its capabilities while the other is tied down. Let us put all our energies to tackle the challenges which lie ahead.

Planning for Power

THE PRECARIOUSNESS of the power situation in several parts of the country, in spite of the fairly impressive progress achieved in recent years with the installation of generating capacity, clearly shows that a much bigger effort is needed in the coming years if a repetition of the recent happenings is to be avoided. Though there has been no pronounced increase in industrial production in the past year, fairly rapid implementation of rural electrification schemes and energisation of pumpsets on a large scale have resulted in accelerated growth in consumption of electricity latterly. With the states likely to lay even greater emphasis on the creation of transmission and distribution facilities and on the use of power in villages and for agricultural purposes, a serious crisis may arise in regard to the availability of power in the last year of the fourth Plan.

Already there are clear indications that unmanageable situations may have to be faced if there is interruption to power generation due to the shortage of fuel or failure of generating units. In the past few months there has been interruption to production due to the shortage of power in Haryana, Uttar Pradesh, Punjab, Rajasthan, Gujarat and even in Maharashtra. In Uttar Pradesh the output of Hindustan Aluminium has been badly affected by the paucity of electricity not to speak of the dispute between the electricity board and the company. In Punjab the operations of the Nangal Fertiliser Unit have had to be curtailed for the same reason.

In Gujarat too power cuts have been imposed. Apart from the difficulties experienced by the Dhruvan power station in getting its requirements of heavy residual oils and gas, the reduced availability of power from the Tarapore Atomic Station has had a complicating effect. Maharashtra, for its part, has had its share of woes as there has been a drop in supplies from the Nasik thermal unit, while emergency repairs to an underground tunnel in the Koyna Power House paralysed operations of industries in the state and a large number of textile units and others not engaged in continuous processing had to suspend their operations for nearly two days. The overall availability is far short of current demand in Gujarat and efforts have been made to export power from Mysore in larger quantities to southern Maharashtra so that the state electricity board in that

region could spare some part of its capacity to Gujarat.

Mysore, however, is not in a comfortable position itself, as industrial and agricultural uses of electricity have been increasing spectacularly with the coming into being of the new industrial units and improvement in power consumption for agricultural operations as well. The immediate difficulties may be overcome with a fuller use of the storage in hydel reservoirs. But in case of a failure of the south-west monsoon and also any delay in commissioning the last two sets under the Sharavathi Project, there is even the prospect of cuts being imposed in two or three states in the southern region in the summer of 1973.

Fortunately in Tamil Nadu there will be sizable addition to the capacity of the Ennore thermal station with the installation of two large sized units having a capacity of 110 m.w. each. In Andhra Pradesh also the Ramagundam and Kothagudem thermal stations will be commissioning new units. However in the absence of any additions to the capacity of Mysore or Kerala the regional requirements may exceed availability and there may have to be curtailment of industrial production if immediate steps are not taken to improve the operational efficiency of the Neyveli thermal station and pool effectively available resources.

The export of power from Neyveli can be on a much larger scale if only the raisings of lignite are increased and the difficulties now experienced in respect of mining machinery are eliminated. Some steps are being taken to overcome the disabilities in this regard and maximise generation within Tamil Nadu. These and other arrangements will be useful in augmenting supplies with existing capacity. There has however been so far no disposition to make an integrated approach to the problems of the southern region and evaluate periodically new requirements in the light of developing situations. Somehow the surpluses of Mysore and Kerala until recently gave rise to a sense of complacency and it was assumed that by the time these surpluses could be worked off, new capacity would come into being and the southern region would not be obliged to experience any rationing of power supplies.

The situation, however, has vastly changed and there is now need more

than ever for creating additional capacity in Mysore, Andhra Pradesh and Kerala. There is no prospect of any large block of power being specially generated, after the ten sets have been commissioned in Sharavathi, until the Kalinadhi project yields results in its first phase, which will be at the earliest by 1976. As there are no large thermal stations in Mysore state it is time to consider the establishment of a coal-based station in Bangalore with a capacity of at least 200 m.w. A decision in this regard should be taken without delay as thermal stations can be got ready in three or four years.

In Tamil Nadu it is already being considered how a fifth unit can be added to the Ennore station while efforts are being made to complete the Kalpakkam Atomic Power Station. As matters stand now, there is the likelihood of sizable supplies being available only from the Idikki project in Kerala and the thermal units in Tamil Nadu. The latter will perhaps be keen on using all the power from its own sources as there will be no large net addition to availability if Kerala and Mysore cannot, supply between themselves the present quota of 600 million units annually. In order to overcome immediate difficulties and improve also regional availability, the thermal schemes of Tamil Nadu may be given higher priority as the blue-prints are ready and there is no dearth of financial resources. There will also have to be a thermal station in Cochin because industrial units in Kerala, particularly the Cochin-Alwaye belt, are experiencing considerable difficulty in carrying out their operations because of violent voltage fluctuations. The same problem is reported to be experienced even in Tamil Nadu with a much higher level of generation and greater care to maintain voltage stability.

In Andhra Pradesh of course the Ramagundam and Kothagudem stations can be expanded in a big way as they have the advantage of proximity to coalmines. If between Andhra Pradesh, Tamil Nadu, Kerala and Mysore an additional capacity of 1,500 m.w. through coal-based stations could be brought into being in the next four years, the big hydel projects like Kalinadhi, Idikki and Shrisaillam can ensure continuity of supply for some years at least till the end of the fifth Plan. It will also be necessary to initiate work on the Hogenekal Project as early as possible as in the prevailing circumstances in Tamil Nadu, undue emphasis on thermal power may result in a sharp rise in working expenses.

It is only when there can regionally be self-sufficiency and a complete integration of generation and transmission

of power with a pooling of resources, that it will be possible to think of exporting surpluses to other zones. The planners probably expect that the shortfalls in Plan targets in respect of generating capacity may not have any disastrous consequences but it has been amply borne out by the operational problems of the Dhuvran, Nasik and Neyveli thermal stations that some factor or other may have an upsetting effect on calculations and it will be wrong to proceed on the assumption that power will be available in excess of 60 per cent load factor in hydel stations and 65-70 per cent load factor in coal-based stations.

Atomic units can of course give a much higher level of load factor when they are in operation but the example of Tarapore has clearly shown that

STC and Industry

THE STATE Trading Corporation of India has recently become an associate member of the Federation of Indian Chambers of Commerce & Industry. Will this step help to bring about closer co-operation between industry, trade and the STC? The role of the STC in the country's foreign trade has increased rapidly and in the coming years it is expected to play an even more significant part in diversifying exports and in arranging imports. It is all the more important therefore that the STC should, as far as possible, take industry and trade into confidence in formulating policies and implementing them.

The working of the STC in the last few years has often come in for considerable criticism. One of the major complaints has been that the corporation has not been able to arrange the import of raw materials at competitive prices and supply them to industry at the right time. When the government began to undertake canalisation of imports in a big way, it was assumed that the STC would be able to secure supplies cheaper through bulk buying. But, in many cases, industry has had to pay higher prices than under direct imports. The STC is entrusted with the canalisation of the import of over fifty items, mostly raw materials. Besides, the import of over sixty items is arranged through the STC though not formally canalised. Some of the important raw materials whose imports are said to have become costlier after canalisation are rayon grade wood pulp, caprolactum, nylon moulding powder, polypropylene moulding powder, titanium dioxide, zinc dust, dyes intermediates, aniline oil, tallow, graphite, and sodium nitrite.

The higher costs of canalisation are

many technical difficulties are yet to be got over and with shortages of components and parts and labour trouble it is imperative to have excess capacity. Otherwise shortages of power will result in such a heavy loss of production that there may be an accentuation of inflationary pressures besides causing hardship to labour due to layoffs or shutdowns. In view of the improved outlook for planning it should even be examined whether the stage has not arrived for a pooling of financial resources on a regional basis and the implementation of different schemes on the basis of priorities not only of the states concerned but also the regions as well. In any case no major project which is economical to execute should suffer due to lack of funds if thereby regional availability is considerably strengthened.

attributed to the excessive commission charged by the STC, levy of sales tax (which is not payable in the case of direct imports), the failure to buy the materials at the right time, and inability to locate the correct sources of supply. For example, it has been pointed out that in respect of sodium nitrite, the STC charges Rs 2700 per tonne which is more than 40 per cent over the c.i.f. price. Polypropylene moulding powder was recently supplied by the STC at Rs 7,575 per tonne while, according to market conditions, the price should not exceed Rs 6,790 per tonne. Consumers of newsprint have complained that the STC charges Rs 1,500 per tonne, including sales tax, for local sale from buffer stock while the reasonable price should be not more than Rs 1,400 per tonne plus sales tax. High prices apart, industry has alleged that canalisation has resulted in other difficulties such as erratic and inadequate supplies, loss of credit facilities which formerly used to be given by suppliers, delays in the receipt of documents resulting in the payments of heavy demurrage charges, and sometimes the supply of goods of inferior quality.

The STC however seems to feel that some of these allegations are baseless while others are exaggerated. But since such complaints have emanated from responsible organisations like the FICCI and the Associated Chambers of Commerce and Industry, the STC cannot entirely brush them aside. It may be that in some cases the STC is not getting proper co-operation from other government departments.

For example, in arranging the import of newsprint, the STC says that it will help to procure imports

at competitive prices and phase these supplies suitably, provided the Registrar of Newspapers can give at the commencement of each year the details about the quantities to be imported from various sources. But the Registrar is reported to have expressed his inability to provide this information at the start of the year since the quotas of newspapers have to be fixed on the basis of the consumption from time to time. In regard to the other commodities however the STC's defence of its practices does not seem quite convincing. As the raw materials whose imports have been canalised are required by industry to step up production and exports, it is essential to ensure their supplies without interruption and on the most competitive terms. The STC can do this only if it functions in close co-operation with the organised sector of industry and trade.

The STC has set up panels for various products whose imports have been canalised and it is now proposed to set up panels for exports. The FICCI has suggested the formation of a co-ordinated cell both in New Delhi and in the regions. These panels and cells will help to bring about better understanding between industry and the STC, provide the other departments of the government, especially Finance, play a more constructive role. For example, the government should make available to the STC foreign exchange adequately and promptly to enable it to book orders on a forward basis. The STC should also review its pricing policy. At present, the prices of canalised items are fixed according to the principles and margins approved by a committee of the government of India. The committee is reported to consider, while fixing prices, the losses incurred by subsidising the export items, benefits to the country's economy, and other factors. But as the pricing policy has repeatedly, and not unreasonably, come in for considerable criticism, it seems necessary to review it and make it more realistic. Canalisation can have little justification if industry and the country have to pay for imports prices much higher than before.

The role of the STC has assumed a new significance in the context of the promotion of trade with Bangla Desh. The STC is now arranging to supply to Bangla Desh various commodities under the grant of Rs 25 crores made by the government of India. It has drawn up a list of the items to be supplied on a priority basis. But is it really necessary to keep this list strictly confidential? Has not industry in India a right to know what commodities in what quantities are being supplied by India to Bangla Desh? A spokesman of the STC has said that its work in

this regard has to be done with "discretion and care". But it seems equally important not to carry caution to the other extreme and keep our industry and trade in the dark about the progress and problems in promoting our trade with Bangla Desh. Mr Robert Graham, the Dacca correspondent of the *Financial Times*, London, reported in his paper of February 29 that "large-scale smuggling has dramatically increased since December". Will not smuggling increase further if a trade agreement between India and Bangla Desh is delayed indefinitely and the normal trade channels are not given some opportunity to play their part?

The STC, it is understood, has also agreed to extend all possible assis-

TDA's Balance-Sheet

THE IMPACT of the operations of the Trade Development Authority (TDA) during its first two years on our export earnings has not been very significant. But this is not in the least surprising because two years is too short a period to judge the performance of a promotional body such as this one. In the developmental activities, however, the TDA cannot be said to have done badly.

Sceptics might argue that the TDA is trying to take undue credit for piloting through the Industrial Licensing Committee, the Capital Goods Licensing Committee and the Foreign Investment Board as many as 29 proposals for expansion or creation of export-oriented capacity in various fields, including the manufacture of automobile ancillaries, electronic equipment and components, industrial fasteners, hand tools, leather garments, ready-made garments, bicycle components, stainless steel cutlery, wooden furniture, plastic imitation jewellery, LP gas cylinders, plastic moulds and dyes, etc., for most of these scheme had originated before this body came into existence or got into stride. Yet taking into consideration the leftist pressures on the union government during the last two years, the expediting of the clearance of these proposals, which had been mooted mostly by the west European and the US manufacturers, in itself is no small achievement. Four of these projects, which are in the nature of package deals, envisage the closing down of the operations of the sponsors in the UK, the Netherlands and the USA on account of high labour costs there and restarting of the manufacturing programmes here through the transfer of the entire machinery and equipment. These deals cover the production of LT switchgears,

tance to Bangla Desh in finding export outlets to some of its products. But should the STC burden itself with the responsibility of promoting the exports of another country even if it is Bangla Desh? India's export effort itself has been quite inadequate and there is an imperative need now to develop new markets and strengthen our hold on the existing markets. The STC should concentrate its task especially in promoting the export of new items on a long-term basis and helping the private sector to export items that are difficult to sell. With the emergence of surpluses in agriculture, there seems to be much scope for diversifying our exports. The STC therefore would do well not to fritter away its energies and resources but should try its best to impart dynamism to our export drive.

super shapers, internal combustion engine parts, shock absorbers and hydraulic jacks for export to the respective countries. With an initial foreign exchange outgo of a couple of crores of rupees, the establishment of the capacities in all the above 29 cases is expected to raise our exports by about Rs 10 crores.

Keeping in view the necessity of involving the state governments in the task of stepping up exports, the TDA is establishing close contact with the state industries departments and small-scale industries corporations. It is helping in the identification of export-oriented product areas and finding out the technically competent and export-oriented manufacturing units from among the existing ones. Assistance is also provided by the TDA regarding the specific foreign buyers of the identified products as well as for the adaptation of products to suit the foreign buyers' tastes in case this is required. In pursuance of its product adaptation programme, the TDA invited a few months ago a group of the world-renowned R.H. Macy and Company experts in home furnishing. Another expert from this company in hosiery goods was here a few days ago. These visits are stated to have aroused a keen interest in Macys to look for Indian goods. In the last week of June, it is proposed to send a delegation from here to the USA for studying what adaptations would be required in Indian manufactures in the field of handicrafts (wood and metal), ladies handbags and shopping bags (leather as well as plastic), locks and padlocks and plastic components for radios and transistors and for other industrial products. A second delegation would visit the USA later this year to make the above study in regard to wo-

men's garments, knitwear of cotton, wool and synthetic fibre yarns. A product adaptation scheme has been drawn up in the field of sports goods as well. Seven selected west European buyers of sports goods are currently in this country under this project.

The star project initiated by the TDA, however, is the electronics export processing zone at Santa Cruz, Bombay. It is said to have reached the final stage; expectations are that by October, 20 to 25 export units would come up here. This zone, though a free trade one like the Kandla zone, differs from the latter in one important aspect. Unlike in the case of the Kandla zone, an attempt has been made here to identify in advance the foreign market opportunities for specific items of electronic equipment and components to be processed for export. Personalised contact with 160 companies, mostly in Japan, the USA, the UK, France and West Germany, engaged in the production, marketing, investment and technology in various aspects of electronics has already been established. As a result, nearly 76 marketing outlets, both in east Asia and the developed world, for the products of the Santa Cruz zone have been identified. About 120 applications have also been received by the TDA from the Indian companies working independently or under licence for foreign collaborators asking for allotment of factory space in the zone. Discussions with about a dozen of the sponsors of these applications have been held.

The Santa Cruz zone will not be a replica of similar zones in Formosa, South Korea, Hongkong and Singapore. Whereas these zones are mostly basically assembly centres, the Santa Cruz zone will largely produce technology-intensive electronic equipment and components. The stress will be on the manufacture of such sophisticated items as computer peripherals, video cassettes, data terminals, automobile electronics, electronic communication equipment (including transceivers, industrial electronic controls and electronic exchange equipment) rather than on the processing of mere cheap entertainment electronic goods like pocket radios. This means that the Santa Cruz project, unlike its counterparts in east Asia, will make a larger draft on higher professional electronic skills.

The above two innovations made in the case of the Santa Cruz zone are eminently judicious. While the advance identification of foreign buyers should give it a flying start, the efforts at making it technology-intensive should help in substantially adding to the value of the export products, besides providing

employment opportunities for our young electronics graduates and diploma holders. Opinions, however, are bound to differ on the TDA's expectation that the establishment of this zone would raise our export earnings from electronics from a bare \$4 million at present to as much as \$100 million in a four-year period. Despite the tight schedule followed by the TDA for the clearance of the proposals for the setting of up industrial units in this zone—one month only for all the stages of clearance through the Industrial Licensing Committee, the Foreign Investment Board and the Capital Goods Licensing Committee and another week for approval by the Monopolies Commission in the case of units falling within the purview of the Monopolies and Restrictive Trade Practices Act—the TDA's hope of achieving the above target appears to be too optimistic. Inordinate construction delays in our country are too well known to be glossed over, especially when there are quite severe shortages of construction materials. Then, acquisition of actual manufacturing skills by fresh graduates and diploma-holders is a time consuming process, particularly when high quality goods have to be produced.

Two other important aspects of TDA's operations are the short-term forecasting project initiated by it recently and the information centre it is building up. Delays in the compilation of the data about actual export performance has till lately stood in the way of expeditiously devising remedial measures. The new system adopted by the Directorate-General of Commercial Intelligence, though it has raised a controversy over the export figures of 1970-71, aims at cutting down these delays. The TDA's short-term forecasting project would further assist in the initiation of corrective steps well in time in cases where exports are hindered for one reason or the other. The information centre being built up by the TDA will be much more sophisticated than any other such centre which is there in the country at present. It will provide quick global information to exporters about export prospects, industry-wise, commodity-wise as well as country-wise.

The TDA has further undertaken an

inter-firm comparison project on the line of those organised in the UK and Australia. This project has two objectives: (i) ranking firms in terms of their efficiency; and (ii) generating information to help the managements of the participating firms to increase their functional efficiency and thus bring about an improvement in the competitive position of their products in the international market. A pilot study on the automobile ancillary industry has already been completed by the TDA under this project. Very soon it proposes to move along some other product areas.

The above shows that the TDA has indeed done quite a bit for promoting exports and the dividends in the future may be handsome at least in some fields. But one fails to understand why there should be unnecessary duplication of export promotional efforts. The Institute of Foreign Trade too is doing a good deal of work in the same direction. Could it be hoped that the spheres of the two organisations would be clearly demarcated so that duplication of energy and scarce funds is obviated? Further, will it not be proper for the TDA to look into the operations of the Kandla Free Trade Zone so that remedial measures to put this zone on a firm footing can be undertaken? The existing facilities on the creation of which a good

deal of investment has already been made, should be first made to yield results, instead of multiplying similar facilities elsewhere in the country. The TDA has proposals to start zones on the lines of the Santa Cruz Zone in West Bengal, Tamil Nadu, Haryana and Punjab. Mere multiplication of these zones will not help. What is needed is to run every zone most efficiently.

Another important point that needs to be stressed is that undue competition between the industrial units to be set up in the free trade zones and the production facilities existing elsewhere in the country for the manufacture of similar items ought to be discouraged. The larger industrial houses which can help in pushing up exports substantially should as well not be accorded any step-motherly treatment in putting up production facilities in the free trade zones just because of the socialistic overtones of the government's industrial policy. Care has also to be taken to see that in our enthusiasm to put up export-oriented industrial units through transfer of equipment here by manufacturers abroad, we do not burden our economy with obsolete machinery and production techniques which will have to be serviced by remittance of dividends on the cost of the machinery.

Eastern Economist 25 Years Ago

MARCH 28, 1947

It is a little curious that while the British Government is engaged almost on a war scale in the mobilization of its resources for raising British standards of living, the only praise that it should get for its efforts should be from outside, for the British press appears to be almost unanimously and vehemently critical of the proposals the government put forward in a white paper, euphemistically called the "Economic Survey for 1947". In a foreword so characteristic of him, the Prime Minister refers to the many problems the Labour Government had to face since its coming to power in July 1945; repair and renewal of the whole material basis of British economy: transport, shipping, housing; import of food and materials. Even before the war British industries had become outmoded in their equipment and a succession of Tory governments had failed to

make any effective or fruitful use of unemployed man-power resources in the so-called depressed areas. The Labour Government was thus faced in July 1945 with problems, serious both in their short term and long term contexts. It can now reasonably congratulate itself on the vigour with which it has pursued reconstruction during the last 19 months and the result it has achieved during this short period, while other wrecked economies have hardly emerged from their war travail. The difference is well accounted for—and here is a lesson for us by the firmness of British political institutions and the solid background of character they reflect. It is these, not mere luck, which explain the vigorous and successful building up of their whole economy from the ground to which the German Blitz had reduced it.

The Bowsprit of Science Policy

S. SUNDARAM

ON MARCH 31, 1958, Parliament first heard about a National Science Policy for India. To foster, promote and to sustain pure and applied sciences suitably, it was resolved to secure all the benefits of scientific knowledge for the Indian people. By developing their technical and scientific talents it was proposed to meet the national needs of India's education, agriculture and industry. The encouragement of individual initiative and creativity through new beginning in the sciences was also one of the objectives. Rejuvenation of the nation's economic vitality through the good work of able scientists and capable technologists was another aim.

During the last decade or so, now and then, a few scientific advisory groups met to discuss and formulate some worthwhile ideas. Early in 1970 a high level political body emerged as the Cabinet Committee on Science and Technology to decide on the programmes of applied scientific research for India's national development. A Department of Science and Technology was organised in April 1971 under the Planning Ministry, with a limited executive role.

Scientific Blueprint

In the evolutionary process of institutionalisation, the latest is the birth of a National Committee on Science and Technology. It will advise the country on the effective assembly of resources for India's economic growth and security. It will prepare and evaluate the country's future scientific blueprint integrating it with the other perspective plans for progress. It will create a base for the technological self-reliance for India's future build-up through the optimisation of indigenous potentialities. Moreover, for furthering the technologies the National Committee will also co-ordinate the work of the public and private organisations. It will update the nation with the latest technotronic developments occurring abroad, with the help of international organisations. It will monitor the technological trends in liaison with the UNESCO, UNIDO, OECD and the national academies of the advanced countries. The mechanics of technology transfer to India will also be worked out by the National Committee. Its major work will be on the applica-

tion of technology to industry, defence, communications and energy generation and distribution.

The scope of the National Committee however needs widening. Through a very effective and comprehensive organisation, it should be made fully answerable to the nation as the highest science policy maker under a separate ministry of Futurology. With different levels for planning and policy making, strategy and execution, it should be liable for the long and short-term science needs of India for enhancing her technological competence. Any functional overlapping of its work with the Department of Science and Technology and the proposed Science and Technology Division of the Planning Commission should be avoided.

Britain Leads

It was Britain that pioneered the idea of a National Science Policy. In 1947 the Advisory Council on Scientific Policy was inaugurated in the UK to encourage the use of science for national benefit. The Science Policy Foundation had set up a Science Policy Study Group under the chairmanship of Lord Avebury to make informed comment on technological and scientific matters. With 14 members—two Fellows of the Royal Society, a Queen's Counsel, a few leaders of business and industry, an expert from an eminent management consultant firm, the rest being from the government—the brains trust had been made fairly representative.

The British idea was picked up by the OECD Ministers of Science in 1963. Subsequently, in June 1970, the Ministers of Science of the European member states of UNESCO met. Their discussions have been cogently summarised and published as 'Science Policy and the European States'. Almost simultaneously appeared the Brook's report entitled 'Science, Growth and Society—a New Perspective', from OECD, Paris. It is the result of a teamwork of two years of an eminent syndicate of ten led by Harvard physicist, Harvey Brooks, who is also the Chairman of the Committee on Science and Public Policy of the National Academy of Sciences. J.B. Adams of CERN; Umberto Colombo of Montecatini Edison, Michel Crozier,

CNRS, France; Carl Kaysen of the Institute of Advanced Study, Princeton; Alexander King, OFCD; Thorkil Christensen, Institute for Development Research, Copenhagen; Saburo Okita, Japanese Research Centre; Jacques Spaey, Planning Department of Science Policy, Belgium and C.F. Von Weizsacker of the Max-Planck Institute, Germany, composed the distinguished group.

Ultimate Aim

According to the Brooks report, the policy on science should be founded on public policy instead of stopping short as a statement on the allocation of scarce resources in and for science. New social goals related to a nation's technological objectives should emanate from it. For example, India's main aim is to utilise the country's resources for the benefit of the people. Her national policy on science should aim at achieving it at any cost. Therefore the stress on industry or communications alone without any reference to public health or medical care needs balancing.

It is less than correct to assume that the country's resources can be managed by the simple application of economic models and theories tinged with some research and development here and there. Another myopic concept is that the structural transformation of the production system accompanies economic growth, and technology and science contribute to it. It is somewhat true that economic development helps the use of resources for the social needs of transport, communication, public health environment, education and entertainment. But measurement by the market alone is little guarantee that the potentials, available and created, are utilised properly in the popular interest. The accent should be on the improvement of the quality of life of the largest number through the use of the tools of science instead of enhancing the personal income growth of a limited few.

The present institutions have a predilection to plan for the future from past achievements. Preoccupation with the by-gones generates the habit of extrapolating known experience. Instead, the science policy makers should seek a reorientation for setting the future national goals and priorities with a fresh attitude and outlook, different from the beaten track. The growth of science and technology over the time span of centuries reveals that their application moves at an explosive speed bordering on the violent. An example of such

a forward thrust is man's consumption of energy.

While chairing the first International Conference on the Peaceful Uses of Atomic Energy, the late Dr Homi Bhabha said, "To illustrate let us use the letter Q to stand for the energy derived from burning some 33000 million tonnes of coal. In the eighteen and one-half centuries after Christ the total energy consumed averaged less than one-half Q per century. But by 1850, the rate had risen to one Q per century. Today the rate is ten Q per century." Whether it is the use of energy distances travelled, altitudes climbed or processes invented, in the application of technology, the accelerative momentum is significant. It is the consequence of science, like fire, feeding on itself proliferating more technology.

Three-Step Process

The innovative process is self-generative like the Promethean spark. It has three steps linked by a self-reinforcing cycle—the creative feasible idea, its practical application, and its diffusion through society. It is a closed loop system with the dissemination triggering a multiplier effect on more creativity. Its impact on industrialisation and economic growth is markedly reflected in the high rate of industrial production seen all around us. For instance, in the three decades following 1910, the industrialisation of France rose by a mere five per cent. But in the three quinquennia after 1948, the growth increase was 200 per cent. Even in developing countries such as India, an annual growth rate from five to eight per cent is not uncommon in some industries. For the forward nations such as the US and Japan, it is much higher.

Technological development therefore should be planned and fitted for a growth-oriented expansive future framework. Based on this hypothesis and the national circumstances, a national science policy could be either a single centralised monolithic aggregate or a totality of sectoral policies. With relatively stable social goals for a developing economy, the latter could be more effective. The control of technology is the biggest challenge for a nation. But it can become socially disadvantageous if the snowballing of technological applications over long durations occurs without relevance to the balanced assessment of a country's social, cultural and economic objectives.

To leave the management and control of the sciences entirely to the scientists and technologists is as risky

as letting politics totally to the politicians. The definition of a national science policy reflects a desire to locate a common ground in science where the organisation of the technologies will harmonise with the other sociological and human goals. It is also the tryst for peace to be founded through mutual respect, co-operation and understanding among nations. As an instrument of growth for human welfare science policy should be formulated on the active and sustained co-operation of everyone from the responsible politician to the crack researcher.

Developed Nations' Responsibility

Here the developed countries do have a special responsibility to the developing nations. Their advanced technologies are the consequences of their needs, designed with their unlimited capital, entrepreneurial and managerial skills and limited labour. Attempting to transplant them into the underdeveloped lands under inefficient and ineffective operating conditions is a disservice. Based on a continuity with the past, aiding the enrichment of the existing foundations, skills, knowledge and techniques is the true 'Peace Corps' approach.

The highly sophisticated capital intensive technologies cause concentration in a few isolated areas, starving many other vital economic fields of capital. Especially with scarce capital it aggravates the dualism characteristic of the developing societies. It sharpens the contrast in living standards, outlook and opportunities between the modern and the traditional. It also cramps further growth of the sciences in the developing countries. Moreover, without the proper environmental preparation and training the blanket application of modern advanced technologies can cause sociological changes which can be traumatic.

By and large the trend among the developed nations is to shower the poorer nations with bits of patronage. Palming off obsolete and worn-out technologies to the underdeveloped areas is also not unknown. The absence of proper accounting systems for accurate cost analysis for judging the economics of proposed technologies has been an insidious salesmanship for equipments and knowhow not suited to the developing countries. Such sad examples have been the common experience during technology transfer.

While the science policy makers of India realise such pitfalls when seeking foreign knowhow, they also know that import of technology is vital for our economic development. Including the most advanced, no country can be

ahead in all branches of science and technology. Imported techniques should be improved further by independent research. Total 'parasitism' in technical knowledge is as inefficient as technological 'autarky', and neither is practical policy.

Two examples of a country and a firm, may illustrate this point. Japan has been more successful than any other country in maximising on imported foreign technology. Yet the Japanese are highly progressive in company-financed industrial research also. They have become very aggressive competitors for world markets due to their advanced design and product innovation instead of lower costs and prices. The second example is America's Du Pont. Of the 25 major products and processes, which totalled half the company's annual sales in 1948, only 10 were from its own laboratories.

Part of the Whole

Research policy is only a part of the total science policy of a nation concerned with the orientation of technological progress. The location of new goals not only for technological but also social and institutional innovation should be the objective. The adaptation of work style to the psychological needs of individuals should be the tenor of future science policies. They should not be limited to the mere supply of, or demand for research but must dominate all areas of progress. While formulating a science policy, therefore, the social sciences should also have a place equal to the engineering and the natural sciences.

Such a refreshing perspective has been envisioned by a non-political and unofficial body like the Club of Rome born in April 1968. Sponsored by the Agnelli Foundation at the Academy of Science in Rome, the Club brainstorms on the problems of world society through a new system-wide planning approach. Founded by Olivetti's Avrelino Peccei, this invisible college of eminent intellectuals aims at action through research and the formulation of international policy guidelines and organisational patterns for science.

Similarly at the Massachusetts Institute of Technology, Jay W. Forrester is working on a simulation model with world population, capital investment, food production, natural resources and pollution as variables. The object is to study the dynamics of world situation and to state and solve problems of securing global equilibrium

through new insights and fresh perspectives.

The national science policy for India or any other developing country should cease being considered merely as an allocative and organisational problem of resources. It should be more a symphony of value choices

Structure of Municipal Taxation in Haryana

PRATAP SINGH

THE MAIN sources of revenue of municipalities may be grouped into: (a) tax revenue, (b) non-tax revenue. Tax revenues include: octroi, house tax, service taxes, vehicle and animal tax, toll tax and miscellaneous taxes. Non-tax revenues include: fees, fines, rents of municipal properties, revenue from commercial undertakings and contributions and grants from government. Apart from these revenue sources, special items such as loans, realisation of sinking funds, sale proceeds of securities and advances and deposits also feature in municipal finances.

The outstanding feature of all the 60 municipalities in Haryana is that their finances are mainly derived from tax revenues. Non-tax revenues do not make any significant contribution to the municipal finances. The figures in the table below indicate the percentage components of the total revenue in the form of tax and non-tax revenue. (Non-tax revenue is exclusive of loans, sale proceeds of securities, realisation of sinking funds and advances and deposits):

Year	Tax	Non-tax
	(As percentage of total revenue)	
1964-65	83.69	16.31
1965-66	83.26	16.74
1966-67	82.73	17.27
1967-68	81.03	18.97
1968-69	80.72	19.28

It should be clear from the table that the structure of municipal finance in Haryana is not broad-based since there is such a heavy reliance on tax sources. The municipal tax revenue appears to be relatively high not be-

The figures used in this article have been collected and compiled from: (a) Statistical Abstract of Haryana for the years 1966, 1968-69 and 1969-70, (b) Statistical Abstract of Composite Punjab, 1965, (c) District Municipal Year Books, 1968, (d) Audit and Inspection Reports of the Municipal Committees, 1968-69, (e) Offices of Municipal Committees.

integrated with a new social science discipline technically called the 'axiology of science.' In the agonising reappraisal and search for a new perspective, the scientific culture of Lord Snow should transcend the political economic civilisations of both Adam Smith and Karl Marx.

cause the incidence of municipal taxation is high—the incidence per head of population is about Rs 4.75— but because the revenue from non-tax sources is so very insignificant. The absence of any major contribution by the non-tax sources is responsible for making an otherwise low-level of tax-revenue appear to be relatively high.

The whole of tax revenue is derived mainly from five taxes namely, octroi, house tax, vehicle and animal tax, toll tax and profession tax. Service taxes are generally not levied by the municipalities in Haryana. Water tax and water rate, however, are collected by municipalities which supply protected water to the citizens.

The local bodies derive their power to levy octroi from the Constitution under item No 52 of the state list, viz., "tax on the entry of goods into local area for consumption, use or sale therein." In Haryana the municipalities can levy octroi under Section 61 (2) of

the Punjab Municipal Act, 1911 with the previous sanction of the state government. Out of all the taxes leviable by the municipalities, only octroi is found in actual practice to have been levied by all the municipalities. It brings the largest revenue yield to every individual municipality and income from octroi, in terms of actual receipts has been increasing year after year in all the municipalities. The table below shows the relative importance of octroi in the tax structure of municipal committees of Karnal district and serves to illustrate this general trend.

That the revenue position of municipal committees of Karnal district from octroi reflects the general revenue position of all the municipalities in the state is shown by the following table:

Year	Revenue from octroi	Percentage to total tax revenue
	(Rs in '000)	
1964-65	1,27.77	81.75
1965-66	1,50.60	81.90
1966-67	1,63.59	83.53
1967-68	1,82.15	82.23
1968-69	2,17.43	82.02

Thus we can say without any element of exaggeration that octroi constitutes the financial backbone of the municipalities in Haryana. This is the only tax which has kept the municipal services running in the state. In fact, even the day-to-day administration of the

INCOME FROM OCTROI OF MUNICIPALITIES IN KARNAL DISTRICT (Rs thousands)

Name of the municipal committee	Year			
	1964-65	1965-66	1966-67	1967-68
Karnal	607 (79.76)	623 (79.77)	689 (73.06)	790 (76.41)
Panipat	571 (76.72)	631 (76.06)	670 (74.94)	745 (73.11)
Kaithal	447 (80.68)	508 (81.15)	538 (82.62)	598 (80.26)
Shahbad	115 (71.60)	128 (70.72)	136 (70.10)	163 (77.62)
Thanesar	116 (79.05)	178 (78.76)	190 (76.61)	218 (79.86)
Radaur	34 (68)	34 (74.50)	39 (72.22)	47 (73.44)
Ladwa	90 (96.77)	94 (97.92)	95 (97.94)	109 (84.49)
Pundri	82	80	85	108
Pehwa	(85.42)	(73.48)	(69.76)	(77.63)
Gharaunda	83 (95.40)	93 (88.57)	95 (89.62)	123 (85.42)

Figures in brackets show the percentage of Octroi-income to total tax revenue.

municipalities is run with the help of the daily income from the octroi duty. At present octroi is levied only in some of the states in India such as Haryana, Punjab, Gujarat, Madhya Pradesh and Uttar Pradesh. If this tax has not been done away with in Haryana despite the consensus against its imposition, it is mainly because of the significant contribution it makes to the municipal tax revenue. The Punjab Local Government (Octroi) Committee (1960) observed "The municipal committees will be thrown on the verge of bankruptcy if this source of income is withdrawn."

Certain malpractices prevalent in the octroi system have, however, adversely affected the income from octroi. If these practices are eliminated, income could be much larger.

Though octroi levy is meant to be made on the spot, substantial arrears continue to exist in a number of municipalities. This is illustrated in the table below:

Municipal committee	Arrears on 1-4-69 in rupees	Percentage of collection
Jind	1255.47	48
Kalka	2393.06	38
Mandi Dabwali	1771.71	10
Ambala city	13899.00	10
Karnal	15408.65	4
Kaithal	1982.87	31
Ladwa	309.14	84
Jagadhri	4464.40	44

Besides arrears, tax evasion is another malpractice prevalent in the octroi system. Octroi duties are mostly evaded because of the inadequate and inefficient octroi collection machinery. It is difficult to make an estimate of the extent to which octroi duties are actually evaded in the municipal committees. As Professor Taylor (in his *Economics of Public Finance*, p. 553) says "It is quite impossible in the nature of things to assess the magnitude of illegal evasion". However, according to a random survey of octroi evasion (cf. *The Tribune*, March 27, 1970) it is estimated that "nearly 96 lakhs of rupees are evaded every year. The maximum evasion is in Hissar, Gurgaon, Rohtak and Ambala districts".

It is possible to further enhance revenues from octroi if stricter super-

vision of octroi levy is exercised in order to minimise cases of evasion. Moreover, proper weights and measures and other necessary facilities for easy and prompt collection of octroi duty will go a long way in minimising unintentional evasion.

House tax is the second important source of tax revenue to municipalities in Haryana. It is levied on the annual value of buildings and lands. As defined in the Punjab Municipal Act, 1911, the term 'annual value' means the gross annual rent at which such buildings or lands may reasonably be expected to be let from year to year. The Act has prescribed the maximum rate for the levy of the tax at 12 1/2 per cent of the annual value. The contribution of the tax to the total tax revenue is shown in the table below:

Year	Revenue from house tax (Rs in thousands)	Percentage to total tax revenue
1964-65	15.62	10.94
1965-66	19.47	10.53
1966-67	19.71	10.06
1967-68	25.27	11.40
1968-69	31.61	11.92

This tax on which the future of municipal finance depends, has not been fully utilized by the municipalities because of a number of factors. The existing machinery of assessment, revision and appeal has been responsible for causing much loss of revenue to the municipalities from house tax. The administrative responsibility for preparing the assessment list, hearing of objections and revision of the list has been left with the municipal committee itself. It is too much to expect that the assessment made by the politicians who have to please the voters for their success would be objective and fair. Group interest and party pressure weigh with them more than any other consideration in the preparation of assessment list. In a number of municipalities assessments are made and reduced arbitrarily for the benefit of assessee to values which sometimes are even below those declared by the assessee themselves. The municipal committee, Peri, reduced the assessment of house tax for the year 1965-66 amounting to Rs 17587.60 to Rs 11110.60 without specifying the grounds for such reduction.

(Annual Report of the Local Audit Department, Haryana, for the period from 1st November, 1966, to 31st March 1967, p.7.) In Sirsa municipality the House Tax Sub-Committee reduced the assessment of rental value even below the annual of rental value declared by the assessee themselves (audit report of the Municipal Committee, Sirsa, for the period from October, 1969 to March, 1970, para 16 a). Even if assessment is sometimes done with care and competence, its benefits are lost at the stage of appeal to the House Tax Sub-Committee consisting of elected representatives whose decisions are usually either over-sympathetic or biased.

If the municipal bodies are to ensure fair valuation of municipal properties and improve the revenue yield from the tax on lands and buildings, they should give up the practice of property valuation by their own untrained and low-paid staff and bring into being an impartial and independent central valuation agency for all local bodies within the state.

The Municipal Act has fixed the maximum rate of the tax at 12 per cent, but the actual rates charged by the municipalities fall short of this limit. Out of the 10 municipalities of Karnal district none has levied the tax at 12 1/2 per cent. The same is more or less true of the municipalities of other districts. Thus, there is a scope for increasing revenue yield from the tax by raising its maximum rate to 20 per cent and prescribing statutorily the minimum rate at 10 per cent.

Periodical Revision Required

For full utilisation of the productive capacity of the tax, periodical revision of the annual values of lands and buildings is very essential. In the absence of periodical revision of assessments properties are still being taxed at their values prevailing a decade back. The annual report of the Local Audit Department of Haryana (1967-68) pointed out that "house tax assessment was based on survey of properties conducted by the municipal committees seven or eight years back. Thus the current rental values of the buildings were not taken into consideration, while in other cases, the newly constructed buildings were not assessed for the tax."

If the assessment of the values of lands and buildings is unsatisfactory, the collection of the tax too remains far from satisfactory. The municipalities have woefully neglected the work of collection of tax. Arrears continue to accumulate till they become ir-

recoverable and have to be written off. The following table shows the position of house tax arrears in some of the municipalities:

Name of the municipal committee	Arrears on 1-4-69 (Rs)	Percentage of collection
Gharaunda	21712.17	42
Radaur	8081.09	66
Kaithal	89715.00	72
Karnal	144911.38	61
Panipat	153845.29	
Pehwa	18055.39	50
Mandi Dabwali	37947.98	46
Loharu	2839.91	10

Improvement in the machinery of tax assessment will by itself produce no tangible effects if the collection machinery is also not improved simultaneously. The executive officer in municipalities should be made accountable for collection falling below 75 per cent. In case of repeated defaults in recovery of the tax arrears, the municipal committee should be liable to be dissolved. Long-standing arrears should be realized as arrears of land revenue through the collector. In addition to these administrative processes, there should be collection drives and also a provision to disqualify a person in arrears of the municipal dues from seeking election to the local body (Report of the Rural-Urban Relationship Committee, Government of India, 1966, Vol. 1., p. 99.)

The Act permits a tax payable by the owner on vehicles other than motor vehicles, animals used for riding, draught or burden. The revenue derived by municipalities from this source is insignificant. The figures given below show the relatively low weightage of this source of revenue in the tax structure of municipalities:

Year	Revenue from vehicle & animal tax (Rs thousands)	Percentage to total tax revenue
1964-65	3.05	2.13
1965-66	3.41	1.85
1966-67	3.77	1.92
1967-68	4.00	1.80
1968-69	4.87	1.83

As is clear from the table, annual percentage contribution by the tax to the total tax revenue has throughout been less than two per cent except for the year 1964-65. This percentage contribution being nominal is, therefore, of little significance in the total tax revenue of municipalities. The reason

for such a poor yield of the tax is its non-levy by a large number of municipalities. For example, out of the seven municipal committees of Ambala district four were not levying any tax on vehicles and animals during 1965-66.

Toll tax is levied by municipal committees on laden vehicles and animals entering municipal limits at different rates prescribed by them with the previous sanction of the state government. The main idea behind the levy is to tax those vehicles and animals which use municipal road temporarily but cannot be taxed under vehicle and animal tax. Tolls do not conform to the criterion of 'ability to pay' and are assessed at a flat rate. They have been abolished in most of the states because of the severe criticism to which they are subjected. However, due to poor finances resulting from non-utilization and under-utilization of taxation powers, some municipal committees in Haryana still levy tolls. Like vehicle and animal tax, tolls are not a significant source of tax revenue of municipal committees, as is clear from the table below:

Year	Revenue from toll tax (Rs thousands)	Percentage to total tax revenue
1964-65	2.00	1.39
1965-66	3.83	2.08
1966-67	2.59	1.32
1967-68	2.35	1.06
1968-69	3.18	1.19

Practically as well as theoretically there is no justification for the levy of tolls. Also revenue from tolls is very poor. Theoretically, they violate all canons of taxation. (In these days of free rapid communication they are an unmitigated nuisance to the motorists—Prof. Gyanchand: *Local Finance in India*, Allahabad, 1947, p. 85.) They were tolerable when they were only levied on the slow moving bullock carts but with rapid expansion of fast moving vehicles they seem to be quite obsolete. Thus it is better if they are abolished. The municipal committees should be compensated for the loss of revenues by giving them a share in the receipts from Motor Vehicle Tax. The Rural-Urban Relationship Committee recommended that 25 per cent of the receipts from Motor Vehicle Tax should be allocated to the local bodies. (Report of the Rural-Urban Relationship Committee, Government of India, 1966, Vol. 1., p. 101).

Profession tax is a kind of local income-tax and is levied on every person who practises any profes-

sion or art or trade within the municipality. Profession tax has a special significance in the municipal tax structure. It is through the levy of this tax that the municipal committees can distribute the municipal tax burden equitably between the owners of immovable properties and other classes of the society.

The tax is assessed by classifying the tax-payers on the basis of income and the maximum levy on each class is fixed on a progression scale. The Municipal Act does not prescribe any statutory maximum or minimum amount leviable. However, under Article 276 of the Constitution the maximum amount that can be levied on any one person by a local authority is Rs 250 per annum. The average annual percentage contribution by this tax to the total tax revenue is very small in Haryana as indicated by the table below:

Year	Revenue from profession tax (Rs thousands)	Percentage to total tax revenue
1964-65	140	0.97
1965-66	94	0.51
1966-67	113	0.57
1967-68	96	0.43
1968-69	98	0.36

That the levy of this tax has been very uncommon in the municipalities in quite evident from the insignificant contribution made by this tax to the total tax revenue each year as shown in the table above. The tax-payer class (i.e. lawyers, medical practitioners, wine contractors, etc.) is quite influential and vocal and has always opposed the levy of this tax with the result that many municipalities have not levied it. Further, where the tax has been levied it has not been properly assessed. The estimates of the incomes of persons engaged in various trades are made by the municipal officials on the rough basis of their personal knowledge. To avoid conflict, persons are generally under-assessed and sometimes not assessed at all. [(a) In Fatehabad profession tax was not assessed on some wine contractors during the year 1966-67. (b) In Jhajjar employees of the Police and Irrigation (canal) Department were not assessed for the tax during the year 1966-67.]

As a matter of fact, profession tax is analogous to income-tax and therefore requires an equally efficient and specialized staff and collection machinery which the municipal committees do not have at pre-

sent. The collection of the tax is, therefore, very poor and arrears remain outstanding in almost every municipality which levies this tax. The non-utilisation as well as under-utilisation of the tax along with huge amounts of long-standing arrears not only result in loss of revenue to the municipalities, but also create an imbalance between the taxation of immovable properties and the other assets. For stepping up revenue from this tax, the following steps are necessary:

(i) There should be stricter supervision and control over the collection machinery. This will remove to a large extent the malpractices of under-assessment and arrears.

(ii) A proper scrutiny of holders of different professions and of their incomes should be conducted. This will reveal that some of the trades, professions, callings and occupations which are subject to licence fees may become liable to Profession Tax.

(iii) The levy of the tax should be made compulsory for all the municipal committees.

(iv) The maximum rates for the levy of this tax should also be prescribed by the Municipal Act.

(v) As recommended by the Taxation Enquiry Commission, the limit of the tax should be raised from Rs 250 to Rs 500 so as to make this tax an important source of municipal tax-revenue.

Our analysis of the available data should have made it clear how the tax structure of municipalities in Haryana is not very broad and there is a heavy reliance on octroi. The octroi contributes, on an average, about 82.29 per cent of the total tax revenue. The average annual percentage contribution by the remaining heads of taxes is quite insignificant as shown below:

LACK OF BALANCE IN TAX-STRUCTURE

Tax	Average annual percentage to total tax revenue (1964-65 to 1968-69)
Octroi	82.29
House tax	10.97
Vehicle & animal tax	1.91
Toll tax	1.41
Profession tax	0.59
Miscellaneous taxes	2.59

It is interesting to note from the

table that even among the last five heads of taxes, which may be considered as minor heads of taxes, there is lack of proper balance in their contributions to total tax revenue. Among these minor heads house tax alone contributes most of the revenue which exceeds even the total tax revenue made by the other four heads of taxes.

Lack of balance between the contributions of the various taxes to the total tax revenue is mainly due to non-utilisation and under-utilisation of taxation powers by the municipalities. In spite of their poor finances, the municipalities are reluctant to impose or increase local taxes especially direct taxes, whose incidence falls straightaway on the electorate, for fear of incurring popular odium. Invariably when a new tax is imposed or the rate of an existing tax raised, there is general dissatisfaction giving rise to popular agitation and demand for its withdrawal or reduction. This finds support in complete disregard of the merits of the tax proposed from the opponents of the party or group in power.

Failure to impose all the taxes results in loss of revenue to the municipalities and also makes them lean heavily on octroi duty as the main source of their tax-revenue, thus linking the entire strength and stability of the municipal tax revenue as a whole with the fluctuations in the contribution from

this single source of tax revenue. Further, after imposing a tax, no serious efforts are made to collect it which leads to heavy accumulation of arrears for a fairly long period. Not a single municipality in Haryana can claim to have levied all the taxes at maximum rates, nor can it show that the taxes actually levied have been efficiently or honestly collected. All this only confirms that "Indian local government is not short of opportunities for raising autonomous revenue. What appears to be wrong is a general lack of responsibility, unwillingness to raise tax rates, graft and inefficiency in collection". (Ursula Hicks: *Development from Below*, Oxford, 1961, p. 155.)

Our discussion has thus exploded the myth that the municipalities are starving because of the very meagre fiscal resources allocated to them by the state government. On the contrary, it has been found that non-utilization, under-utilization and accumulation of huge amounts of long-standing arrears (more than Rs 9 crores were lying as civic tax arrears and out of this nearly Rs 3 crores were outstanding against the government departments; *The Tribune*, March 25, 1970) are actually responsible for their poor finances. Unless the municipalities utilize their existing powers of taxation fully they can have no claim on the financial resources of the state.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy.

On sale with leading booksellers or direct from :

The Manager,
The Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

FROM THE PRESS GALLERY

A Growth-Oriented Budget?

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Monday.

THE 1972-73 union budget, presented by Mr Y.B. Chavan on Thursday last, has been generally hailed as growth-oriented. But is it really so? The main argument of those who have styled the budget as growth-oriented is that whereas the Finance Minister, by and large, has left the corporate sector untouched (except, of course, taking some steps to check evasion or avoidance of taxes), he has stepped up the next year's Plan outlay by as much as 22 per cent — from Rs 3,263 crores (this year) to Rs 3,973 crores (next year), taking the centre, the states and the union territories together.

This step-up in the Plan outlay should, indeed, help in giving some boost to the economy, as the expenditure in the public sector has, in the recent past, become a pace-setter for our overall economic growth. But the constraints of the industrial policy of the government may prove a drag on all attempts to foster development. There can be no denying the fact that additions to capacities in various vital sectors of our economy have left much to be desired in the past four or five years and unfortunately these sectors are those which require heavy investment. No doubt, the recent concession to industrial units to increase their capacities by working multiple shifts is a step aimed at removing capacity constraints. But since this facility can be enjoyed by the larger industrial houses and foreign-dominated concerns only with a separate authorisation by the government, the growth in those industries in which the major portion of production comes from these two categories of entrepreneurs, will depend on how expeditiously permission is granted to them to work multiple shifts.

Rising Price Level

It also remains to be seen how far the increase of Rs 710 crores in the next year's Plan outlay would be a step-up in the physical quantum of the Plan, as the rise in the price level since 1969-70 has already pushed up the overall cost of the fourth Plan substantially. Further, the Finance Minister has preferred to keep in obedience for the time being the incentives he has in mind for raising the tempo of industrial activity. He proposes to spell out these later this year when he would bring forth the

Taxation Amendment Bill incorporating the recommendations of the Wanchoo Committee. He just indicated in his budget speech that the provisions of the proposed amendment bill would primarily seek to promote industrialisation in the backward regions of the country. The government, Mr Chavan further pointed out, felt that "fiscal concessions for promoting industrialisation should not be general and across-the-board in character, but should relate to our social and economic objectives".

The receipts next year, on current rates of taxation, have been estimated by the Finance Minister at Rs 4,343 crores. The expenditure is anticipated at Rs 4,124 crores. There is, thus, a revenue surplus of Rs 219 crores at the current rates of taxation. The capital budget, on the other hand, shows a deficit of Rs 594 crores (receipts Rs 2,095 crores and expenditure Rs 2,689 crores). The overall deficit in the next year's budget, therefore, comes to Rs 375 crores. Additional taxation proposed by Mr Chavan will yield nearly Rs 183 crores, out of which the centre's share will be Rs 133 crores. The uncovered deficit will be considerably lower than the revised deficit of Rs 385 crores in 1971-72, but marginally higher than the original estimate of Rs 233 crores for this year.

Indirect Taxation

As could be expected, in raising additional revenue, Mr Chavan has primarily depended on indirect taxation. Direct taxes are estimated to yield an additional revenue of only Rs 16 crores — Rs 14 crores for the centre and two crores of rupees for the states. Indirect levies will yield as much as Rs 167 crores — Rs 119 crores for the centre and Rs 48 crores for the states.

In the field of direct taxation, the Finance Minister did not propose any change in the rates of income-tax as also in the surcharge on income-tax in the case of tax-payers other than companies. The winnings from state or other lotteries are to be taxed on a concessional basis. In computing incomes from such winnings, a deduction of Rs 5,000 plus 50 per cent of the balance will be allowed. There will be a deduction of tax at source at the rate of 34.5 per cent from crossword puzzles

and lotteries. Casual losses will be allowed to be set off only against the same type of income.

Payments made to contractors by the government, local authorities, statutory corporations and companies will be subject to deduction of tax at source at the rate of two per cent. Payments made, in turn, by contractors, other than individuals and Hindu undivided families, to sub-contractors will attract a deduction at the rate of one per cent.

From the beginning of the new financial year the government will pay a rate of interest of 12 per cent per annum, as against nine per cent at present, on the amount of refund the payment of which is delayed. Capital gains arising from the transfer of jewellery held for personal use will be chargeable to the capital gains tax. Dividends received from co-operative societies, at present completely exempt from income-tax, will be included in the categories of income which qualify for exemption from income tax upto Rs 3,000 in a year.

Company Taxation

The Finance Minister proposed to do away altogether with the special deduction of five per cent of profits in the case of domestic companies engaged in priority industries. The surcharge on company taxation will continue to be 2.5 per cent for the assessment year 1972-73. But on income tax payable in advance during the financial year 1972-73, the surcharge will be at the rate of five per cent.

Mr Chavan proposed a number of other changes in company taxation to prevent evasion or avoidance of taxes and to rationalise the incentives available to promote saving and investment. These include changes in relation to taxation of charitable and religious trusts in the light of recommendations made by the Wanchoo Committee. Voluntary contributions received by such institutions will qualify for exemption from income-tax only if these are applied to charitable or religious purposes or are accumulated for such purpose in the specified manner.

Investment in industrial proprietary concerns or partnership firms will now be included among assets which qualify for exemption from wealth tax up to Rs 1.5 lakhs. Contributions made towards the unit-linked-insurance plan of the Unit Trust of India will qualify for deduction in computing the taxable income of an individual in the same manner as life insurance premia and contributions to provident funds. The income from approved gratuity funds will be exempted from income-tax pro-

pectively from the assessment year 1973-74. Each income-tax payer will soon be given a distinct and permanent account number of his own.

In regard to customs duties, the Finance Minister stated that in December last, a regulatory customs duty had been imposed at the rate of 2.5 per cent ad valorem on most imported products with a higher duty of 10 per cent on a few selected items. He proposed to apply a 10 per cent ad valorem rate to all items which pay a duty of 100 per cent or more as well as to the few selected items already included in the 10 per cent list. A new rate of five per cent ad valorem will apply to all items on which a duty of 60 per cent or more but less than 100 per cent is payable. The remaining items will continue to bear the regulatory duty of 2.5 per cent. Items which were totally exempted last December will continue to be so treated.

Excise Duties

In respect of excise duties, Mr Chavan proposed to transfer to the states the entire proceeds of the regulatory duty of 15 per cent of the effective basic duty on unmanufactured tobacco which was levied in December last. This, he said, was being done by converting it into an additional excise duty which was itself being rounded upwards on different varieties. At the same time, he proposed to merge the basic and special duties on different varieties of unmanufactured tobacco and rounded off the rates upwards to make up, in part, for the loss of revenue to the centre as a result of the last December's impost on unmanufactured tobacco into an additional excise duty. A similar rationalisation was effected by Mr Chavan in regard to cigarettes.

In the field of textiles, the Finance Minister pointed out that there were four different rates of excise duty on the price of art silk fabrics per sq. metre—three per cent, 5.7 per cent, eight per cent and 10 per cent. He proposed to reduce the 5.7 per cent rate to five per cent and increase the rate of 10 per cent which this year applies to fabrics worth more than five rupees per square metre to 15 per cent.

In keeping with the principle laid down by the fifth Finance Commission, that from 1972-73 the special excise duties which had been levied in the past exclusively for the benefit of the centre should also be included in the divisible pool. Mr Chavan said that he had decided to merge the special excise duties with basic excise duties and to round off the combined rates so as to introduce a certain measure of simplicity in the rate structure. As a result, with just half a dozen exceptions, all the ad valorem rates of excise duties will fall under six different

slabs—10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent. In the case of cement, the basic duty of 20 per cent and the special duty of four per cent will, thus, now be replaced by a combined duty of 25 per cent.

Similarly, items which carry a basic duty of 15 per cent and a special duty of three per cent will now have a rate of 20 per cent. There are only four items including latex foam, sponge and tyres, for motor vehicles, which have a basic duty of 40 per cent and a special duty of eight per cent. The new combined rate for these items will be 50 per cent. In the case of coffee, the aggregate rate which works out to Rs 102 per quintal will, however, be rounded downwards to Rs 100 per quintal. Similarly, in the case of vegetable non-essential oils, the rate is proposed to be reduced from Rs 110.25 per tonne to Rs 100 per tonne.

In the case of wireless receiving sets, instead of taxing certain component parts as at present, the Finance Minister proposed to make suitable changes in the duty on wireless receiving sets in such a way that the incidence of duty would increase with the price of the set. The present exemption from duty for sets of a value not exceeding Rs 165 and manufactured by the small-scale sector, he said, would be continued.

Basic Duties Raised

In the case of a few items, however, Mr Chavan proposed to increase the basic duties to raise revenue. These include paints and varnishes, paper, steel, synthetic fabrics and aluminium. The higher rates of duty on paper, however, he said, would apply only to the more expensive varieties of paper and board. Printing and writing paper used for exercise notebooks and textbooks would not be affected. Newsprint would also continue to be exempt from duty.

In the case of rayon and synthetic fibre and yarn, the more expensive varieties of artificial synthetic fibres and yarn such as polyester fibre and yarn will bear higher duties. However, rayon filament yarn, which is a comparatively cheap item, will remain unaffected.

Mr Chavan raised the basic duty on

steel products by about 30 per cent and the regulatory duty of 50 per cent, he said, would apply to these higher basic rates. The regulatory duty of 25 per cent on aluminium and its products was similarly raised by him to 33 1/3 per cent of the basic duty.

The Finance Minister proposed to increase the duty on kerosene by Rs 59.75 per kilolitre or roughly by about 6 paise per litre. The hitherto comparatively low rate of duty on kerosene, he observed, had encouraged its adulteration with other products, particularly high speed diesel oil. Mr Chavan also sought to amend the definition of the existing tariff on compounded lubricating oils and greases to make marketable oils yield an additional revenue of five crores of rupees. He as well revised upwards the duties on asphalt, bitumen and petroleum waxes to yield an additional revenue of Rs 3.30 crores.

Taxing Agriculture

As regards taxation of the agricultural sector, Mr Chavan said that while the whole question was being examined by the K.N. Raj Committee, steps had been taken to raise additional revenue from this sector by levying a duty on tractors and fertilisers. He proposed to raise the duty on fertilisers from 10 per cent to 15 per cent and imposed a 10 per cent levy on power-driven pumps designed primarily for handling water.

Mr Chavan further proposed some changes in the rates of excise duties on such items as synthetic organic dyestuffs and optical bleaching agents, aerated waters with blended concentrates and pistons.

The additional taxation measures adopted by the Finance Minister in two instalments in 1971 after the regular budget proposals are to continue. These are expected to yield next year nearly Rs 70 crores.

A few concessions were announced by Mr Chavan in the excise levies. These were by way of providing incentives for the use of minor oils in the manufacture of soap. In the case of some items, the exemption for duty-free clearances was raised from Rs 50,000 to one lakh of rupees.

INDIA-EAST ASIA SPECIAL NUMBER

EASTERN ECONOMIST has presented in this Special Number, published on February 25, 1972, an Economic Survey on Japan, Hong Kong, Singapore and Malaysia with special reference to India's economic relations with these countries. This Special Number is priced at Rs 10 per copy.

On sale with leading book sellers or direct from:

The Manager,
The Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.

WINDOW ON THE WORLD

An Exercise in Futility

E. B. BROOK

VIENNA.

TWO MAJOR efforts were made in west Europe early this month that were in some ways contradictory in intent and possible in effect. The Common Market finance ministers' meeting in Brussels agreed in principle to create an independent monetary reserve and to narrow exchange bank margins between the Market members' currencies to 2.25 per cent, half as much as the margins allowed against the US dollar. The effect of this proposition, if it is finally accepted — its target date is July — would be to reduce the importance of the American currency as the pillar of the international monetary system.

Almost at the same time a three-day meeting was held at Versailles by chief executives of 110 of the largest commercial corporations in Europe and the USA, jointly sponsored by the Common Market's Union of Industries and the US Chamber of Commerce, to discuss common problems, especially those that have for some time buffeted US-Common Market relations.

This latter meeting aimed at improving attitudes and expanding opportunities for trading between the USA and western Europe; the Market's finance ministers' effort was defensive for west Europe's currencies against the US dollar and its overseas offspring, the Eurodollar.

Business Get-Together

Of the two meetings, the Common Market's was the more definite and potentially successful. The US - west European traders' talks amounted to yet another outside big-businessmen's get-together, with the Europeans, led, as usual, by the French, speaking their minds about what they regard as US indifference to international monetary problems and the Americans doing nothing much more than saying they hoped to be able to fend off the worst of the protectionist quotas and fiscal proposals coming before the US Congress this year in the Burke-Hartke Bill. This bill also aims to trim multinational trading operations by penal tax provisions.

These American reassurances were

taken for no more than they were worth by the Europeans and the Americans' sense of failure at the Versailles discussions was revealed a few days later in Vienna where the US ambassador to the Common Market, accompanied reassuringly by the Belgian and Dutch heads of mission to the Market, assured a surprised audience that the USA did not regard the Common Market as really in any way protectionist and that any talk of sour relations between the US government and the Market's policy-makers was a fable.

Likewise, no one in the USA grudged a dollar of the money spent on support of the 310,000 US soldiers incorporated in NATO forces in west Europe — did not the projected enlarged Market have three million men under arms for largely the same purpose?

Dollar in Doldrums

Unfortunately, developments have not borne out the US ambassador's assertions for some time; neither has the course of the dollar on the European foreign exchange markets. No sooner had the Market finance ministers' plans for an independent west European monetary reserve and their hopes that this would lead to a European currency union become known than the dollar experienced the worst days it has ever seen on the exchanges, falling below the agreed intervention point in almost all west Europe's capitals. European central banks were obliged, most unwillingly, to absorb some 150 million US dollars in one day to maintain it at its minimum nominal value.

The weakness of the US dollar on the exchanges and the growing discontent of most west European governments at the inaction of the US authorities either to take fiscal measures to strengthen its currency internationally or to stem the flow of fugitive and other investment dollars from the USA into west Europe bode no good for co-operation. Nor does anyone in Europe expect any recognizable co-operation from Washington this year since President Nixon will not be sure of his re-election till mid-November, which means, with the Christmas and New Year holidays, no

prospect of remedial US action till early next year at the soonest.

President Nixon's obvious interest to develop US commercial and political relations in eastern Europe and eastern Asia does nothing to reassure the west Europeans who sense the imminent arrival of a forceful competitor in these inscrutable markets backed with an investment potential most welcome in Moscow (and perhaps eventually in Peking) but most frustrating to London, Paris and Bonn. It is significant that the London Chamber of Commerce is currently paying the Soviet Union the most unusual compliment of sending a large delegation of company chairmen and senior directors to its capital to see what business can be garnered before May Day and the US President gladden the eyes of the USSR's party leaders.

Crimping Criticism

The new Market plan to narrow the margins of its members' — and potential members' — currency exchange movements may meet with some crimping criticism and amendment before July, when it is supposed to come into operation. The British remain dauntingly sympathetic to US attitudes and non-committal about prospects of a European monetary union.

The Brussels scheme might do very well if international money exchanges were normal and calm. But they are not and are unlikely to be so. It has become very clear that December's Washington "solution" has already broken down and is only kept going by the costly fiction of "central bank intervention" by Europe to support the dollar.

The Market's new financial plan is unlikely to stand the really rough weather that is building up again in the international currency world. The present Market members themselves support the finance ministers' plan from various and, in two cases, contradictory viewpoints and according to their individual interests — certainly not from a united standpoint.

If it is true that US policy will not be clarified till after the November election, the policy of the Common Market will certainly not be visible till the projected "super-summit" that it plans to hold in October has announced its intentions from Paris. For the time being the Common Market has no truly common policy in any sector and the coming enlargement makes its achievement more complicated and contentious as the area of interests widens to a less controllable immensity.

Trade Winds

LOAN FROM U.K.

BRITAIN WILL provide £12 million (Rs 22.76 crores) as a project aid loan to India under an agreement concluded in New Delhi on March 17, 1972. The agreement was signed by Sir Terence Garvey, the British High Commissioner, and Dr I.G. Patel, Secretary in the Department of Economic Affairs, Ministry of Finance. The new loan, the UK-India Capital Investment Loan 1972, is the fourth in the series and is intended to allow the purchase by firms in India of British manufactured capital goods which may be needed to aid India's economic development. The loan is to be distributed as follows: (a) £5 1/2 million (Rs 10.43 crores) for the import of capital items by private sector firms in India; (b) £5 1/2 million (Rs 10.43 crores) for the import of capital items by public sector units in India; and (c) £1 million (Rs 1.90 crores) for imports through the National Small Industries Corporation of capital goods by firms in the small-scale sector. Previous British loans to India in the current financial year 1971-72 were as follows: (i) UK-India Debt Refinancing Loan—£7.5 million, (ii) UK-India Maintenance Loan—£27.0 million and (iii) UK-India Mixed Project Loan 2/71—£8.0 million. With the signing of the present agreement for a loan of £12 million, the British aid pledge of £54.5 million to India's economic development for the current financial year 1971-72 stands completely converted into loan agreements. This total of £54.5 million of loan agreements signed between the United Kingdom and India during 1971-72 is £10.5 million higher than the total of such agreements signed during the previous financial year. All these loans have been given on the usual soft terms of lending. Repayment is spread over a period of 25 years, including an initial grace period of seven years, and the loans are free of interest or any other service charge.

OVERDRAFTS OF STATES

The union government has been urging all states to keep their financial position under review, to contain their Plan and non-Plan expenditure within the available resources and to avoid recourse to overdrafts, stated Mr K.R. Ganesh, union Minister of Revenue and Expenditure recently. Discussions have been held recently with states

having overdrafts on the Reserve Bank. The concerned state governments have agreed to initiate suitable measures to reduce the overdrafts, including economies in non-Plan expenditure and mobilisation of additional resources. Details regarding the follow-up action that would need to be taken to prevent any further increase in the overdrafts have not yet been finalised.

OVERDRAFTS OF STATES AS ON MARCH 1, 1972

State	(Rs crores)
1. Andhra Pradesh	86.7
2. Assam	9.58
3. Bihar	34.49
4. Haryana	8.03
5. Kerala	51.14
6. Maharashtra	23.51
7. Mysore	76.32
8. Rajasthan	73.87
9. Tamil Nadu	76.44
10. West Bengal	22.23
Total	461.68

EXPORT STATISTICS: 1970-71

Mr L.N. Mishra, union Minister of Foreign Trade pointed out recently that there has been some controversy about the export figures for 1970-71. He stated that the task of collection, compilation and dissemination of export trade statistics was performed primarily by the Director-General of Commercial Intelligence & Statistics, Calcutta. These export statistics were based on the daily trade returns received from the Customs authorities at various ports. The daily trade returns were in turn compiled from the shipping bills filed by the exporters with the customs officials. The Reserve Bank of India also collected data on exports for the compilation of balance of payments statistics. The Reserve Bank data were based on the Exchange Control records. According to the DGCI&S data, India's exports, including re-exports, in 1970-71, amounted to Rs 1,535 crores. However, according to the Reserve Bank data exports in that year amounted to Rs 1,403 crores. There was a discrepancy of Rs 132 crores between the two figures. While examining the causes for this discrepancy

it had to be borne in mind that the DGCI&S data on exports and the Reserve Bank data had in the past never coincided. A statement giving both sets of figures since 1960-61 has been given below.

Mr Mishra added that a high powered committee had been appointed presided over by Dr B.S. Minhas, Member, Planning Commission, to look into the working of the office of the DGCI&S. The committee's terms of reference include an assessment of the new method for the compilation of export statistics adopted in November 1970. The committee was appointed much before the recent controversy over the figures for 1970-71, and its members include high officials from the Ministry of Finance and the Reserve Bank.

	(Rs crores)		
	DGCI&S data	RBI data	Difference of (1) and (2)
	(1)	(2)	(3)
1960-61	660.2	630.5	+29.7
1961-62	679.6	668.3	+11.3
1962-63	713.6	680.9	+32.7
1963-64	793.2	801.6	-8.4
1964-65	816.3	800.9	+15.4
1965-66	805.6	783.3	+22.3
1966-67	1156.6	1079.3	+77.3
1967-68	1198.7	1254.6	-55.9
1968-69	1357.9	1367.4	-9.5
1969-70	1413.3	1403.9	+9.4
1970-71	1535.2	1402.7	+132.5

COCHIN SHIPYARD

Talks were held recently between the representatives of the government of India and the Japanese collaborators for drawing up a training programme for Indian technicians of the Cochin Shipyards project. Welcoming the Japanese team the leader of the Indian delegation, Mr G.C. Baveja, Joint Secretary in the Ministry of Shipping and Transport, expressed the hope that the spirit of mutual co-operation prevailing between the two countries would result in complete agreement in all matters. He added that this country was trying to complete the construction of the Cochin Shipyards according to schedule by the end of 1975. With the Japanese assistance, the project would be completed successfully within the stipulated time, he pointed out. The leader of the Japanese team, Mr Seiji Sada, replied that Japan was very earnest about the Cochin Shipyards Project and was eager to complete it in time for the construction of the first ship, the keel of which might be laid in 1974. That was why the Japa-

The lowest ever fares to New York—on Pan Am's 747.

Daily from Delhi!



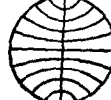
Return tickets that cost less than one-way fares!

Delhi — New York — Delhi Rs. 4125 (\$ 550)
Bombay — New York — Bombay Rs. 4125 (\$ 550)
(via Delhi both ways)
Calcutta — New York — Calcutta Rs. 4875 (\$ 650)
(via Delhi both ways)

Excursion Economy 14/120 days fare.

Call your Pan Am Travel Agent or call us.

• New Delhi: Chandralok, 36, Janpath, Tel: 43571
• Bombay: Taj Mahal Hotel, Tel: 25448, 255454
• Calcutta: 42, Chowringhee Road, Tel: 44-3251
• Madras: 8/9, Thambu Chetty Street, Tel: 29301, 23242
• Kathmandu: Hotel Soaltee-Oberoi, Tel: 11211
• Colombo (Ceylon): Kollupitiya, Tel: 73271

 **Pan Am.**

Pan Am, first with daily 747 service round the world.

English Electric— totally involved in the country's power development

Standing guard over the country's giant power installations now for over 50 years:

In every major industry in the country—steel, jute, cotton, textiles, mining, metallurgical, chemical and others—where reliability is vital, you will find ENGLISH ELECTRIC.

Earning and Saving Foreign Exchange:

By progressive indigenisation, the import content of our manufacture is steadily diminishing. In the export markets of the world such as Australia, Burma, Kuwait, Malawi, Nigeria, Thailand, Uganda and the United Arab Republic, more and more outlets are being found for Indian-made ENGLISH ELECTRIC equipment.

Internationally trained Indian Engineers setting high standards in efficiency and service:

The backbone of ENGLISH ELECTRIC is a team of internationally trained engineers whose expertise is readily available on all aspects of Power System Control and Protection.

Product Development is a successful growth story:

Pioneering in the manufacture of H.R.C. Fuses and Auxiliary and Protective Relays, the ENGLISH ELECTRIC product range has widened to include a comprehensive range of control and protection equipment, besides Signal Generators and other electronic equipment to advanced designs in the Electronics field.

ENGLISH ELECTRIC's quality means 100% safety and reliability:

ENGLISH ELECTRIC's reputation for quality and reliability is backed by unrivalled research facilities and experience gained under diverse operating conditions throughout the world.

Control and Protection are the keys to ENGLISH ELECTRIC's total involvement in India's industrialisation and power development. Pioneering manufacturing activities, planned import substitution, sustained export drive and research and product development make ENGLISH ELECTRIC what they are today—trusted for quality and performance the world over.

English Electric—playing a lead role in India's power development

THE ENGLISH ELECTRIC COMPANY OF INDIA LIMITED, MADRAS 43

ENGLISH ELECTRIC

EEPC-233A/72

nese government had agreed to provide the necessary yen credit. Mr Sada was leading a 10-member team.

Cochin Shipyard Project is to be executed with the collaboration of the Mitsubishi Heavy Industries of Japan. The has been proposed to be completed by the end of 1975. The keel of the first 61,000 tonner has been proposed to be laid in 1974. The union government has been keen to have indigenous engines fitted to the ships to be built at the yard.

GENERAL INSURANCE

The net premium income in India in all classes of general insurance business of Indian insurers, including the Life Insurance Corporation of India, increased to Rs 73.22 crores in 1969 from Rs 65.85 crores in 1968. In 1969, Rs 25.59 crores were earned from fire insurance, Rs 13.50 crores from marine insurance and Rs 34.13 crores from miscellaneous insurance business. In the case of non-Indian insurers, the net premium income in India in all classes of general insurance business showed a slight decrease — from Rs 16.92 crores in 1968 to Rs 16.71 crores in 1969. The non-Indian insurers earned in 1969 Rs 7.49 crores from fire insurance, Rs 4.18 crores from marine insurance and Rs 5.04 crores from miscellaneous insurance business. The total net premium income outside India of Indian insurers increased to Rs 33.25 crores in 1969 from Rs 30.36 crores in 1968. The index number of general insurance business in India (base year 1961) recorded a rise of 11.6 in 1969 as against an increase of 21.6 in 1968. These figures are given in the Indian Insurance Year Book, 1970, published by the Controller of Insurance, Government of India.

The report shows that on December 31, 1970, there were 112 insurers registered under the Insurance Act, 1938, for transacting one or more classes of general insurance business. Of these, 67 were Indian and 45 non-Indian. Of the Indian insurers, 28 (including the Life Insurance Corporation of India) having their registered office in Maharashtra state, accounted for about 72.7 per cent of the total net premium income. About 64 per cent of the net premium income in India of non-Indian insurers went to 37 insurers constituted in the United Kingdom.

F.I.C.C.I. AWARDS

Since 1968, the Federation of Indian Chambers of Commerce and Industry has been making awards in areas of wider social responsibility. The fields chosen for the purpose are: agriculture, export promotion, family planning, in-

dustrial relations and research in science and technology. Individuals, companies and research institutions are eligible for awards. For the year 1971 FICCI has made the following awards which are to be presented on March 25, 1972, the opening day of the Federation's Forty-fifth Annual Session, in Vigyan Bhavan, New Delhi. **Agriculture: Escorts, Limited, Delhi:** The Company established its agricultural extension and training services in 1968. The purpose of this free advisory service has been to orient the farming community to the changing concepts of production, efficiency and farm management. **Export Promotion: Tata Exports, Limited, Bombay:** Beginning in a small way in 1963-64, the exports of the company aggregated to over Rs 24 crores in 1970-71. It is now the largest export house in the country. **Industrial Relations: India Tobacco Company Ltd, Calcutta:** The company employs about 10,000 workmen in its factories, marketing branches and offices, spread over 15 different states in India. In co-operation with its employees and their unions, it has set up a fine record of industrial relations, highlighted not merely by absence of industrial strife but by the more positive criterion of effective performance. This is borne out by the fact that during the last 10 years, out of a total 28.6 million man-days available for work, a mere 20,000 or so were lost. **Research in Science and Technology: The Central Leather Research Institute, Madras.** The Indian leather industry has been basically export-oriented. It has been undergoing a slow but steady shift in its outlook with finished leather and leather goods taking on a greater share of exports. The institute has been able to evolve a number of adaptive processes for the manufacture of finished leathers such as glazed kid, chrome tanned box willo sides, suedes, etc. which have given a boost to exports.

EXHIBITION IN NIGERIA

An Indian industrial trade exhibition was inaugurated by Col. Mobolaji Johnson, Military Governor of the Lagos state, on March 2 in Lagos. The governor praised India's progress in her efforts to attain self-sufficiency in the economic field. He added that the exhibition would prove highly useful to Nigerians who are also interested in economic development plans. The exhibition covered an area of about three acres and the spacious two wing pavilion with open auditorium in the middle presents a variety of products ranging from traditional items of textiles, handicrafts to the most modern and sophisticated machine tools, diesel engines, all kinds of machinery, automobiles, motor-cycles and scooters, bicycles and sewing machines, electro-

nic equipment and even a trainer aircraft.

TRADE WITH IRAN

The visit of the high-level Indian industrial delegation to Iran led by the FICCI President, Mr. S.S. Kanoria, was the first of its kind to that country. The delegation had intensive discussions with the Iran Chamber of Commerce, Industries and Mines as well as the local organisations in Tehran, Isfahan and Shiraz. Among others, the delegation met the Prime Minister of Iran, and other high dignitaries including the Chairman of the National Iranian Oil Company, the Governor of the Central Bank of Iran, Managing Director of Plan Organisation and the Deputy Minister of Economy. The delegation was highly impressed with the economic progress of Iran which was among the countries having the highest growth rate. It was in this context that there were promising opportunities for Indian enterprise and skills both in the public and private sectors. The assessment of the delegations was that in economic matters there was considerable goodwill and desire to increase trade relations and closer industrial collaboration with India. The delegation was particularly impressed by the good impact that had been created by Indian experts and technical personnel already working in Iran and the growing need for employment of such personnel in increasing measure to meet the requirements there. The delegation was convinced that in view of the manner in which Iranian natural resources were going to be exploited, including those of copper, this country should lose no time in making special efforts to develop two-way trade and setting up of industrial ventures.

NAMES IN THE NEWS

Mr M. S. Padmanabhan, Works Manager, has been elevated to the office of General Manager of Heavy Electricals (India) Limited, Bhopal. Mr Padmanabhan has been associated with HEIL since its very inception. After a three-year training in the UK as engineer-trainee he took over in 1960 as Superintendent, Switchgear & Control-gear Division, the first product with which the production activities in the factory were initiated. Subsequently he was promoted as Assistant Works Manager and then Works Manager.

Prof. K. M. Chandy took over charge on March 14, 1972 as the Chairman of the Rubber Board from Mr. T.V. Swaminathan, IAS. He is the first non-official to be appointed chairman of the Rubber Board.

Company Affairs

INDIAN COPPER CORPORATION

AN ORDINANCE was issued on March 10, 1972, taking over the only private sector company in the field of copper production, the Indian Copper Corporation. The management of the company, which is a sterling company registered in London, has passed over to the state-owned Hindustan Copper Corporation. The company has a smelter capacity of 10,000 tonnes and had sought to expand it to 16,500 tonnes. While considering the company's proposal for expansion, the Ministry of Steel and Mines felt the necessity of taking it over into the public sector on techno-economic considerations. Hindustan Copper Corporation will act as custodians pending the acquisition of the undertaking. The owners are to be paid management compensation at the rate of Rs 75,000 per month for the period the management of the undertaking remains in government control.

CEAT TYRES

Ceat Tyres of India Ltd has earned a gross profit of Rs 3.29 crores for 1971 against Rs 1.18 crores for the previous year. Sales increased substantially to Rs 31.34 crores from Rs 17.31 crores for 1970. The working results for 1971 were not strictly comparable with those for the previous year because the company's working during 1970 was affected by the 119-day strike. Secondly, the improved performance for 1971 was partly on account of the expansion of the company's capacity. The company completed its expansion programme in May 1971 and raised its licensed capacity from 400,000 to 650,000 tyres and tubes per annum. The impact of the expansion would be reflected fully in the current year. On account of this, the company was expected to show a further improvement in its performance for the current year. The directors have provided Rs 64.70 lakhs for depreciation and Rs 32.75 lakhs for development rebate reserve. The provision for taxation was around Rs 127 lakhs leaving a net profit of Rs 104.61 lakhs. The entire net profit has been transferred to the general reserve, out of which dividend for 1971 would be paid.

ASSOCIATED BEARING

The directors of Associated Bearing Ltd proposed to step up the equity dividend to 15 per cent for 1971

from 12.5 per cent paid for the previous year. The company's working during the year has resulted in a gross profit of Rs 305.81 lakhs. The directors have provided Rs 61.66 lakhs for depreciation, leaving a pre-tax profit of Rs 244.16 lakhs. The company's net profit amounts to Rs 104.16 lakhs after providing Rs seven lakhs for development rebate reserve and Rs 133 lakhs for taxation. The net profit is transferred to the general reserve out of which the proposed dividend amounting to Rs 60 lakhs will be paid.

PFIZER

The directors of Pfizer Ltd proposed a bonus issue of equity shares in the ratio of two shares for every five shares held. The issue will be effected by capitalising a sum of Rs 1.59 crores out of the company's reserves. The company has already declared a total equity dividend of 27 per cent for the year ended November 31, 1971 against 25 per cent for the previous year.

KULKARNI FOUNDRIES

Kulkarni Foundries Ltd is offering for public subscription 50,000 equity shares of Rs 10 each and 4,000 (10 per cent) cumulative redeemable preference shares of Rs 100 each at par. The list for the fully underwritten issue will open on March 20 and close on March 29. The proceeds of the issue will be utilised for financing mainly the company's Rs 10-lakh expansion programme. The company has been producing quality castings for diesel engines, machine tools, electric motors, automobiles and compressors, as also equipment required for foundries. During the year ended September 30, 1971, its turnover had amounted to Rs 51 lakhs, its gross profit Rs 3.63 lakhs and net profit Rs 67,602. Equity dividend was passed over against six per cent paid for 1969-70.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the two weeks ended February 11, 1972. The list contains names and addresses of the licensees, articles of manufacture, types of licences — New Undertakings (NU); New Articles (NA); Substantial Expansion (SE);

Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

Non-Ferrous Industries

M/s Waldies Limited: Gillander House, Netaji Subhas Road, Calcutta-1. (Calcutta-West Bengal)—Lead Pipes, Tubes, Yarn, Wool & Sections—300 tonnes pa., (COB); M/s Union Carbide India Limited: 1, Middleton Street, Calcutta-16. (Calcutta-West Bengal)—Photo engraving zinc sheet/strips for printing—600 tonnes pa. (COB).

Electrical Equipment

M/s Geep Flashlight Industries Ltd: 28, South Road, Allahabad. (Allahabad-Uttar Pradesh)—Flashlight cases (Torches)—3.8 million pieces (Total licensed capacity will be—5.00 million Nos after expansion.) (SE); M/s Siemens India Ltd: 134-A, Dr Annie Besant Road, Worli, Bombay-18. (Bombay-Maharashtra)—1. Process Controllers with Accessories—200 Nos pa., 2. Electric Valve and Demper Drives—30 Nos pa., 3. Electric Testing equipment (Oil Testing, Meter Testing etc.)—63 Nos. per annum, 4. Electric Time Relays Blinkers—225 Nos per annum, 5. Current Transformers and Potential (Transformers L.T. only)—15,650 Nos pa., 6. Motor Protection Devices—90 Nos per annum. (COB); M/s The English Electric Co. of India Ltd, P.O. Box No 2, Pallavaram, Madras-43. (Madras-Tamil Nadu)—(Capacity inclusive of captive consumption:—A and Capacity exclusive of Captive Consumption,—B) 1. Indicating Lamps—6,684 Nos pa., A and 4,604 nos. pa. B. (2) Control Switches—3,038 Nos pa. (A) 1,52 Nos: (B) (3) Terminal Blocks—32,276 Nos pa. (A), 9,246 Nos pa.: (B) (COB); M/s Best & Co Pvt Ltd: 13/15, North Beach Road, P.O. Box No 663, Madras-1. (Madras-Tamil Nadu)—Cinema Arc Carbons—1 8 m. Nos pa. (The total licensed capacity will come to 3 million Nos after expansion.) (SE).

Industrial Machinery

M/s Mukand Iron & Steel Works Ltd: Balatur Road, Kalwa, Thana, Maharashtra. (Thana-Maharashtra)—1. Copper Converter—Rs 2 lakhs pa., 2. Rotary driers & slakers. Rs 5 lakhs pa. (COB).

Machine Tools

M/s Dagger Forst Tools Ltd: 1st Pokhran Road, Thana, Maharashtra. (Tahana-Maharashtra)—Broach Sharpening Machines—20 Nos pa. (Worth Rs 5 lakhs). (NA).

Engineering Industries

M/s Bright Brothers Pvt Ltd: 156-A, Tardeo Road, Bombay-34. (Bombay-

March 24, 1972

Maharashtra)—1. Plastics processed goods by injection moulding.—Expansion from 7792.65 Gms. per annum (30 machines —) to 19,517.57 Gms. (56 machines) 2. Plastics processed goods by extruders—Expansion from 286.3 mm. (6 machines) to 676.30 mm. per annum (12 machines). (SE).

Chemicals

M/s The Anil Starch Products Ltd: Anil Road, P.B. No 1062, Ahmedabad-2. (Ahmedabad Gujarat)—(1) Activated Carbon—100 Tonnes pa., (2) Sodium Silicate of Commercial Trade quality (as bye product)—300 tonnes pa. (COB).

Drugs and Pharmaceuticals

M/s Indian Process Chemical Laboratory: Yeshwantpur P.O. Bangalore-22. (Mysore)—I-Ephodrin—9000 kgs. pa. (NA); M/s Sarabhai M.Chemicals Ltd: Wadi Wadi, P.O. Box No 80, Baroda, Gujarat. (Gujarat)—Choline and its Salts—20 tonnes pa. (NA).

Textiles

The Delhi Cloth & General Mills Co Ltd: 606, Akash Deep, 26-A, Barakhamba Road, New Delhi-1. (Madras-Tamil Nadu)—Nylon Tyre Cord—2000 tonnes pa. (NU)

LETTERS OF INTENT

Non-Ferrous Industries

Mr D.H. Talsania: 105, Princess Street, Damodar Bldg., 2nd Floor, Bombay-2. (Ahmedabad-Gujarat)—1. Glass covered copper wires/strips—180 tonnes pa. 2. Glass covered Aluminium wires/strips—120 tonnes pa. (NU); M/s Extrusion Processes Pvt Ltd: Ram Baug, Swami Vivekananda Road, Mulund (W. Rly) Bombay-64. (Calcutta-West Bengal)—1. Aluminium Collapsible Tubes—45 million Nos pa., 2. Rigid Cans and Containers—22.5 million Nos pa. (NU).

Electrical Equipment

Mr R.K. Jhunjhunwala: Vijay Mahal, 12, Walkeshwar Road, Bombay-6. (Uttar Pradesh)—Transistors Headers (To-5 and To-18 and other similar types)—6 million Nos pa. (NU); M/s Bombay Burmah Trading Corporation Ltd: 9, Wallace Street, Fort, Bombay-1. (Maharashtra)—1. Inverters/No-break Power Supplier—250 Nos per annum 2. Voltage Control units—150 Nos pa., 3. Machine Tool Control Equipment—500 Nos per annum, 4. Electronic Starters—500 Nos per annum. (NU); Mr P. Kumar: C/o CTR Manufacturing Industries Ltd: Nagar Road, Poona-14. (Maharashtra)—(a) Polyester Capacitors—40 Lakhs pa., (b) Polycarbonate Capacitors—30 Lakhs pa., (c) Polyester Ca-

EASTERN ECONOMIST

481

pacitors—30 Lakhs Pa. (NU); M/s IBM World Trade Corporation: Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi-1. (Bombay-Maharashtra)—Key Punches Model, Model 129—200 Nos pa. (NA); M/s Hindustan Brown Boveri Ltd: Brown Boveri House, 264-265; Dr Annie Besant Road, Bombay-25-DD. (Baroda-Gujarat)—Electric Furnaces—80,000 k.w.p.a. (SE); Shri Sourendra Prasad: H-27/A, Green Park Extension, New Delhi-16. (Ghaziabad-Uttar Pradesh)—Storage batteries—1,50,000 Nos pa. (NU) M/s Bharat Electronics Ltd: P.O. Jalahalli, Bangalore. (Mysore)—Germanium Transistors and Diodes.—Expansion from 16 million Nos to 20 million Nos pa. (SE); Shri K.P. Agarwal: B-1/67, Safdarjung Enclave, New Delhi. (Delhi/Rajasthan/Uttar Pradesh)—Miniature Electrolytic Capacitors—5.0 Million Nos pa. (NU); Shri Dinesh C. Gupta, Kanu G. Ashar & others: One Centre Drive, Great Neck, N.Y. 11024 (USA). (Maharashtra/Gujarat/Mysore/Delhi)—1. Silicon Slices (Ex-pitaxial and non-expitaxial type) 0.1 million pa. 2. Integrated Circuits & Transistors (Circuits or devices)—3.0 million pa. (NA); Shri K.P. Singh: 14, Aurangzeb Road, New Delhi. (Faridabad-Haryana)—Nickel Cadmium Batteries—4,80,500 Nos pa.—(NU); M/s Export India: 185, Park Street, Calcutta-17. (Gwalior-Madhya Pradesh)—Nickel Cadmium Batteries & Cells—One Million Nos pa. (NU); M/s Kerala State Industrial Development Corporation Ltd: Post Box No 105, Trivandrum—Kerala)—Nickel Cadmium Cells—2 million Nos pa. (NU); M/s U.P. State Industrial Corporation Ltd: Post Box No 413, Kanpur. (Uttar Pradesh)—1. GLS Lamps—4.5 million Nos pa., 2. Fluorescent lamps—1.4 millions Nos pa. (NU); M/s Nippon Electronics (India) Pvt Ltd: Bull Temple Road, Post Bag No. 1905, Bangalore -19. (Mysore)—Paper & Metallised paper capacitors, —1.0 million Nos pa. (NA)

Transportation

Shri AV Reddi: Kadiyam, (East Godavri Distt.) Andhra Pradesh. (Andhra Pradesh)—Automobile Gears—3,00 Nos P.A. (NU); Shri A.N. Daing: 2, Meredith Street, Calcutta-13, (Ghaziabad-Uttar Pradesh)—Cylinder heads for automobiles—30,000 Nos pa. (NU); M/s Veras Exclusive Tools Pvt Ltd: Old Ashram, Andheri Kurla Road, Andheri, Bombay-69. (Andheri, Bombay-Maharashtra)—Pre-combustion Chambers and Protective Sleeves—3,00,000 pieces of each pa. (NA); M/s Mahta-Nihon Autocrafts: Nagarjunasagar Road, Kusum Nagar, Hyderabad-35. (Hyderabad Dist.—Andhra Pradesh)—Motor Cycles and Scooterettes (48 cc engine capacity

above)—30,000 and 50,000 Nos pa. respectively. (NU); M/s V.N. Ramachandran: Premier House, ATD Street, Race Course, Coimbatore-18. (Coimbatore-Tamil Nadu)—Dash Board Instruments—6,00,000 Nos pa. (NU); M/s Faridabad Engineering Works Pvt. Ltd: 10, Subhash Marg, Darya Ganj, Delhi-6. (Faridabad-Haryana)—Contact Sets Assembly—5,00,000 Nos pa. (NU); M/s Fritz and Singh (P) Ltd: (Delhi Unit) B-29/B, Kailash Colony, New Delhi-46. (Delhi)—Filter Assemblies and Filter Elements—75,000 and 3,00,000 Nos pa. respectively. (SE); Shri V. Kumar: C/o Shri J.M. Kapur, C-338, Defence Colony, New Delhi-3. (Haryana)—1. Condensers—12,00,000 Nos pa., 2. Distributors—60,000 Nos pa., 3. Distributor Rotors—1,20,000 Nos pa., 4. Distributors Caps—1,20,000 Nos pa. (NU); M/s Mehra Industrial Manufacturers Corporation: E-9-III, Lajpat Nagar, New Delhi 24. (Delhi)—Spur & Helical Gears, Spiral and Straight Bevel Pinions and Crown Wheels—Total Capacity of 820 Tonnes pa. (NU); Shri R.S. Kohavale: 1170/8, Revenue Colony, Shivaji Nagar, Poona-5. (Maharashtra)—1. Engine Valves 45,00,000 Nos pa., 2. Valve Guides 45,00,000 Nos pa., 3. Tappets—45,00,000 Nos pa. (NU);

Industrial Machinery

Shri Autar Singh Oberoi: No 1, Sriram Road, Delhi-6. (Chandigarh-Punjab)—1. Needle Rollers—300 million Nos pa., 2. Roller & Needle Cage Bearings—11,00,000 Nos pa., 3. Needle Bearings with Plan outer and inner rings—4,00,000 Nos pa., 4. Shell type needle bearings. —10,00,000 Nos pa. (NU); M/s Eck Haubold & Laxmi Ltd: Sir Vithaldas Chambers, 77, Nagindas Master Road, Fort, Bombay-1. (Bombay-Maharashtra)—Elastic Calender Bowls for Paper Industry—144 Nos pa. (after expansion)

Machine Tools

M/s National Machinery Manufacturers Ltd: Kalwa, Thana, Maharashtra. (Bardoa—Gujarat)—Hydraulic & Infinitely Variable Gear Boxes—600 Nos pa. (NA); Shri Yogesh T. Maneklal: Vaswani Mansion, Dinshaw Vachha Road, Bombay-20. (Vatva-Ahmedabad-Gujarat)—1. Hydraulic Vane Pumps (Constant flow), 2. Hydraulic Vane Pumps (Variable flow), 3. Hydraulic Axial Piston Pump/Motor, 4. Hydraulic Radial Piston Pump, 5. Hydraulic Intensifiers, 6. Hydraulic Cylinders, 7. Hydraulic Direct operated Solenoid Valves, 8. Hydraulic Pilot operated Solenoid Valves, 9. Hydraulic Check Valves, 10. Pilot operated Check Valves, 11. Hydraulic PRE-Fill Valves, 12. Hydraulic Direct Pressure control

Valves, 13. Hydraulic Pilot operated Pressure Control Valve, 14. Hydraulic Throttle Valves, 15. Plow Control Valves, 16. Deceleration Valves, 17. Fine Throttle Valves, 18. 3-Way Pressure Compensated Flow Control Valve, 19. Special Hydraulic Equipment for machine tool application, 20. Special Hydraulic Valve Mounting for Plastic and die-casting machines, 21. Special Hydraulic equipment for Marine application, 22. Special Hydraulic equipment for mobile application, 23. Special Hydraulic equipment for heavy machinery application, 24. Power Packs, complete 25. Hydraulic accumulators — Worth Rs One Crore pa. (NU).

Earth Moving Machinery

M/s Sayaji Iron & Engineering Company Pvt Ltd: Chaani Road, Baroda-2 (Gujarat) (Baroda-Gujarat)—Asphalt Pavers and Finishers —25 Nos pa (NA).

Chemicals

M/s Nowrosje Wadia and Sons (P) Ltd: Naville House, Ballard Estate, Bombay-1 (Bombay-Maharashtra) —Toxaphene (Technical or 100% —500 Tonnes pa (NU); Shri Basudeo Hansaria Promoter, National Chemicals Co Ltd, (Under Incorporation, N-204, Greater Kailash, New Delhi (Hissar-Haryana)—Guarum-Pulverised and Treated Varieties—Total Capacity of —7000 Tonnes pa. (NU); M/s Ena-

melled Wires Pvt Ltd: Khanna Construction House, 44-A, Gaffar Khan Road, Worli, Bombay-18 (Bombay-Maharashtra)—1 Substantial Expansion Wire enamals expansion from 120 tonnes pa to 720 tonnes pa, 2 New Articles (i) Synthetic resins like Polyesters phenolic, Amino, Maleic and Terephthalate resins—180 tonnes p.a. and (ii) Varnished for capacity of 160 tonnes pa. (SE/NA); Shree Gopal Bajoria: 1/2, Rowland Road, Calcutta-20 (Madhya Pradesh)—Betel Naphthol—2000 tonnes pa (NU); M/s Tamil Nadu Industrial Development Corporation Ltd, 150-A, Mount Road, Madras-2 (Distt) Chingleput-Tamil Nadu)—Aluminium Fluoride—3,000 tons pa (NU); Shri Suresh K. Hada: 20 Raja Santosh Road, Calcutta-27 (Haridwar/Dehradun/Uttar Pradesh)—Calcium Carbide—14,850 Tonnes pa (NU); M/s Indian Air Gases Ltd: Kishori Niwas, Birhana Road, Kanpur (UP) (Doiwala/Dehradun-Uttar Pradesh)—Calcium Carbide—14,850 tonnes pa (NU); M/s United Oxygen Co, 42, Shanti Nagar, Railway Road, Meerut City (UP) (Uttar Pradesh)—Oxygen Gas and Acetylene Gas—0.777 million cu meters and 0.17 million cu meters pa respectively (NU); M/s Haryana Oxygen and Acetylene Gas Co: C/o Bombay Premier Trading Co, 230-D, Naoroji Road, Fort, Bombay-1 (Bihallgar Distt Hissar-Haryana)—Oxygen and Acetylene gas—0.45 million cu and 0.10 million cu meters pa respectively (NU); Shri Dinesh

Kumar, C/o Munnalal Ramdayal: Chawri Bazar, Delhi-6, (Dewas or Mangalia-Madhya Pradesh)—Oxygen Gas—0.45 million cu meters pa Dissolved Acetylene Gas 0.10 million cu meters pa (NU); M/s Rajasthan Theaters, C/o, Ashoka Cinema, Udaipur, (Rajasthan) Udaipur-Rajasthan)—Oxygen Gas—0.90 million cu meters pa Acetylene Gas—0.20 million cu meters pa (NU); M/s Industrial Gases (Bihar) Ltd: P O Khijari, Vja-Namkum, Ranchi-10, Bihar. (Jamalpur/Dalmianagar-Bihar)—Oxygen Gas—0.45 million cu. Acetylene Gas—0.10 million Cu. meters (NU); Shri Ramesh Chandra: 86, Ravin'ra Nagar, Indore (MP). (Ghaziabad-Uttar Pradesh)—Oxygen Gas—0.45 million cu. meters p.a. Acetylene Gas 0.10 million Cu. meters p.a. Acetylene Gas—0.10 million cu. meters. (NU); Shri Suresh Shahra: 83, Prem Nagar, Delhi-7, (Nangal-Punjab)—Oxygen Gas—0.80 million cu. meters pa. Dissolved Acetylene Gas. —0.10 million cu. meters pa. (NU); Shri Jai Krishan Somani: 5, Park Avenue, Maharani Bagh, Ring Road, New Delhi. (Ballabgarh/Gurgaon-Haryana)—Oxygen Gas—0.72 million cu. meters pa. Acetylene Gas—0.12 million cu. meters pa. (NU); Shri Kewal Krishan Sethi: Sethi Niwas, G/285, Dofe ce-Colony, New Delhi-3. (Ghaziabad/Uttar Pradesh)—Oxygen Gas—0.45 million Cu. meters pa. Acetylene Gas—0.10 million Cu. meters pa. (NU); Shri P. Agarwala: 65, Jaladarshan, Napeansea Road, Bombay-6. (Bombay-

Try the 5-star luxury route to the Orient on KLM's 747B



Service: Royal Class



A view of Ginza: Tokyo

RECORDS AND STATISTICS

Editor: R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to:

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

Fly the difference

You'll like the KLM 747B for its added comfort and sophistication. Ten wide doors. Cabin with high ceiling and extra spacious aisles. Seats with more leg space and arm-rest room. Luggage lockers. And that inimitable personalised service that makes all the difference—on ground, off ground.

KLM's Far Eastern route takes you on Mondays and Fridays to Tokyo from Delhi via Bangkok and Manila. Hop off at Bangkok for connections to Singapore, Jakarta, Bali and Sydney. Or pick up any of the twice-weekly flights from Bombay of our pool partners, Garuda Indonesian Airways. On Wednesdays via Colombo and Kuala Lumpur to Jakarta, Bali and Sydney. On Mondays via

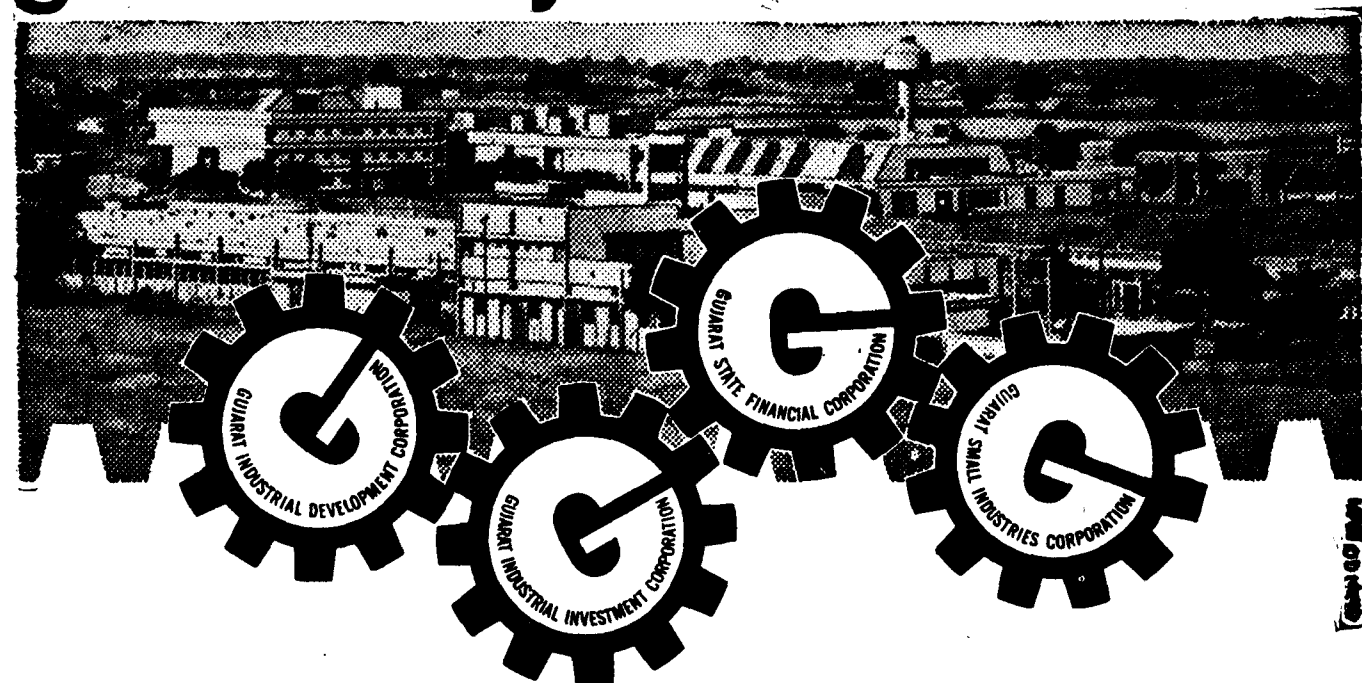
Bangkok and Singapore to Jakarta and Bali.

Avail of KLM's attractive 'Fly now, pay later' plan or of the reduced fares for students. For details, get in touch with your Travel Agent or contact the nearest KLM office or KLM's General Sales Agents in Ahmedabad, Goa, Indore and Madras.



ROYAL DUTCH AIRLINES

The wheels that gear industrial growth in Gujarat



Gujarat today reaps a new "harvest". Industrial wealth. Yes, the land that once burst with the green revolution, now dots its expanse with scores of industrial sheds, sprouting up everywhere! Fostered by the Government of Gujarat the industrial boom has seen the emergence of as many as 22,000 industrial units in Gujarat.

In fact Gujarat today has such a marvellous industrial climate abounding in ample water, power, responsive labour and developed industrial land that the eagerness of the Government's promotional measures is indeed justified.

To fulfil the promise Gujarat extends to industrial growth, the massive scope for almost every type of industry, the Government has decentralised its promotional efforts in 4 different areas: (1) Land development and infrastructure (2) Joint Investment for large industries (3) Finance for medium and small industries (4) Development of small industries. GIDC, GIIC, GSFC and GSIC. The wheels that gear industrial growth in Gujarat.

GIDC

Gujarat Industrial Development Corporation
Fadia Chambers,
Ashram Road,
Ahmedabad 9

At 50 choice locations throughout Gujarat readymade sheds and plots on deferred payment basis with facilities for water, power, road, drainage and also programmes for post office, telephone, bank, canteen, where necessary and possible housing and effluent disposal schemes.

GIIC

Gujarat Industrial Investment Corporation
Nataraj Chambers,
Ashram Road,
Ahmedabad 9

Long term loans (Rs. 20 lakhs and above) to all industries; underwrites and subscribes to capital issues; guarantees advances and participates with All-India Finance institutions and banks; operates a Technicians Scheme (upto Rs. 3 lakhs), Rural Workshop Scheme, Entrepreneurship Development Scheme.

GSFC

Gujarat State Financial Corporation
'Jaldarshan',
Ashram Road,
Ahmedabad 9

Provides loans (upto Rs. 20 lakhs) for fixed assets; soft loans for industries in backward areas; low interest loans for small scale industries; finance for manufacturing or processing industries, cold storages, mining, trucks, industrial estates, hotels; deferred payment guarantee on purchase of machineries in India, underwrites capital issues, subscribes to debentures.

GSIC

Gujarat Small Industries Corporation
Ambica Nivas,
Ashram Road,
Ahmedabad 9

Distributes raw materials to small industries; helps in procuring machinery on hire purchase; provides import assistance through bulk imports; renders marketing assistance; creates opportunities for ancillary industries.

For more information on the 4 Gujarat Corporations, post this coupon to any one of them today!

Please send me a booklet on "The wheels that gear industrial growth in Gujarat"

Name _____

Address _____

Nature of industry, proposed/existing _____

I have seen your advertisement in _____

(Name of publication) Date _____

March 24, 1972

Maharashtra)—Oxygen Gas—0.90 million cu. meters pa. Acetylene Gas — 0.20 million cu. meters pa. (NU); M/s Safety Transport Company, 11, Dar-UL-Muluk, 28, Harvey Road, Gamdevi, Bombay-7. (Bombay-Maharashtra)—Oxygen Gas —0.90 million cu. meters pa. (NU); M/s Polyolefins Industries Ltd: N-ville House, Currimbhoy Road, Ballard Estate, Bombay -IBR. (Thana-Maharashtra)—High Density Polyethylene—30,000 Tonnes pa. after expansion. (SE) M/s Inarco Limited: "Advent", 12-A, Foreshore Road, Bombay-1. (Thana-Maharashtra)—1. Synthetic Rubber Co's.—Expansion from 1,82,926 meters to 3,66,000 meters pa., 2. Synthetic Rubber Aprons, Expansion from 1,82,926 meters pa. to 3,66,000 meters pa. (SE); M/s Madhav Gopal Roy Raithurdar: Ahade Faria Road, Margoa, Goa (Goa)—Oxygen Gas —0.90 million cu. meters pa. Dissolved Acetylene Gas —0.20 million Cu. meters pa. (NU); M/s Mysore Acetate Chemical Co Ltd: Mysugar Building, Shri Jayachamaraj Wadiyar Road, Bangalore. (Mysore)—Acetate Sheeting and Film/Foil—750

Tonnes pa. (600 tonnes of Acetate Sheeting and 15) tonnes of Film/Foil). (NA).

Drugs and Pharmaceuticals

M/s Burroughs Wellcome and Co (India) Pvt Ltd: 16, Bank Street, Bombay-1. (Maharashtra)—1. Zyloric Tablets—1,75,000 Nos pa. 2. Dehydrometine Hydrochloride Injection. — 100 mg. 4,37,000 amp. pa. —60 mg —2,00,000 amp. pa. 3. Estabatal Tablets —10mg.—47,50,000 Nos pa —50 mg.—8,12,500 Nos pa., 4. Imuran Tablets —1,25,00' Nos pa. (NA).

Papers

Additional Secretary: Government of Tamil Nadu, Co-operation Department, Fort St. George, Madras-9. (Tamil Nadu)—Paper—30,000 Tonnes pa. (NU); M/s Colour Cartons Ltd: Tieceon House, Dr E. Moses Road, Bombay-11. (Bombay-Maharashtra)—Packaging Materials—38000 Tonnes pa. after expansion). (SE).

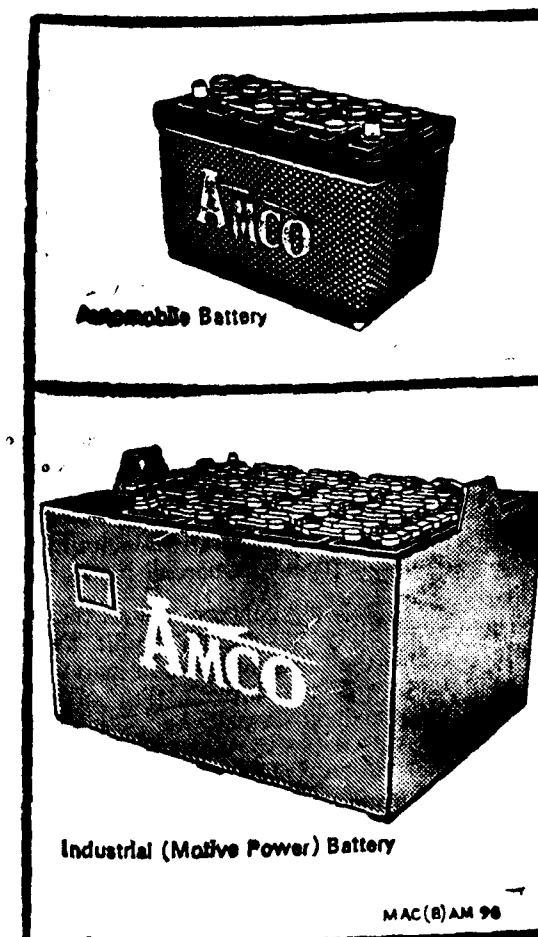
Food Processing

M/s Haryana Dairy Development

Corporation Ltd: Shop-Cum-Office Nos 6 & 7 Sector, 17- , Chandigarh. (Bhiwani-Haryana)—Sweetened Condensed Milk—2,000 Tonnes pa. (NU).

Glass

Shri M.C. Shah: L-1/3, Hauz Khas Enclave, New Delhi-16. (Faridabad-Haryana)—Glass Shells —30 million Nos pa. (NU); M/s Essar Construction & Carriers Limited: 306, Thambu Chetty Street, Madras-1. (Madras-Tamil Nadu)—Glass Bulb Shells—30 million Nos pa. (NU); Shri Vijay Kumar Agarwal, C/o, M/s Lamp & Glass Components Co Pvt Ltd, 15/1, Asaf Ali Road, New Delhi. (Madhya Pradesh/Uttar Pradesh)—Glass Shells—30 million Nos pa. (NU); M/s Sylvania & Laxman Ltd: 68/2 , Najafgarh Road, New Delhi-15. (Delhi)—Glass Shells, Expansion from 15 million Nos to 30 million Nos pa. (SE); M/s Borosil Glass Works Ltd: 44, Khanna Construction House, Maulana Abdul Gaffar Road, Worli, Bombay-18. (Bombay-Maharashtra)—Glass Shells —15 million Nos pa. (NA).



THOSE WHO WANT
THE BEST
DEPEND ON
AMCO
Power Plus BATTERIES

MANUFACTURED BY
THE PIONEERS OF INDIA'S BATTERY INDUSTRY
AMCO BATTERIES LTD.,
Unity Buildings, BANGALORE-2.

SERVICE — ENGINEERING — RESEARCH — LONG LIFE

MAC (B) AM 98

RECORDS AND STATISTICS

Recommendations of the Banking Commission

A DRASTIC restructuring of the 22 national banks, namely, the 14 banks taken over recently and its subsidiaries, has been suggested by the Banking Commission which favours the creation of two all-India banks and six or seven regional banks to ensure uniformity and improvement in services to the people.

Under this scheme branches of national banks would function at district headquarters or large towns and those of regional banks below that level.

Private commercial banks not showing good performance would be given an opportunity to reorganise themselves by merger or amalgamation within a time-bound programme. Others would not be allowed to continue.

The commission's 760-page report tabled in Parliament by the Finance Minister, Mr Y. B. Chavan, on March 17, suggests the formation of a network of rural banks through special legislation by Parliament to extend assistance to small farmers and weaker sections in rural areas more effectively. These banks would cover areas comprising 5,000 to 20,000 population but in densely-populated areas, covering a whole block.

Chit Fund Functioning

The commission has also dealt with the functioning of chit funds and suggests the enactment of All-India Chit Fund Act, if need be, by amendment of the Constitution, to protect the interest of the public.

Differentiating these "chit funds" from "nidhis", the Banking Commission wants the government to extend to them not only refinancing facilities but also tax concessions on the ground that they filled certain gaps in the credit structure.

The commission urges the banks to regularise the functioning of "indigenous bankers" solely depending on bank finance for their operations. They should be made to accept "a code of conduct" and offered advances by banks at concessional interest rates.

The commission is against encouraging new commercial banks but wants

foreign banks to be allowed to continue since their expansion programme did not come in the way of that of the national or other major banks.

Appointed in February 1969, the commission headed by Mr R. G. Saraiya, a leading industrialist has suggested liberalisation of credit facilities for the small farmers, small industries and for house construction.

In justification of its proposals for reorganisation, the commission says: "The present number of 22 separate banks in the national sector is a historical accident in the opinion of the committee, not only is the number too large but also the distribution of banking facilities provided by these banks is quite uneven as between the different states".

Obvious Answer

After examining several alternative proposals, the commission has come to the view that the creation of two or three all-India banks and five or six regional ones would be the obvious answer.

The Banking Commission has proposed the formation of a committee of national banks' chairmen which can periodically review the functioning of these banks, in addition to the statutory supervision by the Reserve Bank.

It says that the foreign banks should be allowed to continue since their branch expansion is, in any case, limited to port towns and their share in the total banking business in India is fast diminishing.

A very important function of this committee would be the supervision and control of the "lead bank" system, in its view.

The commission does not consider it necessary for the present to establish new commercial banks either as independent units or as subsidiaries of existing banks, as these would not be able to compete with branches of existing national banks and their functions could well be discharged by urban co-operative banks.

But the commission has proposed a novel scheme of creation of a network of rural banks to enable more effective deposit mobilisation and pro-

vision of short-term and medium term credit for agriculture.

It defines a rural bank as "a primary banking institution set up to serve a compact group of villages covering a population of from 5,000 to 20,000, working as a co-operative bank or a subsidiary of a commercial bank. But in sparsely populated areas, the rural bank might cover even a whole block.

While the rural bank should cater for the needs of small cultivators, other producers in need of a different type of technical help and requiring a much larger volume of loans should have access to the branch of a commercial bank.

Resources Problem

A good part of the resources of the rural banks would come from higher-level banks, co-operative or commercial, but they could borrow from commercial banks, when necessary, says the commission.

It wants a separate legislation to be enacted by Parliament to set up rural banks quickly, pending the enactment of such a legislation, appropriate amendments could be made to the co-operative laws in different states.

The commission wants an improvement of the loan system to the farmer to see that it added to his over-all income and risk-bearing ability. Problems of small farmers called for an integrated approach, combined with supervised credit, and the continuation of the present small farmer's development agency would not be an adequate answer.

The commission has endorsed the recommendations of the "export group of state enactments having a bearing on commercial banks credit to agriculture." It wants the removal of the restrictive features of the state enactments particularly those relating to rights of alienation of land or interest in favour of commercial banks. Certain facilities now available to borrowers from co-operatives should be available from commercial banks also.

Expressing concern about the non-availability of enough credit to farmers, the Banking Commission says that with the introduction of credit planning, it should be possible for the authorities to indicate the sectoral allocations. The agricultural credit board of the Reserve Bank should ensure full utilisation of the deposits of commercial banks. There is no case for the establishment of a national co-operative banks, in its view.

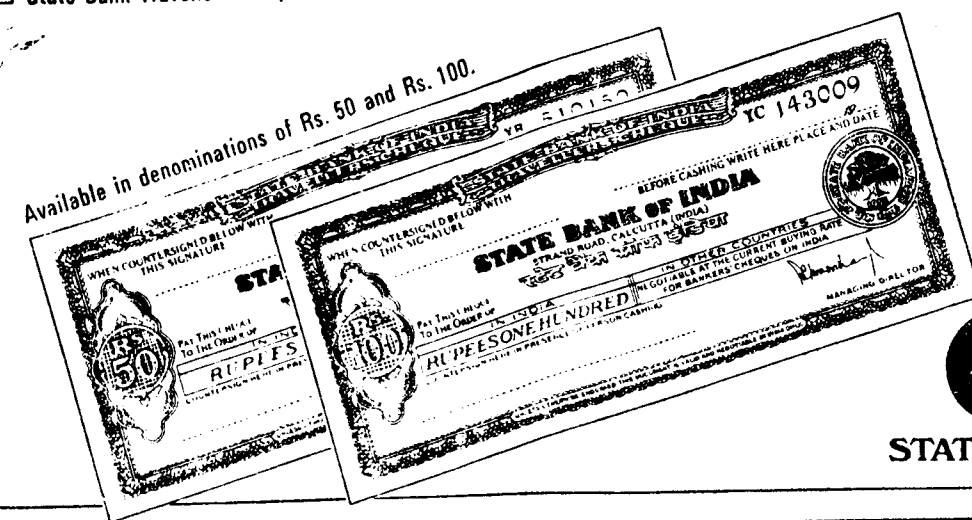
The commission finds a strong case

Use
State Bank
Travellers
Cheques
wherever
you see
this sign

WE ACCEPT
STATE BANK
TRAVELLERS
CHEQUES

Over 1,500 hotels, restaurants, stores and other establishments all over India display this sign. And of course, you can cash your State Bank Travellers Cheques at any State Bank branch anywhere in the country.

- ☐ It is a free service—you don't pay any commission for using State Bank Travellers Cheques.
- ☐ It is the safest way—without your second signature no one can cash your Travellers Cheques. Full refund can be obtained in case of loss of Cheques.
- ☐ It is a service anyone can use—you don't have to have an account with the State Bank.
- ☐ It is convenient—the Travellers Cheques are available at any branch of the State Bank and at branches of many leading banks.
- ☐ State Bank Travellers Cheques are good until used—there is no time limit on spending the Cheques.



for the Agricultural Refinance Corporation and the Agricultural Finance Corporation and feels that it would be in a better position to promote development financing by co-operative and commercial banks.

The commission wants the establishment of urban co-operative banks to be encouraged by the authorities as they could not help small-scale industries and professionals but also assist financing of house construction and repairs by the members. But ceiling should be fixed for borrowing by the members, for long-term projects and for consumption purposes.

Stressing the need for creating a good climate in the minds of the customers, the commission says that the waiting time at the counter should be minimised by providing enough inquiry counters and courteous and helpful service. To expedite transactions at the counter, a teller system should be adopted for encashment of cheques and receipt of cash for credit to accounts.

As an alternative, the first-line supervisors should be permitted to pass cheques for payment in cash up to a specified amount.

The waiting time could also be reduced by authorising the cashier to issue the counter-foil without being counter-signed by another official.

Mechanisation should be introduced by banks especially at larger branches, by adopting a phased programme. The government should ensure availability of enough machines and indigenous manufacturers should be encouraged to produce them.

More Clearing Houses

Clearing houses should be opened in areas with over 50,000 population which are served by three or four banks. The Reserve Bank should examine the opening of more clearing houses in big cities to serve suburban and other composite areas. It should consider the enlisting of non-scheduled banks and liberalisation of the clearing house rules.

In regard to advances to small borrowers, only essential information of a simple nature should be sought. This might be supplemented by a bank official by direct questioning of the applicant, where necessary.

The terms and conditions usually

prescribed by banks for advances to medium and large industry should be relaxed. The various limits allowed to them should be consolidated as multiplicity of limits caused hardships. For working capital advances to small industries, technical reports from consultancy firms or institutions should not be insisted upon as a matter of course.

For small borrowers, the banks should insist on guarantee of third parties only in case of doubts about repayment. Night safe facility should be given in banks to enable customers to deposit their daily cash collections in the bank after the banking hours.

The number of centres where banks provide intensive export finance facilities should be increased.

The Banking Commission has also suggested uniformity among the national banks in regard to forms, documents, nomenclature and audit procedure. It has suggested the constitution of a committee by the Reserve Bank to investigate the desirability of a common service agency.

For recruitment it suggests the setting up of a separate National Banking Service Commission. Even co-operative banks could utilise its services. This would ensure uniformity in standards and make for higher efficiency.

Discretionary Powers

The commission wants enough delegation of discretionary powers to branch agents of the national banks to give loans to small borrowers within a ceiling fixed for categories of borrowers. It also wants a committee of the Reserve Bank to examine the various procedures under the exchange control regulations.

The Banking Commission wants the establishment of merchant banking institutions to be encouraged, to start with, in Bombay, Calcutta, Madras and New Delhi. This should be done by commercial banks and specialised financial institutions. Their general purpose would be: syndication, financing and promotion of Indian projects and investment management and advisory services to medium and small savers and to provident funds, pension funds, etc.

It does not find the need for the creation of any export-import bank since the present machinery of provision of credit for the trade is quite adequate. There was no need to set

up a separate agency for credit to small industries.

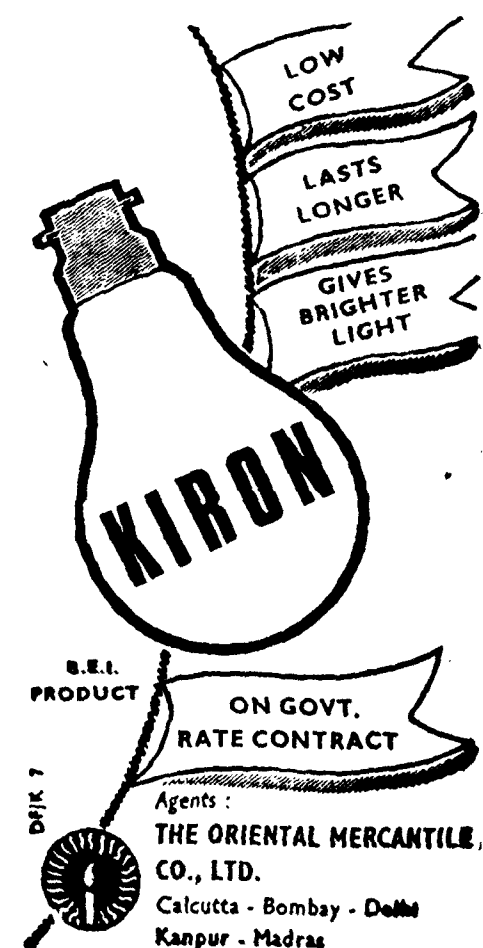
The need for codification of the practices and usages of the various types of hundis has also been stressed.

The commission has suggested re-definition of basic concepts, such as "banking", "deposit", "cheque" and also a reclassification of banks to make for greater rationalisation.

Dealing with the administrative set-up of the national banks, the commission feels that there should be a whole-time chairman and a whole-time chief executive, vested with the same or similar powers.

The commission also spells out the circumstances under which the banks might waive their secrecy clauses regarding payee's account, including during police investigations.

It also wants the government to set up commissions from time to time to review the development of banking. Banks could consider tie-up with schools, especially in rural areas, where banking facilities are slowly spreading. Large banks could sponsor chairs in colleges and universities.



State Election Results : 1967 and 1972

State, Union Territory	Number of Seats		Re- sults de- clared in	Seats won by														Others and Inde- pendents	
				Congress		Congress (O)		Swatantra		JS		CPI		CPM					
	1967	1972	1972	1967	1972	1967	1972	1967	1972	1967	1972	1967	1972	1967	1972	1967	1972		
Andhra Pradesh	287	287	287	165	219	(a)	—	29	2	3	—	11	7	9	1	70	58		
Maharashtra	270	270	270	203	222	(a)	—	—	—	4	5	10	2	1	1	52	40		
Mysore	216	216	216	126	165	(a)	24	16	—	4	—	1	3	1	—	68	24		
Gujarat	168	168	167	93	139	(a)	16	66	—	1	3	—	1	—	—	8	8		
Bihar	318	318	318	128	167	(a)	30	3	2	26	26	24	35	4	—	133	58		
Haryana	81	81	81	48	52	(a)	12	3	—	12	2	—	—	—	—	18	15		
Punjab	104	104	104	47	66	(a)	—	—	—	9	—	5	10	3	1	40	27		
Madhya Pradesh	296	296	296	167	220	(a)	—	7	—	78	48	1	3	—	—	43	25		
Rajasthan	184	184	184	89	145	(a)	1	48	11	22	8	1	4	—	—	24	15		
Assam	126	114	113	76	94	(a)	—	2	1	—	—	7	3	—	—	41	15		
West Bengal	280	280	274	127	212	(a)	2	1	—	1	—	16	33	43	14	92	13		
Jammu & Kashmir	75	75	73	61	56	(a)	—	—	—	3	3	—	—	—	—	11	14		
Himachal Pradesh	60	68	65	34	51	(a)	—	1	—	7	5	2	—	—	1	16	8		
Meghalaya	—	60	60	—	9	(a)	—	—	—	—	—	—	—	—	—	30	29		
Goa	30	30	30	—	1	(a)	—	—	—	—	—	—	—	—	—	3	2		
Delhi	61*	61*	56	17	44	(a)	2	—	—	36	5	—	3	—	—	13	40		
Manipur	30	60	58	16	17	(a)	1	—	—	—	—	1	—	—	—	—	—		
Tripura	30	60	60	27	41	(a)	—	—	—	—	—	1	1	2	16	—	2		

(a) Did not exist.

*Includes five nominated members.

RECORD GROWTH IN BANK DEPOSITS

A RISE OF 30% IN DEPOSITS IN 1971

Indicators of the all-round progress
achieved by the Syndicate Bank in 1971 :

	Deposits (In crores of rupees)	Advances	No. of Deposit Accounts	No. of Advances Accounts
1970	168	122	18,44,134	3,71,555
1971	218	152	22,19,300	4,59,379
Increase in 1971	30.5%	23.8%	20.3%	23.6%



SYNDICATE BANK
Head Office : Manipal (Mysore State)

Branches
Over : 500

K. K. PAI
Custodian

Economic Survey : 1971-72

THE UNION Minister of Finance, Mr Y.B. Chavan, presented the Economic Survey for 1971-72 to Parliament on March 13, 1972. The highlight of the review is the rather sluggish growth of the economy due to reduced expansion both in agriculture and industry. The influx of 10 million refugees from Bangla Desh and the outbreak of hostilities between India and Pakistan in December 1971 caused great strains on the resources of the country. The Survey has rightly indicated that the economy responded to both the challenges in a splendid manner. The increased expenditure on these unforeseen events was borne without much strain and both prices and balance of payments were kept under control.

Excerpts from the Survey are given below:

The year 1971-72 was one of the most difficult years India has faced since Independence. The country's resources, physical as well as fiscal, were greatly strained by developments across the border, the influx of nearly ten million refugees, and the outbreak of hostilities in December, 1971. The economy responded well to this challenge; the increased fiscal burden was fully met, the real resources required for refugee relief and defence were mobilised in time, and prices and balance of payments were kept under reasonable control.

Problems to the Fore

At the same time, the experience garnered during the year has brought to the fore a number of problems which need to be tackled if the economy is to build on its inherent strength. For this reason, the pattern of the Economic Survey this year is somewhat different from that followed in the previous years. The major developments during the year have been summarised in Section I of the Survey; the subsequent sections analyse the nature of the specific tasks awaiting the economy in the different fields. The concluding section draws attention to the basic factors affecting growth, and assesses the prospects in the immediate period.

The economy continued to grow during 1971-72, but at a pace slower than envisaged in the fourth five-Year Plan. The growth of national income in 1969-70 came to somewhat less than the Plan target of 5.5 per cent, and, in the following year, the rate achieved is estimated to be a little less than five per cent. Indications in regard to 1971-72

are that the rate of growth would be of the order of four per cent. Apart from the fact that Plan targets are not being maintained, what is more disturbing is that sectoral contributions to the growth of national income are not proceeding according to the pattern envisaged in the Plan. While the output of foodgrains has been increasing sharply — thus serving to raise the overall rate of growth of agricultural production despite uneven performance of commercial crops —, the industrial sector of the economy appears to have relapsed into a state of relative stagnation. A distinct slowing down in the growth of industrial production is discernible from about the middle of 1970, with the result that, during 1970-71, the rate of growth in the organised sector was only about 3.7 per cent as against 6.8 per cent in 1969-70. In contrast, agricultural production in 1970-71 rose by as much as 6.7 per cent. In effect, therefore, the share of agriculture and allied activities in the national income has, instead of falling, tended to rise marginally.

Notwithstanding some improvements in the last few months, industrial output in the organised sector during 1971-72 may not grow by more than four per cent. The slow rate of growth of the secondary sector, again, has had its impact on the tertiary sector, which, too, has been unable to expand at a rate beyond 4 to 5 per cent per annum in recent years. In particular, railway traffic is showing only a slight improve-

ment, thus both reflecting and confirming the current sluggish trends in industry.

Agriculture

The output of foodgrains in 1970-71 was 107.8 million tonnes; as a consequence thereof, stocks of foodgrains are at a considerably higher level than last year. In fact, soon after the *rabi* crop came into the market, procurement soared, and stocks with government at the end of July 1971 reached the peak level of 8.6 million tonnes. The *Kharif* crop has been equally satisfactory, and as at the end of December, 1971, stocks stood at 7.9 million tonnes, that is, 2.5 million tonnes higher than at the end of 1970. Certain blemishes, however, mar this generally satisfactory picture. While the production of all cereals other than jowar, has increased, the output of pulses was marginally lower than in 1969-70.

Currently there are a number of problems ancillary to the increased production of foodgrains in the country. The requirements of storage and transport have increased to such an extent that considerable strain is placed on the existing machinery. The other important aspect of increasing production of foodgrains impinges upon the monetary sector of the economy, inasmuch as the demand for funds for procurement operations has increased sharply. Thus outstanding advances against foodgrains reached the level of Rs 431 crores towards the end of July, 1971. The banking sector has, up to this time, responded in full measure to the demands placed upon it; but since the output of foodgrains during 1971-72 is expected to increase by another 4 to 5 million tonnes, the problems are

TABLE I

SELECTED ECONOMIC INDICATORS

	1967-68	1968-69	1969-70	1970-71	1971-72
	(Percentage change over previous year)				
1. National income at constant prices	9.3	2.4	5.3	4.7*	4.0**
2. Agricultural production	22.4	-1.0	7.1	6.7	3.8**
3. Foodgrains production	28.0	-1.1	5.8	8.3	4.8**
4. Industrial production	0.5	6.7	6.8	3.7	4.0**
5. Electricity generated	12.6	14.1	14.3	8.6	6.3†
6. Wholesale prices	11.6	-1.1	3.7	5.5	-3.8@
7. Money supply	9.1	8.1	10.8	11.0	-12.5@@
8. Imports	-3.4	-7.3	-17.1	2.7	18.6**
9. Exports	3.6	13.3	4.1	8.6	3.6**
10. Freight carried by railways	1.9	5.3	-2.5	-0.7	-4.6**

*Provisional. **Estimated. †April-August 1971 compared to April-August 1970. ***April-December 1971 compared to April-December 1970. @April, 1971-January, 1972 compared to April, 1970-January, 1971. @@End-January, 1972 compared to End-January, 1971.

going to multiply. Equally important is the consequence of the likely increase in the burden of food subsidy on the union government's budget.

In contrast to the significant improvement in the production of foodgrains, the progress with commercial crops leaves much to be desired. Cotton and jute suffered substantial declines in output in 1970-71, while the sugarcane crop was also lower than in the previous year. Fortunately, the output of the other major raw material, namely, oilseeds, recovered from the low level of 1968-69 and has, indeed, surpassed the peak reached in 1967-68. Even so, production is not yet able to meet fully the demand which is rising rapidly, and the hold of speculators on the market processes remains strong. A more favourable picture is presented by the plantation crops, two of which, coffee and rubber, registered record outputs; on the other hand, the production of tea is rising relatively slowly.

In 1971-72, the output of cotton is expected to rise by about 15 per cent; that of jute and mesta would also have been larger but for the floods which affected the crop in West Bengal. The production of oilseeds would be less than in 1970-71; similar is the position in regard to sugarcane, the acreage under which is reported to have declined, albeit marginally. The output of tea will be higher but only by a small margin, since increases in production and productivity cannot be envisaged without extensive replantation. What is true of tea applies generally to other commercial crops also. Although efforts continue to develop new high-yielding varieties of seeds, and some success has been achieved, as, for example, in the case of Hybrid-4 cotton, their impact is not yet significant. A great deal of leeway has to be made up here.

Industrial Production

The tempo of industrial activity has shown signs of deceleration in the more recent years. After recording an annual rate of growth of 6.4 per cent in 1968 and 7.1 per cent in 1969, the rate of increase in industrial output declined to 4.8 per cent in 1970. The decelerating trend became more pronounced in the latter half of 1970, during which period a rise of only three per cent over the level attained in the corresponding period of 1969 was recorded. According to the latest available statistics, during the first eight months of 1971 (i.e., January-August 1971), the rise in the index of industrial production was 2.0 per cent as compared to 5.5 per cent during the corresponding period of the previous year. Thus the recent rate of growth has been substantially lower than the

annual rate of industrial expansion envisaged in the fourth Plan.

The slowing down in the rate of industrial growth has been fairly pervasive. In the manufacturing sector, for example, the index for the output of consumer goods recorded an increase of 6.4 per cent in 1970 as against the rise of 10.8 per cent in 1969. This drop is explained, to a large extent, by the phenomenal fall in the rate of increase in the output of such disparate categories as sugar, textiles and radio receivers.

By and large, the performance of the sector producing intermediate inputs was better than that of the industries engaged in producing final goods of consumption. The output, for instance, was significantly higher in industries producing chemicals (8.6 per cent), paper and paper products (7.4 per cent), synthetic fibres (3.4 per cent), and non-metallic mineral products (8.0 per cent). For fertilisers, the rate of increase in 1970, at 19.8 per cent, though lower than the rate of growth of 24.3 per cent achieved in the previous year, is encouraging, since this rate of increase is over a considerably enlarged base. In contrast, the growth in the output of cement in 1970 was considerably lower. As against the growth of 14 per cent in 1969, the production of cement expanded in 1970 by only 2.4 per cent, thus widening further the gap between supply and demand.

Slackening Demand

The rate of increase in the output of petroleum products in 1970 was less than in the previous year. The decline was largely on account of a slackening in the pace of demand for refined petroleum products. More disconcerting was the fall in the output of basic metals, including iron and steel.

In the case of capital goods, however, appreciable increases in output took place in 1970. The rate of increase, as reflected by the output index for this sub-group, was 0.5 per cent in 1968, followed by a negative rate of growth of 1.2 per cent next year. In 1970, production in this sub-group moved up by 3.8 per cent over the level recorded in previous year. The production of power transformers, for instance, rose by 40.6 per cent in 1970 as against by a mere 4.6 per cent in 1969. Similarly, in the case of electric motors, the rate of increase in output went up from 8.7 per cent in 1969 to 34.5 per cent in 1970. The production of automobiles too increased substantially; so was the case with industrial machinery. On the other hand, the growth of diesel engines (stationary) continued to slow down. The rate of increase in electricity gene-

rated at 10.9 per cent, was marginally lower in 1970 than in 1969.

In a few other crucial areas too, the trend of industrial output in 1970 was disturbing. The production, for example, in mining and quarrying was only 1.1 per cent above the level attained in 1969. The production of transport equipment declined for the second successive year, and was below the output in the previous year by 2.5 per cent. In brief, textiles, iron and steel, other basic metals including metal products, non-electrical machinery, rail-road and other machinery equipment are the major industries contributing to the relatively low rate of industrial growth in 1970.

As stated earlier, the rate of increase in industrial output would appear to have slowed down even further during 1971. In the case of industries manufacturing food articles, the output has actually fallen, as against a rise of 15.9 per cent during January-August 1970.

Slow Rate of Growth

The production of leather and fur-products at one end and transport equipment at the other also indicates substantial declines (—14.0 and —10.9) per cent respectively). A considerable slowing down in the rates of growth has occurred in certain other groups too, namely, industries producing paper and paper products, non-electrical machinery, chemical and chemical products, and non-metallic mineral products. The rate of expansion of power generation has fallen from 12.3 per cent in January-August 1970 to 6.4 per cent during the corresponding period in 1971. A few industries, however, have fared better in 1971 than in 1970. For instance, the performance of the industries manufacturing footwear and wearing apparel, wood products, rubber goods, metal products, electric machinery and the basic metals was better during the first eight months of 1971 than in the corresponding period of the preceding year.

Price Situation

The average rise in the general wholesale price index during 1970-71 came to 5.5 per cent. The sharp increase—averaging approximately around 10 per cent during the year—in the price level of raw materials was principally responsible for this over-all rise, which could not be subdued by the larger availability of food-grains. The impact of the increase in the level of raw material prices was felt in the manufacturing sector, where too prices moved up by about eight per cent over the year.

The current fiscal year commenced

with two months of price stability; thereafter, between May and September, 1971, the wholesale price index recorded a rise of 5.9 per cent; even foodgrains contributed to this rise. The latter phenomenon, in so far as it relates to cereals, can be partly explained by special factors such as the drought in certain parts of Maharashtra, Mysore, Madhya Pradesh and Andhra Pradesh, and floods in parts of Uttar Pradesh, Bihar and West Bengal. There were also the after effects of the damage caused by the cyclone in Orissa; and, finally, the additional pressure of demand on account of the refugees from Bangla Desh. The natural calamities did not affect the over-all situation inasmuch as considerable stocks of foodgrains were lying with the government, but local difficulties of movement, etc., did arise, and it too time for appropriate corrective measures to be taken. Moreover, given the developments in the agrarian front in recent years, the holding power of both traders and the relatively more affluent section of the peasantry has of late risen enormously; these groups can turn into their immediate advantage any temporary difficulties in supply. As the *kharif* marketing season drew close, prices once more started declining, and the trend continued till the beginning of December.

Smaller Rise in Prices

Even though prices of foodgrains are still appreciably higher than what they were a year ago, the rise in the price index for food articles as a whole is less. On the other hand, the price index for non-food articles has behaved somewhat differently, presumably because of the pronounced stickiness in the other elements of cost despite a levelling off in the price index for raw materials.

Taking the calendar year 1971 as a whole, the average rise in general price level was 3.9 per cent over the year; in the previous year it was 6.2 per cent. At the end of January, 1972, the general wholesale price index was 4.1 per cent higher than what it was a year ago. While the situation over the year has been more or less under control, there cannot be any complacency in the matter, nor can the government afford to relent in its efforts to hold the price line. The impact of the war is yet to be fully felt in the economy, and the diversion of real resources which the conduct of the war, however brief, has implied cannot sooner or later but add to a certain strain. Monetary expansion, may also, in the absence of regulatory measures, lead to unwholesome consequences. Besides, speculators can scarcely resist the temptation of exploiting a situation of excess demand, however marginal. Suitable action has been

taken during the year to check speculative pressures through amending and issuing a number of notifications under the Forward Contracts (Regulation) Act; this action was immediately followed by a distinct decline in the prices of oilseeds. A fairly restrictive credit policy too has been in operation for quite some time; it has not been considered desirable to relax the policy even though the prospects for commercial crops during 1971-72 are better than last year. Physical controls are being kept constantly under review; while price control on sugar was lifted, the distribution of the products of steel steel re-rollers and of agricultural tractors has been brought under regulation during the year.

Monetary Developments

Money supply with the public, which rose at the rate of 10.8 per cent during 1969-70, witnessed an increase of 11.0

per cent in 1970-71. As was stated in last year's Economic Survey, monetary expansion in 1970-71 was attributable primarily to credit creation in favour of the domestic sectors, particularly the government.

Monetary data for 1971-72, available upto January 28, 1972, reveal an increase of Rs 625 crores in money supply between March 31, 1971 and that date as against an increase of Rs 475 crores in the corresponding period last year. During the current year so far, net bank credit to the government has risen by Rs 764 crores as against by Rs 307 crores in the corresponding period last year, the net increase in the Reserve Bank of India's credit to the government alone works out to Rs 454 crores—Rs 311 crores to the centre and Rs 143 crores to the states in contrast to only Rs 127 crores last year. The expansionary impact of the government's transactions with the Reserve Bank of

TABLE II
VARIATIONS IN MONEY SUPPLY

	(Rs crores)		
	1970-71 March 31 to March 31	1970-71 March 31 to January 29	1971-72 March 31 to January 28
1	2	3	4
1. Net Bank credit to government (A+B)	515	307	764
A. Reserve Bank of India credit to government	332	127	454†
(i) Centre	108	64	311
(ii) States	224	63	143
B. Banks' holdings of government securities	183	180	310
2. Net Bank credit to commercial sector (a+b)	346	238	-215
(a) Reserve Bank of India credit to commercial sector	50	33	68
(b) Banks' net credit to commercial sector	296	205	-283
(i) Banks' advances and holdings of private securities	818	680	405
(ii) Banks' time deposits	522	475	688
3. Net foreign exchange assets of the RBI*	-47	-11	95
4. Money supply with the public (a+b)	719	475	625
(a) Currency with the public	362	237	327
(b) Deposit money with the public	357	238	298

†Excludes book adjustments of the order of Rs 175 crores.

*Variations in net foreign exchange assets of the Reserve Bank of India represent variations in the Bank's holdings of foreign exchange (i.e. gold and foreign exchange) net of variations in the Bank's non-monetary foreign exchange liabilities (i.e., transactions with the International Monetary Fund).

Note: The magnitude of the Reserve Bank of India's credit to the government in the table above represents the changes in the indebtedness of the government to the Reserve Bank of India. The accounts for the fiscal year are, however, completely adjusted only some days following the end of the fiscal year. Also, the magnitude indicated above includes items such as changes in the rupee coins and of long-term rupee securities. For these reasons, the magnitude of the Reserve Bank of India's credit to the government shown here differs from the deficits shown in the budgetary documents.

India in the current year has however been considerably contained by a marked decline in net bank advances to the commercial sector, which have contracted by Rs 215 crores; last year, over the same period, they had risen by Rs 238 crores.

Reflecting the impact of a fairly restrictive policy, credit expansion in the 1970-71 busy season, at Rs 392 crores, was smaller than in the preceding busy season (Rs 563 crores). However, during the slack season of 1971, bank credit witnessed a contra-seasonal expansion for the third successive year, further confirming the impression that, with recent shifts in agriculture, the conventional distinction between the so-called busy and slack seasons is fast getting obliterated. Be that as it may, the expansion during the slack season of 1971, amounting to Rs 166 crores, was less than the increase of Rs 226 crores in the previous year. If advances for food procurement are excluded, commercial bank credit during the slack season of 1971 increased by only Rs 23 crores as against an increase of Rs 191 crores in the slack season a year ago. At the same time, aggregate deposit accretion in the slack season in 1971 has been of the order of Rs 588 crores as against Rs 449 crores in the previous year. As a result, the outstanding borrowings from the Reserve Bank of India at the end of the slack season were only around Rs 19 crores as against Rs 151 crores at the same time in the previous year; the credit-deposit ratio too, at 73.53 per cent, was lower than the ratio of 77.02 per cent obtaining at the end of the season in 1970.

Smaller Bank Credit

Data pertaining to the current busy season, available till January 28, 1972, indicate that expansion in bank credit has been smaller than during the last year; excluding advances against food procurement, the expansion, at Rs 208 crores, was however of the same order as last year. On the other hand, aggregate bank deposits have continued to grow uninterruptedly, the increase during the current busy season being till now of the order of Rs 291 crores as against Rs 232 crores in the corresponding period last year.

As the busy season proceeded, the banks increased their accommodation from the Reserve Bank of India: outstanding borrowings from the latter as on January 28, 1972, were Rs 147 crores as against Rs 349 crores a year ago. The credit-deposit ratio on that date was 73.9 per cent as against 79.3 per cent a year ago; the cash-deposit ratio, at 6.0 per cent, was almost at the same level as obtained on the corres-

ponding date last year, while the investment-deposit ratio, at 24.0 per cent, was higher than what it was a year ago.

Government Finances

The government faced unusual budgetary strains in 1971-72. Unforeseen developments overtook the fiscal prognoses made earlier in the year. The task of accelerating the pace of development outlay was affected by the influx of refugees from Bangladesh and, subsequently, the outbreak of hostilities with Pakistan.

In view of the generally good performance of the economy in 1970-71, there was a desire toward the beginning of the current year to take full advantage of the favourable turn of events and raise the level of developmental expenditure beyond what was incurred in 1970-71. The growing volume of unemployment among the educated and others also underlined the need for an enlarged outlay. The government at the centre, installed following the elections to the Lok Sabha, was, in addition, committed to furthering the process towards greater social justice, which in its turn depended to a large extent on bold fiscal initiative.

Plan Outlay

The public outlay under the Plan, particularly the outlay in the central sector, had been lagging behind the prescribed targets during the first two years of the fourth Plan. A steep increase in developmental expenditure was accordingly proposed for 1971-72. The Plan provision in the union budget (including the provision for central assistance for the states' Plans) was stepped up from Rs 1,906 crores in 1970-71 (B.E.) to Rs 2,135 crores in 1971-72 (B.E.). In addition, the budget provided for a programme of employment oriented rural works involving an expenditure of Rs 50 crores and another programme of Rs 25 crores for providing jobs to the educated unemployed. A provision of Rs 10 crores towards implementing a nutritional programme for children was also included.

The centre's new tax measures for 1971-72, as provided in the budget, added upto Rs 205 crores for that year. The additional yield was estimated as follows: Rs 120 crores from union excise duties, Rs 54 crores from customs, Rs 27 crores from income and corporation taxes, and Rs 3.4 crores from a levy on foreign travel. An additional Rs nine crores were expected from changes in postal rates and Rs 26 crores from increases in railway fares and freights. Simultaneously with revenue raising, the tax instrument was also used to bring about greater equality and social justice. The surcharge on personal income tax was raised for incomes above

a certain level and wealth tax rates were enhanced.

The budget as presented in May had provided for an outlay of only Rs 60 crores for the relief of the Bangla Desh refugees. In August, supplementary demands for Rs 200 crores for meeting further expenditure in connection with refugees relief were sanctioned. In December again, another round of supplementary grants amounting to Rs 143 crores, on a net basis, was voted, of which Rs 100 crores was on account of refugee relief. The fiscal deficit, which amounted to only Rs 233 crores in the union budget as originally anticipated, thus threatened to go out of hand; a massive resource mobilisation effort was felt necessary over and beyond what had earlier been proposed in the Budget presented in May.

Fresh Taxation

Accordingly, fresh taxation was resorted to in October, 1971. The union government levied by ordinance a tax on all postal articles other than postcards and registered newspapers, a tax on railway passenger fares of Re one and above, a tax on assorted financial instruments and an excise duty on newspapers and other printed periodicals. These measures were to yield Rs 30 to 35 crores in a full year; the state governments agreed to raise an equivalent amount through levy of surcharges on entertainment tax, bus fares, road tax, stamp duty, etc. Following the outbreak of hostilities with Pakistan in December, further measures for raising resources were undertaken. A supplementary budget was presented containing proposals to raise additional resources amounting to Rs 40 crores in 1971-72 and Rs 135 crores in a full year. The measures included a general levy of 2.5 per cent on the value of all imports with the exception of foodgrains, books and a few other special categories. In addition, on a number of specified items, a higher rate of duty of 10 per cent was imposed. Regulatory excise duties varying between 15 per cent to 75 per cent on the existing basic duties were levied on some items. The export duty on carpet backing and hessian was raised by Rs 400 per tonne and the excise duty on sacking was increased by Rs 175 per tonne. A surcharge of 2.5 per cent on income tax payable by all companies including foreign companies was also imposed.

The measures of additional resource mobilisation contained in the budget presented in May, 1971 are estimated to yield, on an annual basis, Rs 316 crores; together with the special levies and revenues adjustments announced in October and December, the union government's aggregate revenue effort during

the year would therefore be of the order of Rs 500 crores in a full year. This order of fresh fiscal imposts in the course of a single year is indeed unprecedented. Even if one were to exclude the effect of the special levies for refugee relief and the measures announced in December in the wake of the outbreak of hostilities, the aggregate additional resource mobilisation by the centre in the first three years of the fourth Plan will be of the order of Rs 2,300 crores (net of states' share) over the plan period, thus exceeding the original Plan target of Rs 2,106 crores for the entire five-year period.

Simultaneously, the union government also tried throughout the year to discipline its expenditure. The central ministries were asked to curtail their non-contractual non-Plan expenditures by at least 5 per cent. The government had, however, to anction, with effect from October, 1971, additional dearness allowance to its employees which is to cost it Rs 37 crores in a full year.

State Finances

The fiscal management of the state governments was somewhat more uncertain. Attempts to raise additional resources were of a modest proportion. Seventeen states proposed measures for raising additional revenue aggregating to Rs 49 crores. At the same time since one state namely, Uttar Pradesh announced concessions of the order of Rs 18 crores, the net yield from additional resource effort on the part of the states amounted to only Rs 31 crores. They, however, agreed to impose for refugee relief — as already mentioned — specific levies on entertainment tax, sales tax, bus fares, road tax, stamp duties, lotteries etc. No perceptible reduction in the state governments' reliance on overdrafts from Reserve Bank of India has been noticeable during the year. In spite of the fact that the centre had made to the states in June, 1971 advance release of their entitlements aggregating to Rs 197 crores to enable them to clear their overdrafts there were still eleven states running overdrafts with the Reserve Bank of India to the tune of Rs 403 crores at the end of January, 1972.

Market borrowings rose substantially during the year. Total subscriptions against the offer of three public loans aggregating to Rs 375 crores in July 1971 added up to Rs 405 crores; the subscriptions to the second tranche of these loans in October brought in another Rs 110 crores. Net borrowings, after repayments of Rs 332 crores, amounted to Rs 183 crores, as against the budget provision of Rs 168 crores. Following the declaration of emergency in December, the central government floated three National Defence

Loans for Rs 100 crores. The actual response however aggregated to Rs 111 crores, so that the total net borrowings amounted to Rs 294 crores, setting a record for any single year. The state governments were able to borrow around Rs 100 crores net of repayments. Besides, state government enterprises, including electricity boards and municipal corporations, and financial corporations will be separately raising nearly Rs 150 crores through market borrowings.

Better Tax Collections

The centre's tax collections in 1971-72 are expected to be better than what was envisaged at the time of the Budget. The upward trend noticed in the collection of small savings in 1970-71 is expected to be maintained in the current year. In contrast the contribution of public undertakings to the general revenues remains unsatisfactory. The Railways had visualised a deficit of Rs 6.87 crores for 1971-72 even after taking credit for Rs 26 crores on account of the enhancement in freight rates and fares. Because of the increased dearness allowance granted to the employees from October 1, 1971 and certain other factors, the deficit in the Railway budget for 1971-72 is now expected to exceed the magnitude earlier stipulated.

Non-departmental commercial un-

dertakings other than the Hindustan Steel, numbering 77, made a net profit of Rs 2.2 crores in 1970-71 as against Rs 6.6 crores in 1969-70. Of these, the number of undertakings making profit was 45 as compared to 41 in 1969-70; their estimated profits amounted to Rs 74.4 crores. However, the aggregate loss of the remaining 32 undertakings worked out to Rs 72.2 crores. The losses of the Hindustan Steel Limited came down from Rs 10.91 crores in 1969-70 to Rs 4.72 crores in 1970-71. Total gross profit (after providing for working expenses and depreciation but before providing for interest) of the seventy-seven running concerns other than the Hindustan Steel Ltd. amounted to Rs 122.6 crores in 1970-71 and yielded a rate of return of 4.3 per cent on capital employed as against 4.9 per cent in the preceding year.

Balance of Payments

Strains on the country's external payments position began to develop in 1970-71. Foreign exchange reserves, which over the preceding three years had risen at an average annual rate of Rs 114 crores, were drawn down to the extent of Rs 89 crores during the year. The decline in the so-called classic reserves—gold and foreign exchange—was even steeper, the holdings of reserve assets other than SDR's falling by as much as Rs 108 crores. A sharp rise in

TABLE III
FOREIGN EXCHANGE RESERVES

(Rs crores)								
Year	Gold and foreign exchange	SDR's	Total reserves	Variations in reserves	Accrual of fresh SDR's	Variations in SDR's excluding fresh accruals of SDR's	Net drawings on SDR's (+) / repayments to IMF (-)	Variations in gross of trans-actions with the IMF (7-8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1967-68	538.6	..	538.6	60.2	..	60.2	24.4	35.8
1968-69	576.7	..	576.7	38.1	..	38.1	-58.5	96.6
1969-70	728.9	92.0	820.9	244.2	94.5	149.7	-125.4	275.1
1970-71	620.6	111.7	732.3	-88.6	75.4	-164.0	-176.3*	12.3
January, 1972	688.8**	185.8	874.6**	142.3	74.7	67.6	..	67.6

*Includes outlay for purchase of gold abroad for gold quota payment to the IMF.

**Provisional. Foreign exchange component valued at recently fixed central rates.

payments for imports, larger repayment of debts to the International Monetary Fund, and a rise in debt service charges accompanied by a slightly smaller level of inflow of external assistance were the principal factors contributing to this worsening of the balance of payments.

A sizeable amount of foreign exchange resources had to be used up in the process of liquidating India's short-term indebtedness to the International Monetary Fund, to which was added a further outgo involved in the payment of the gold portion of the increase in the country's quota with the Fund. The payments made to the IMF during the year absorbed exchange resources and SDR's worth Rs 176.3 crores, of which as much as Rs 99.4 crores consisted of free foreign exchange. However, with the liquidation of all outstanding indebtedness to the Fund — which as recently as in December 1967 was as high as Rs 380.6 crores (\$507.5 million) — and the increase in the Fund quota, the country's international liquidity position has been considerably strengthened.

Foreign Exchange Reserves

In the current financial year, the position with the foreign exchange reserves has been moderately comfortable till now. A marked improvement occurred in April and May, 1971, when foreign exchange reserves advanced by Rs 57 crores; a decline followed during the next three months, to be followed by a sharp rise once more in October. Also, some appreciation in the rupee value of reserves took place following the recent alignment of exchange rates. Over the first ten months of 1971-72, foreign exchange reserves on the whole have shown an increase of Rs 67.6 crores. India also received a third allocation from the International Monetary Fund of SDR's worth Rs 74.7 crores in January, 1972. Including these, reserves amounted roughly to Rs 875 crores at the end of January 1972. Though this compares favourably with the level of Rs 797 crores prevailing at the end of January 1971, if one were to exclude the SDR's received in January, 1972 and the fact of the appreciated rupee values of reserves, the position would appear to have deteriorated.

The allocation of Special Drawing Rights constituted a useful addition to our liquid reserve assets. During 1969-70, and 1970-71, SDR's worth Rs 170 crores (\$226.6 million) were allotted to India. Of these, SDR's amounting to Rs 89.5 crores were utilised for the payment and servicing of outstanding debt obligations to the Fund. But, in view of the improvement in the balance of payments in recent years, India was designated by the IMF for acceptance of

SDR's against convertible currencies. Such acceptance amounted to Rs 30.6 crores (\$40.8 million). India has, therefore, so far used SDR's in meeting her external payment obligations only to the extent of Rs 58.9 crores. In January 1972, India received a third allocation of Rs 74.7 crores, raising her net holdings of SDR's to Rs 185.8 crores.

A widening of the merchandise deficit due to a sharp rise in payments for imports was one of the major factors leading to the worsening of the balance of payments position in 1970-71. Payments for imports, which had fallen significantly in 1968-69 as well as in 1969-70, increased by Rs 138.1 crores to Rs 1,720.4 crores in 1970-71. The absolute increase in free foreign exchange payment for imports was even larger because of a slight fall, over the year, in imports financed through external assistance. The rise in the import bill was brought about mostly by large-scale payments for a few key industrial inputs, particularly iron and steel, non-ferrous metals and raw cotton. Payments for food imports, however, continued to decline owing to rising domestic output of foodgrains.* The merchandise deficit widened from Rs 178.4 crores in 1969-70 to Rs 317.7 crores in 1970-71.

There was some worsening of the invisibles balance as well, with the net outflow on account of invisibles increasing by Rs 20.1 crores to Rs 169.2 crores. Higher interest payments on foreign loans, larger dividend pay-

ments and smaller receipts on account of private remittances were responsible, in the main, for the overall deterioration of the position here. An outgo of Rs 78.7 crores on account of unidentified transactions — or errors and omissions — added to the deficit on merchandise and invisibles. Accordingly, the deficit on the current account, adjusted for unidentified transactions; increased from Rs 342.0 crores in 1969-70 to Rs 552.5 crores in 1970-71.

As regards capital transactions, the net outflow including repayments to the IMF but excluding external assistance, went up from Rs 297.6 crores in 1969-70 to Rs 390.2 crores in 1970-71. The inflow of foreign assistance, on the other hand, fell during the same period from Rs 782.9 crores to Rs 788.6 crores. Accordingly, as against an overall surplus of Rs 143.3 crores in external transactions during 1969-70, there was a deficit of Rs 164.1 crores in 1970-71. India had received an allocation of SDR's worth Rs 94.5 crores in 1969-70 and another worth Rs 75.4 crores in 1970-71. Consequently, foreign exchange reserves, including SDR's fell by Rs 88.7 crores

*Owing to differences in coverage, concepts and methodology, the value of exports as recorded in the balance of payments usually differs from exports trade data compiled by the Director General of Commercial Intelligence and Statistics from customs sources. Exports, as recorded by the DGCIIS, registered a significant increase in 1970-71, but these were not reflected in the data on export earnings as recorded by the exchange control authorities.

TABLE IV
BALANCE OF PAYMENTS**

(Rs crores)				
	1967-68	1968-69	1969-70	1970-71
1. Imports	2042.8	1740.5	1582.3	1720.4
2. Exports	1254.6	1367.4	1403.9	1402.7
3. Trade balance (2-1)	-788.2	-373.1	-178.4	-317.7
4. Non-monetary gold movement	..	..	..	13.1
5. Invisible (net)	-160.1	-134.4	-149.1	-169.2
6. Current account (net)	-948.3	-507.5	-327.5	-473.8
7. External assistance (gross)	1123.5	851.5	782.9	778.6
8. Other capital transactions including drawings on and repayments to IMF (net)	-18.8	-192.2	-297.6	-390.2
9. Errors and omissions	-85.6	-113.7	-14.5	-78.7
10. SDR's	..	..	94.5	75.4
11. Movements in foreign exchange reserves (Increase+, Decrease-)	+70.8†	+38.1	+237.8†	-88.7

**Data on the balance of payments on imports and exports are based on exchange control records and other sources and differ from the data published by the Director General of Commercial Intelligence and Statistics.

†Exclude changes in reserves arising from devaluation of the pound sterling in November, 1967 and revaluation of DM in October, 1969.

in 1970-71 whereas in the preceding year there was an accretion of Rs 237.8 crores.

It is not possible at this stage to postulate the likely impact of the development during the current fiscal year on the country's balance of payments. The uncertainties created by the floating of some of the major world currencies in August, 1971 had, in the beginning, somewhat adversely affected our exports, although there could have been other underlying factors. In the context of the altered conditions in the international exchange markets, foreign exchange dealings of the Reserve Bank of India with the authorised dealers had to be based on rates fluctuating with the dollar-sterling exchange rate in the London market.

With the virtual realignment of the world currencies in December, India also returned to the regime of stable exchange rates. In order not to disrupt exports or the import substitution effort, it was decided to set the new rupee-sterling rate at the level ruling in the proximate period. The rupee-sterling rate was, accordingly, fixed at Rs 18.9677 to the pound. On the basis of this rate and the sterling-dollar central rate, the rupee-dollar exchange rate works out to Rs 7.279 to the dollar, implying, in effect, a revaluation of the rupee vis-à-vis the US dollar by a little more than three per cent. It was also decided that, as now permitted by the International Monetary Fund, the actual exchange rate would be allowed to fluctuate within the margin of 2.25 per cent on either side of the new rupee-sterling rate.

Realignment of Currencies

The question arises of the likely consequences on our trade and payments of the realignment of major world currencies. The revaluation of the European currencies and the yen in relation to the dollar as well as the rupee is expected to restrain the demand for certain categories of imports, to further encourage import substitution and to increase the demand for our exports to Japan and west European destinations. This by itself may not however improve our trade balance unless there is a determined effort to restrain domestic demand and to avoid waste so that adequate supplies of inputs and materials are set aside at reasonable prices for the purpose of expanding export production.

The first ten months of the current financial year (April 1971-January 1972) have coincided with an increase in reserves (excluding SDR's) of Rs 68 crores. This improvement was largely brought about by a substantial increase

in the rate of aid reimbursements, a feature which need not recur. Moreover, a part of the increase stems from appreciation in rupee values booked consequent to the recent realignment in exchange rates. In the same period last year (April 1970-January 1971), reserves (excluding SDR's) had declined by Rs 99 crores, but then there were repurchases of Rs 112 crores from the IMF, besides purchase of gold worth Rs 23 crores in connection with the increase in quota in the Fund. Excluding the fortuitous increase in reserves following the realignment in exchange rates, reserves (excluding SDR's) showed an increase of Rs 50 crores in April 1971-January 1972.

But short-run indicators may not tell the entire story. The strain on the balance of payments is likely to be increasingly felt in the coming months as the consequences of the war—and the cessation of certain kinds of credit flows from abroad—gradually work themselves out. Since beyond a point it would not be desirable to economise on imports essential for servicing the processes of growth in the economy, the management of the balance of payments will call for the greatest dexterity.

Strains and Challenges

This rapid survey of the major economic developments in the fiscal year that is coming to a close highlights a number of significant features. The year witnessed an unusual stress on the economy. Firstly, the largest number of refugees in human history crossed our national boundary and arrangements for their care had to be made at short notice, involving a heavy strain on both material and organisational resources. Secondly, natural calamities took their usual toll; drought in Maharashtra and Andhra Pradesh, floods in Uttar Pradesh, Bihar and West Bengal, and a cyclone in Orissa. Thirdly, the outbreak of hostilities with Pakistan forced the economy to set aside its developmental preoccupations and put itself quickly on a war footing. Fortunately, the war has been over in a short while; the economy has unobtrusively resumed the pursuit of growth while lending a hand to the task of reconstruction of Bangla Desh. Finally, international monetary and political developments have brought to the fore the pervading issue of a speedy realisation of the goal of self-reliance.

As already stated, the economy has shown a remarkable resilience and responsiveness in meeting these challenges. The challenge of refugee relief and defence was met by a massive effort at resource mobilisation in which the states also participated. This fact not-

withstanding, the budgetary deficit has turned out to be much larger than anticipated earlier and money supply has shown a disconcerting increase. The situation with prices however never quite went out of hand, even though it evoked continuous concern throughout the year. This was partly because of the basically satisfactory position with respect to foodgrains. Also, the various policy instruments at the disposal of the government were deployed with aptitude and timeliness. Credit policy was strictly geared to the prevention of speculative inventory building; at the same time, credit flowed freely for genuinely productive activities. Price control was enforced at the appropriate points and forward trading, which might have triggered off an inflationary spiral, was banned for several sensitive commodities. Furthermore, while the foreign exchange reserves were carefully husbanded, imports were liberally permitted in all strategic fields such as steel, non-ferrous metals and raw cotton so as to maintain a steady flow of production.

Aid and Self-reliance

External assistance has been relied upon to some extent as a supplement to the domestic development efforts since the inception of the process of planned economic development in the country. Although the bulk of the resources needed for development have been generated domestically, external assistance, apart from helping to break-through technological rigidities, has also been a factor towards relieving pressures on internal resources as well as balance of payments in the wake of rising investment levels. So far about Rs 12,750 crores of external assistance in various forms have been utilised for purposes of development. However, the quantum of aid utilised considerably overstates, under existing conditions, the actual contribution of external assistance to India's economic growth. For one thing, most of the assistance has so far been in the form of interest-bearing loans; only a fraction has been in the form of outright grants. The share of grants in overall external assistance fell off sharply after the first Plan period and, in recent years, has dwindled down to just about five per cent. Loan assistance has involved essentially the provision of current accommodation in exchange for future repayments.

As a consequence, the serving of the external debt is beginning to claim a sizeable proportion of the country's foreign exchange earnings. For instance, debt service payments already made, amount to about a third of all external debts that have so far been contracted. With amortisation payments

March 24, 1972

totalling over Rs 2,000 crores, having been effected, outstanding external debt now stands at Rs 8,200 crores. In the current year, the debt serving burden is expected to be as much as 28 per cent of the country's exports and more than 55 per cent of the new commitments of aid. True, the burden of debt service has, for the present, been lightened somewhat since creditor countries and institutions which are members of the Aid-India Consortium have, in recent years, agreed to provide debt relief. But, such relief which has amounted to about Rs 300 crores in the last four years, has been reckoned as a part of new aid commitments so that in form in which it has so far been available, debt relief has not reduced the burden of debt over a period or increased the net transfer of resources in the short run. Its contribution essentially has been to mitigate to some extent the disadvantage of tied aid which has to be repaid in free foreign exchange.

Genuine Assistance

Aid in the form of credits, however, contains a genuine element of assistance in so far as it has generally been available on softer terms than similar credits obtainable from the international capital market. The terms have been comparatively favourable as regards both interest rates and maturity periods; and in recent years there has been a tendency towards some fall in the rates of interest and a lengthening of maturity periods. In some cases, mostly involving transactions with countries in eastern Europe, repayments are effected in rupees, or else, through exports of goods. However, in one respect loan assistance compares unfavourably with market borrowings; for most of the foreign credits are country-tied, loans from a particular country having to be utilised for imports from that country alone. The share of untied loans in external assistance flowing to India has gradually declined since the end of the second Plan, currently, just over a tenth of external assistance consists of untied credits. The tying of credits in this manner involves a certain disadvantage for the recipient country, particularly when repayments have to be effected in fully convertible foreign exchange; while loan-financed imports have to be procured in the countries offering loans regardless of price or other considerations, no such constraints attach to the utilisation by the donors of interest and amortisation payments received by them.

A progressively diminishing dependence on aid has accordingly been one of the objectives of development planning in India. As a matter of fact, near-complete independence from net external financing by the end of the pre-

sent decade was one of the explicit goals set out in the fourth Plan. In accordance with the Plan objectives, increasing attention has been devoted to the promotion of self-reliance and reducing the dependence on external accommodation in recent years. Events during the year have amply vindicated the soundness of the policy of aiming at the eventual elimination of external financing of development programmes. The unilateral suspensions of a part of the commitments for economic assistance from abroad in the wake of the hostilities in December, 1971 has further intensified the national urge to do without external aid. Although there was a general awareness that assistance was often preferred because of non-economic motives, recent developments have made it clear that it is yet another instrument of diplomacy, which is liable to be deployed against us at a time of critical need. This realisation has strengthened the demand for greater self-reliance so as to ensure that the country's policies and programmes are not subjected to pressures from aid-giving countries.

Even as it is, there has been a continuous decline in the utilisation of external accommodation during the past four years. This decline can be partly attributed to the shrinkage in food imports under the PL-480 account as a consequence of the rapidly rising food production in the country. The government had already announced its decision not to import any food on a concessional basis after 1971-72. Even

excluding concessional food imports, however, the utilisation of net assistance has come down over these four years by almost Rs 300 crores, or more than one-half. The Table V gives the details of the inflow of foreign assistance during the last four years.

Fresh commitments of assistance have been consistently lower than the utilisation of assistance during this period. Since there is a certain time lag between commitments and disbursements, utilisation in any year depends partly on the commitment in that year and, more importantly, on the accommodation offered in the past and existing in the pipeline. For instance, commitments for 1967-68 were only of the order of Rs 795 crores, or nearly Rs 400 crores less than the assistance actually utilised in that year. There was a slight rise in commitments in 1969-70. In 1970-71, however, the commitments were once more Rs 188 crores lower than utilisation. As a result, assistance in the pipeline fell from a level of Rs 1,988 crores at the end of March 1968 to Rs 1,570 crores at the end of March 1971.

Debt servicing has been increasing continuously: from a level of Rs 143 crores in 1961-62, it rose to Rs 333 crores in 1967-68. The burden in 1970-71 was still higher at Rs 450 crores, and will continue to be at that level in 1971-72 too. The peak will be reached in 1972-73 and 1973-74 and roughly 30 per cent of the country's annual export earnings will be used towards the

TABLE V
INFLOW OF FOREIGN ASSISTANCE: GROSS AND NET

(Rs crores)					
Items	1967-68	1968-69	1969-70	1970-71	1971-72 (Estimates)
1	2	3	4	5	6
I. Gross disbursements	1196	903	856	791	778
of which:					
(a) PL 480 food*	285	131	128	57	52
(b) PL 480 non-food*	57	27	42	32	43
(c) Other food assistance	45	55	19	36	31
II Total debt servicing	333	375	412	450	450
of which:					
(a) Amortisation payments	211	236	268	290	284
(b) Interest payments	122	139	144	160	166
III. Net flow of assistance (I-II)	863	528	444	341	328

*Includes assistance by way of imports under rupee payment terms and under convertible currency credits.

NOTE: Gross aid disbursements take into account debt relief inclusive of debt rescheduling/postponement, etc. Debt service payments relate to those involving foreign exchange.

Indian Industry: What will it require in the 80s?



Our advance planning is finding out the answer-right today.

**Indian
industry
needs
INDIAN OXYGEN**



A part of IOL is always a few steps ahead of the needs of Indian industry. That part represents the men who are busy working out today the role IOL will be called upon to play in tomorrow's India.

This involves a close-up and all-round scrutiny of the current needs and from there, projections into the future. The new industries that will come up, the existing industries which will boom and diversify and those that will totally change. And finding out their needs today will enable IOL to give the required products and services tomorrow.

IOL has always geared its resources and talents to the needs of industry in the past.

And for the 80s, IOL is ready and willing to meet the requirements of Indian industry right from now.

servicing of past debt obligations. Taking debt servicing into account, net flow of assistance into the economy has declined from Rs 863 crores in 1967-68 to Rs 341 crore in 1970-71. If import of food under concessional terms is excluded, net inflow of assistance has come down from Rs 533 crores to a mere Rs 248 crores in 1970-71.

The actual contribution of foreign assistance to the financing of economic development has thus been markedly small in recent years. Until 1964-65, net external accommodation worked out to three per cent of national income; it is now less than one per cent. To put it differently, net foreign accommodation used to account for 25 per cent of investments in the economy in the early 1960's; in recent years, the contribution of net foreign assistance to domestic investment has declined to 13 per cent. Over the period of the Fourth Plan, it is estimated that it will account for only eight per cent of aggregate investments.

Self Reliance

Recent events have added to the urgency of reducing the dependence on external finance. The problem is not one of merely doing without a certain quantum of aid. Since external assistance provides support to the balance of payments as well as resources for investment, doing without aid can simply mean doing without a certain volume of investment, and scaling down capital formation activities in the economy. This is certainly not what is implied by greater self-reliance. The latter should, on the other hand, reflect our ability to maintain, if not enhance, the rates of capital formation and growth envisaged in the Plans despite the shrinkage in the availability of foreign assistance. The core of self-reliance should, thus, consist of efforts at raising the domestic rate of savings on the one hand, and greater import substitution and export promotion, on the other, so that the savings and balance of payments gaps cease to be a barrier to faster growth.

As far as the balance of payments is concerned, the country will have to economise on imports without in any way affecting production in fields that are important for further growth. There could, however be a limit beyond which imports in a specific field cannot be restricted in the short run without affecting development. Accordingly, exports will have to expand much faster than in the past so as to bridge the gap in the balance of payments, a gap which is currently filled up by foreign accommodation.

Viewed in terms of economic growth,

1971-72 had been a year of great challenge. Nearly every aspect of economic activity came to the subordinated to what was obviously the central task: succour of the refugees from Bangla Desh, and the liberation of that nation, claimed an over-whelmingly large share of the nation's resources. But this challenge which India faced in 1971-72 and overcame has had its own reward: the sense of unity and purposiveness which it has ushered in augurs well for the hard economic tasks which await the nation. Even during the year, despite the burden of the new responsibilities, the economy was maintained on a reasonably even keel and the momentum of the Plan was maintained although at a moderate pace. At the same time, developments during the year could not but have led to a shifting of priorities in the short run.

Moreover, the strain caused to the economy by the burden of the refugees and the need to mount a major defence effort has had its own impact. The extent of this strain cannot be spelled out in terms of the draft on current resources alone. The wear and tear of the economic infrastructure as well as the stresses and strains on the social fabric particularly in the eastern parts of the country, are no less significant and yet cannot be readily quantified. All this will have implications for the economy, some of which can unfold only with the passing of time. Since the nation is also committed to contribute, within the limits of its capability, to the reconstruction of Bangla Desh, a lessening of the strain on resources cannot be envisaged for the present.

Great Challenge

Recent events, including developments in the international scene, have also brought to the fore the task of a careful husbanding of the country's external economic accounts. Whatever the manner in which the more immediate problems are answered, the country will have to pursue, with a greater order of resoluteness than hitherto, the course of self-reliance. The requisite burden of additional sacrifice, without which self-sufficiency will remain a distant goal, has to be equitably distributed. This would call for a greater adaptability to new norms and values, as also for a willingness for raising the level of efficiency and lowering the level of unit costs in different spheres of production.

Perhaps what is most important at the present juncture is the need for a major step-up in the tempo of planned economic development. This is necessary for reactivating the industrial sector as also for achieving a greater measure of self-reliance and social

justice. The tasks referred to in the preceding section as being essential for export promotion, import substitution and cost-saving can be accomplished only through a process of integrated planning which ensures that resources grow and are dovetailed to each other in the optimum manner. The same is true if a major impact is to be made on the well being of the less privileged sections of society or the relatively backward regions of the country.

Institutional Reorganisation

The task would, moreover, involve an institutional reorganisation affecting, in some degree or other, the structure of income distribution as between different social groups. An essential ingredient of the policy for lowering unit costs, it has been mentioned earlier in this Survey, would be a better system of distribution of essential goods, including strategic raw materials. Intermediaries have been retained as agents of the state trading organisations. In any genuine endeavour to raise distributive efficiency, the role of such intermediaries would need to be increasingly constrained.

The sacrifice that is called for would also affect certain groups of producers and consumers. The country has made magnificent strides in the production of foodgrains, particularly wheat, so much so that by now one major plank of self-reliance, namely, independence from imported food, has been realised. And yet, it is only fair that the cost associated with this achievement is kept under continuous review. For example, if the current levels of procurement and issue prices are to be maintained for wheat, the subsidy which the national exchequer will have to bear, on account of both current distribution and buffer stock of foodgrains, may assume formidable proportions. The cumulative strain of this commitment could lead to adverse developments elsewhere in the economy. The problem of adjustment in foodgrain prices is linked with that of increasing industrial efficiency as well, since food forms a major proportion of the weightage in the cost of living index. The practical difficulties in implementing a shift in policy cannot however be ignored. In a society given to democratic institutions, if unnecessary turmoil is to be avoided, basic changes in policy should be engineered largely through discussion and persuasion.

Without stable prices, there can be little prospect of stability in investment decisions, nor of any significant rise in exports. Even the demand for imports is often induced by the high prices of domestic products: undertakings, including those in the public

sector, have been enjoined to economise on costs, and it is natural for them to try to shun inputs which are domestically available but whose unit cost is high.

Difficult Operation

The exercise of monetary policy in such circumstances becomes a difficult operation. At one end is the need to speed up credit for the productive sectors and neglected groups; at the other, there is the constraint set by the trend of prices. But precisely because of this predicament, the need to economise on credit, wherever it is possible, for example, in inventory management, is all the more important. Nor can it be seriously disputed that credit is sometimes diverted for speculative ventures. An effective monetary policy could therefore lead to greater managerial efficiency, as much as to price stability.

Market imperfections apart, prices tend to be unstable largely because production in the vital sectors—for example, in commercial crops—lags behind and there is a general paucity of resources. Technological gaps and structural deficiencies, which impede growth, are fairly well known; superimposed on these is the lack of investible funds which could stimulate expansion and development. As the experience of the last few years has made clear, a significant acceleration of activity even in the private industrial sector will hinge upon an initial and sustained stimulus being provided by government investments. During the year now ending, plans for expanding the scale of investments in the public sector could not take off because of the extraordinary situation the country had to face: despite a stupendous resource effort, public savings as a proportion of national income have in fact declined. This is a disturbing trend.

Despite halting investments the targets of income growth indicated in the fourth Plan have been more or less attained during the past few years, mostly because of the excellent performance in agriculture. The run of good harvests in successive years, however, cannot go on forever. The level of capital formation therefore has to be raised and conditions created for a substantial expansion in the industrial sector, public as well as private. While institutional, organisational and procedural matters are important in this connection, the major obstacle would still appear to be the depressed level of savings more particularly, public savings.

The Direct Taxes Enquiry Committee have recommended a number of reforms in the corpus of direct taxation. The scope of indirect taxes also is

getting increasingly narrowed because of the difficulty in devising a system of incidence which would leave the general price level unaffected and impinge relatively less on the weaker sections. The surplus from public enterprises continues to be meagre; perhaps the performance of these enterprises cannot be expected to improve significantly unless investments, both by way of installation of balancing equipment and by expansion, have increased.

The flow of private savings for industrial capital formation would seem to be about equally unsatisfactory. The shift in the terms of trade between agriculture and industry in favour of the former in the course of the past decade provides one explanation of this phenomenon. While internal generation of funds in the industrial sector has been affected by this factor, there is no evidence that agricultural savings are being largely transferred back for industrial investments. With the process of agricultural taxation lagging behind rural savings are not being adequately canalised through the conduit of public savings either. The affluent segments of rural society need, therefore, to be increasingly drawn into the tax orbit.

Procedural Changes

Certain other factors inhibiting growth in the industrial sector mainly relate to procedures. There is also the problem of containing the growing volume of unemployment and underemployment in regard to which not much advance seems to have been made in recent years. Procedural questions are being continuously gone into, and a number of special projects have been initiated to provide short-term relief to the unemployed and the underemployed. In all such matters, marginal adjustments here and there are unlikely to make much of a difference. It is the fiscal barrier which needs to be pierced first.

A major breakthrough in the fiscal field also hinges on the evolution of sound centre-states relations. Some of the continuing problems concerning agricultural and industrial growth too involve problems of regional allocation of resources. Such issues raise their head even in respect of the pricing and distribution of essential commodities. Questions relating to terms of trade as between regions, sectors and commodity groups will have to be satisfactorily resolved before the fiscal dilemma can be answered in clearer terms.

The management of the balance of payments will pose a similar challenge. No doubt it is the internal structure of costs and production planning which in the ultimate analysis

determines a country's ability to do without foreign credits; but there are questions about attitudes and adaptations too. Even as the commodity pattern of trade changes over time, there could also be a changing destination pattern of our foreign trade. This might necessitate structural adjustments in the domestic field, and even call for a reconstruction of our views on certain trading techniques and practices. These changes and adjustments have to be anticipated.

To sum up, as we enter into the final two years of the fourth five-year Plan, many fundamental problems implicit in accelerating greatly the tempo of development come once again into sharp focus. There is in the country now a general consensus in favour of our major objectives of eliminating poverty, inequalities and dependence on external aid in the shortest possible time. There is a recognition also that these objectives can only be achieved by a mutually reinforcing thrust forward in a number of directions, in industry no less than in agriculture, in export promotion as well as import substitution and in resource mobilisation as also in bold and new initiatives for making an impact on problems such as unemployment, malnutrition, urban overcrowding and lack of basic amenities in cities and in the rural areas. It requires determination to impart a degree of resilience to our economic institutions and policies.

Mobilisation of Resources

The objectives of price stability and greater competitiveness in external markets can not, for example, be achieved without a greater degree of control over the machinery of distribution and without improvement in industrial relations. Mobilisation and conservation of resources requires improvements in tax administration as also in the procedures for proper evaluation of investment propositions. The management of the country's external accounts will require a sufficiently flexible attitude towards evolving new patterns of trade. The machinery for control will need to be continually reviewed to ensure that the basic objectives are achieved at a minimum cost in terms of interference in day-to-day management decisions. The evolution of appropriate centre-state relations is crucial not only in regard to resource mobilisation but in respect of a proper utilisation of available resources and for speedy removal of regional inequalities as well. The challenge of rapid economic development thus cannot be met merely by sound economic management. It has to be met also at a much deeper social, political and institutional level.

Gopal works for Century Rayon 8 hours a day

Century Rayon looks after Gopal the other 16 hours



Gopal is one among 7000 workers at Century Rayon. He works an 8-hour shift. When he's off duty, Century Rayon strives to keep him off the everyday worries.

Like lunch-break, for example. He doesn't have to worry if his food has not arrived from home. He gets his, at the subsidised canteen. A wholesome meal at a fraction of its cost.

After work hours, Gopal returns home—a subsidised house in the Century Rayon Colony, to have his family under a roof. The next-to-factory colony also saves him the bother of transportation.

Medical help is within a 'calling' distance. Leisure finds Gopal & his family playing indoor or outdoor games. Or, watching a movie with the family, once a week. Courtesy: his welfare club. So the next day, Gopal returns to work a happy man.

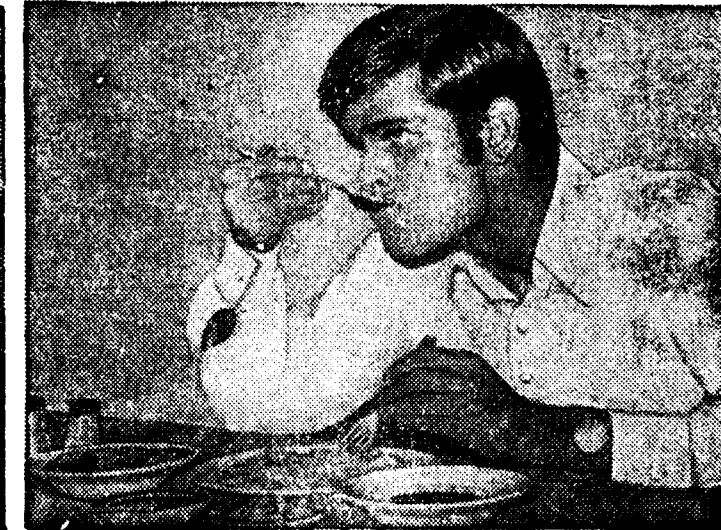
It takes a lot more to keep Gopal and his 6995 colleagues happy. During the 16 hours they aren't working.

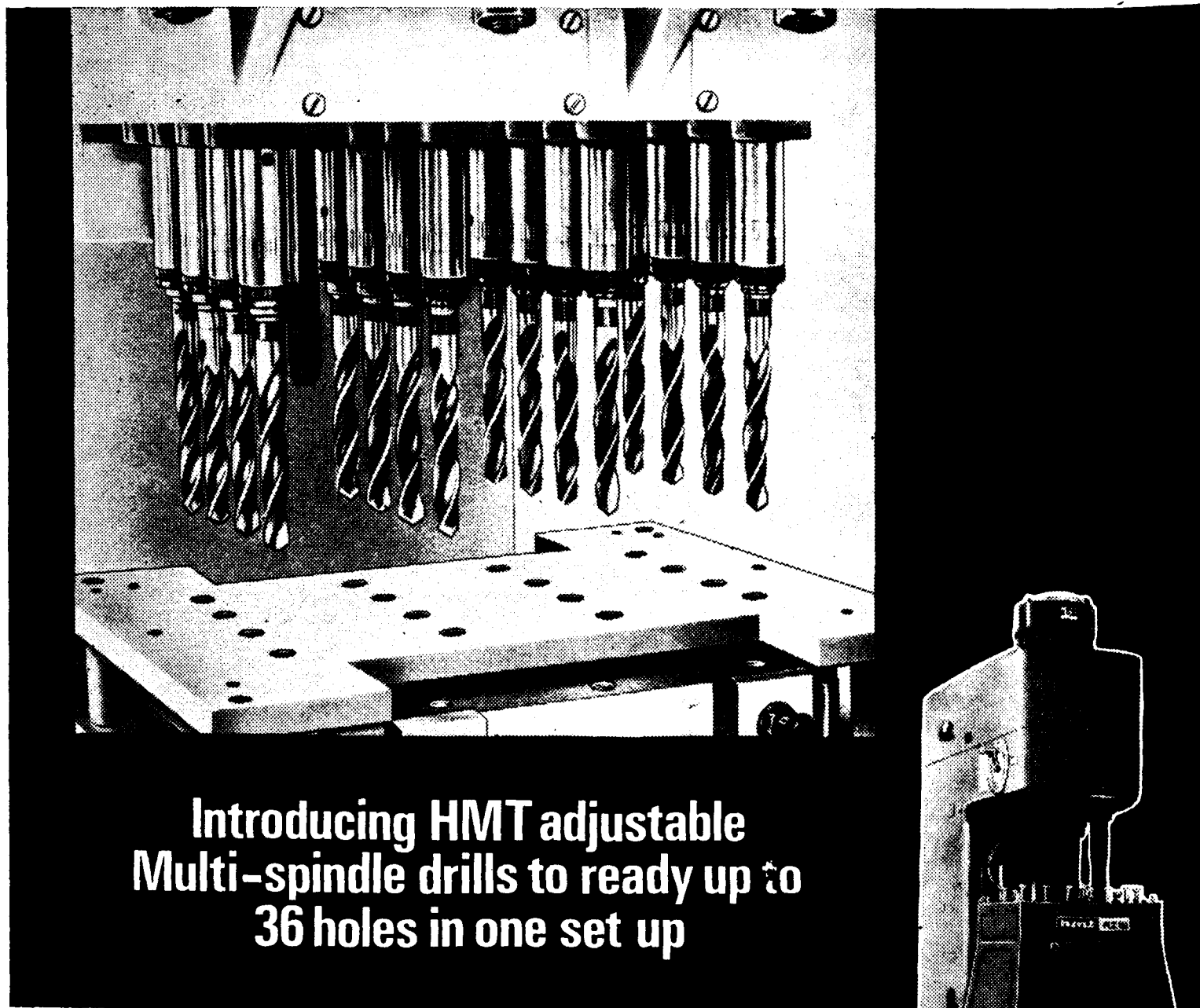
Belief of Century.
a happy worker is a happy company



Century Rayon

Industry House, 159, Churchgate Reclamation, Bombay-20.





**Introducing HMT adjustable
Multi-spindle drills to ready up to
36 holes in one set up**

Drill, spot face, counter bore, chamfer and ream up to 36 holes of varied circumferences with HMT's newly introduced adjustable Multi-spindle Drills.

Actually you can order the machine with 12 or 16 or 24 or 36 spindles, capable of operating horizontally, vertically or at any angle in between.

Change of set up is fast because the centre of distance accuracy is built in, thanks to the cluster plate, which is replaceable to suit the pattern of the holes wanted. You obtain tremendous versatility to suit both medium and mass production jobs.

Electro-mechanical feeding unit gives you constant feed rate so vital for spot facing and dwell at the end of feed to have a perfect metal to metal contact.

Main data of RZ16 — 16 spindles

Drilling capacity in steel: 16 of 12 mm. or 12 of 16 mm.
Drilling area: 400 x 600 mm.
Travel of drill head: 400 mm.
Base plate clamping surface: 680 x 740 mm.
Spindle speeds: 12
Speed range: 112—1400 rpm.
Number of speeds: 6
Max. feed thrust: 6000 kg.

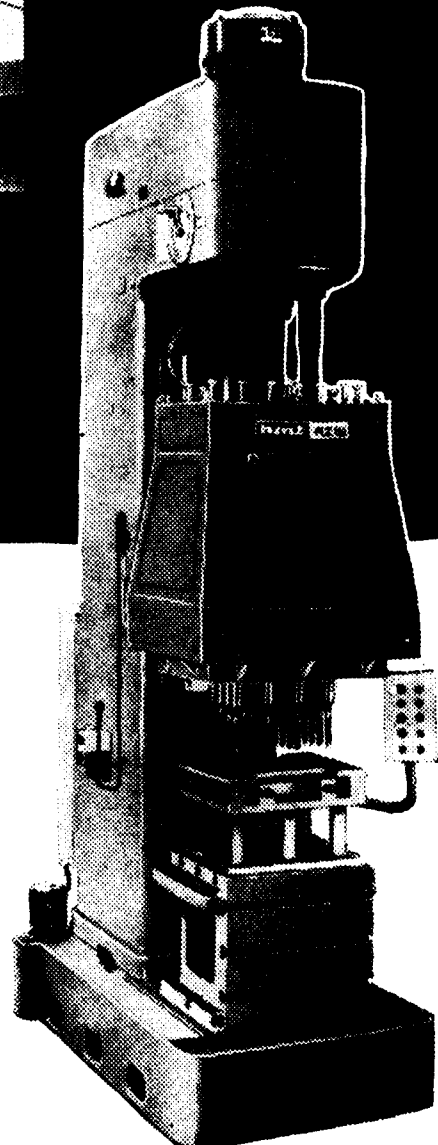
For complete details with reference to your job specification, just drop us a line.

HINDUSTAN MACHINE TOOLS LIMITED
HMT P.O., Bangalore 31

Factories at: Bangalore - Pinjore - Kalamassery - Hyderabad

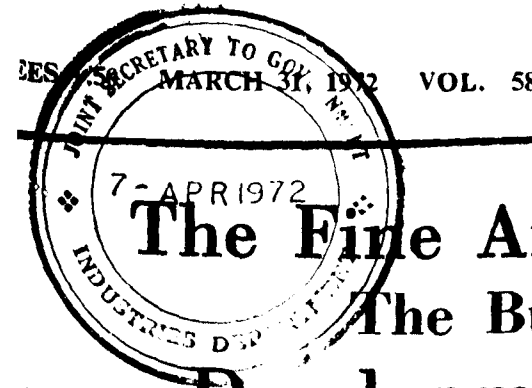
Showrooms at: New Delhi - Bombay - Poona - Calcutta - Madras

Sales Engineers at: Ahmedabad - Jabalpur - Kanpur - Jamshedpur - Visakhapatnam

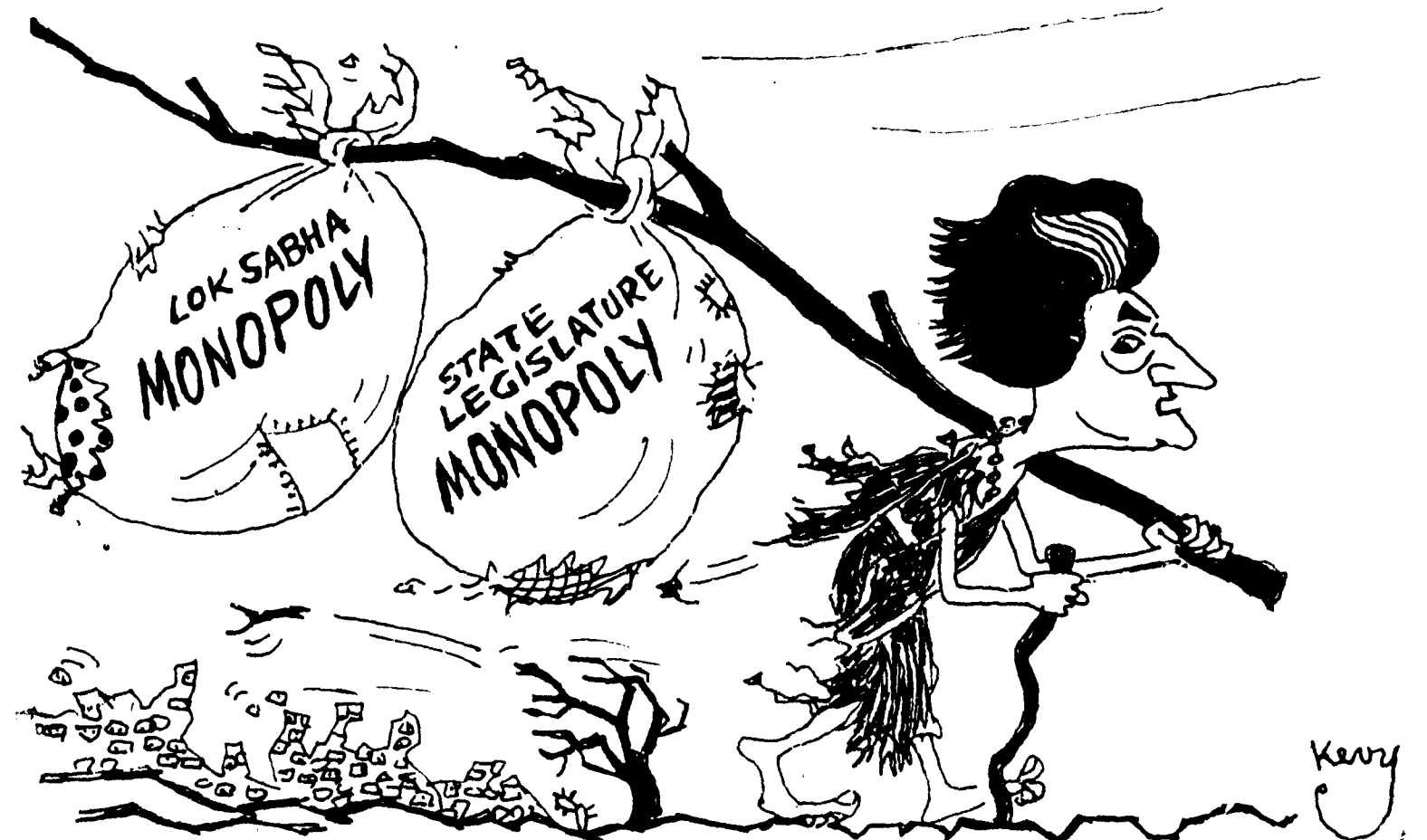


hmt

EASTERN 13 ECONOMIST



The Fine Art of Agreeing to Disagree
The Budget and Foreign Trade
Development Through Democracy
Western Europe's Problem Regions



Without the Rajya Sabha monopoly, how can I get rid of poverty?

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

(Pulp Division)

Birlakootam—Mavoor—Kozhikode

saves

enormous foreign exchange for National Development

by

manufacturing Rayon-grade Dissolving Pulp out of

bamboo, eucalyptus and wood

Regd. Office :

BIRLAGRAM, NAGDA (M. P.)

Gram : 'WOODPULP', Calicut.

Phone : 3971-74

EASTERN ECONOMIST

MARCH 31, 1972

The Fine Art of Agreeing to Disagree ..	505
Back to Normal	506
The Budget and Foreign Trade ..	508
Development Through Democracy ..	511
—S. S. Kanoria ..	
The Role of the Revenue Account ..	514
—Sagittarius ..	
Promoting Personal Savings	516
—R. V. Murthy	
Need for More Coal Roads	517
—S. N. Chatterjee	
Forest Resources of India	519
—Dr L. C. Sharma	
FROM THE PRESS GALLERY ..	525
Kerosene, Fertiliser Levies Assailed ..	
WINDOW ON THE WORLD ..	527
Western Europe's Problem Regions ..	
TRADE WINDS	530
Gift of Australian Wheat; French Assistance; FICCI Office Bearers, 1972-73; Rubber Bonded Metal Parts; Emergency Risks Insurance; Yunus in Nairobi; New Business by LIC; Indians in Foreign Companies; Public Sector Personnel; State Budgets; Overdraft to States; Monopolies Act Amendment; Names in the News.	
COMPANY AFFAIRS	534
Hindustan Motors; Gwalior Rayon; Union Carbide; Atul Products; Remington Rand; Hindustan Sanitaryware; Chemicals and Fibres; Dunlop; ARC; Union Bank Ltd.	
COMPANY MEETINGS	536
Kamani Engineering Corporation Ltd. State Bank of India. Aruna Sugars Ltd.	
RECORDS AND STATISTICS ..	543
Treaty of Friendship. Direct Taxes Enquiry Report.	
A special feature on Engineering Industry Today ..	1—VIII

ANNUAL SUBSCRIPTION

INLAND : Rs 85.00

FOREIGN : £7.00 or \$17.00

Airmail & Advertisement Rates on Enquiry.

REGISTERED OFFICE

UCO Bank Building, P. Box 34, Parliament Street, New Delhi-1.

THE FINE ART OF AGREEING TO DISAGREE

It is indeed most interesting that a government committee, commissioned to find ways and means of putting the fear of God into tax-dodgers should have convicted the government's own fiscal law of being responsible for encouraging or even provoking tax evasion. The Wanchoo Committee's finding that the confiscatory rights of direct taxation which have been brought into being over a period are the main generators of black money is of course no discovery. It has only put down formally on paper what has been a national consensus. If, however, the government has been acting in defiance of this fact of our economic life it is simply because it has been finding it profitable politically to persevere with its policies of confiscatory direct taxation. That production has been cut down, investment depressed, employment opportunities frustrated or both economic growth and social welfare affected, has of course not mattered much to a political leadership which has become conscious of the capacity of demagogic slogans for capturing the mass mind for the purposes of the politics of power.

It follows that the Wanchoo Committee's main recommendation that rates of income-tax should be moderated to more reasonable levels are unlikely to be accepted by the government which is now ruling in New Delhi. If the possibilities were otherwise, the Finance Minister, while presenting the central budget recently, could at least have said that the government accepted in principle the proposition that existing rates of direct taxation needed to be reconsidered. Mr Chavan, of course, said no such thing. In the absence of even this broad commitment on the part of the government to honour the spirit of the Wanchoo Committee's report, Mr Chavan's announcement of the government's intention to reorganise tax legislation in the light of that report must definitely constitute a threat of further accentuation of the punitive and penal fiscal approaches of the government. In other words what seems probable is that the government will exploit for its own purposes such proposals of the Wanchoo Committee as are calculated to aggravate the harshness of the enforcement of the tax laws. Additionally, it is also more than likely that the government would cast its covetous eye on such suggestions of the Wanchoo Committee as a recurring capital levy on companies. In sum, then, the net result of the Wanchoo Committee's report is likely to be the further hardening and sharpening of the tax laws accompanied by new imposts in the field of direct taxes.

Such of us as may be naive enough to nurse other expectations will do well to consider certain relevant points. It must be easy to appreciate, for instance, that the government cannot give up the confiscatory rates of direct taxation unless it is prepared to abandon also its commitment to impose effective ceilings on incomes or wealth. While it may be doubtful whether such ceilings will be actually fixed and implemented, it is obviously the case that the regular mouthing of the related slogans has an obvious demagogic utility which the political party in office or even some of the political parties out of office are most reluctant to deny themselves. Then, again, as the Wanchoo Committee has pointed out, the confiscatory rates of direct taxation apart, the administrative controls on the economy, particularly the permit-licence raj, have been a potent breeder of black money. The committee has recognised and recorded the truth that the government's control over industry and commerce must be very considerably curtailed if the scope for black money is to be significantly narrowed. The government of course has known this truth even without the benefit of this advice, but, as in the case of the confiscatory rates of direct taxation, the government is most unlikely to act on the logic of this linkage of controls and black money because controls have become a part of the literature and oratory of its demagogic approach to politics and partly because these controls are immensely helpful to the machinery of the politics of power. In these circumstances, so far as the government currently in power is concerned, it is altogether unlikely that there will be any material reversal of the fiscal policies which have been steadily shaped into the prevalent design of confiscatory direct taxation as a part of a deliberate effort by the ruling party to create in the country a political climate which is conducive to that party acquiring and maintaining a *zamtindari* of political influence and authority over the mass mind.

There has of course been no lack of independent evidence that the government is not mentally prepared for the kind of tax reform which the Wanchoo

Committee has advocated as its main recommendation. The Prime Minister's speech at the annual general meeting of the Federation of Indian Chambers of Commerce and Industry, which was held in New Delhi last week, for instance clearly indicates that the major dogmas of the government's economic policies stubbornly remained. She had a word of praise no doubt for the address of the President of the FICCI, Mr S.S. Kanoria, and this gesture was fully deserved since the address could hardly have been better even if it could certainly have been shorter. But the saying of sweet nothings does not cost anything and, although the word "co-operation" was very much in the air when the Prime Minister was on the dais at the annual meeting of the FICCI, the obstinate and ugly fact remains that the government has no intention of departing substantially from the bar-

The monthly feature 'Books Briefly' will appear in *Eastern Economist* of April 14, as the issue dated April 7 will be our Budget Number.

ren fiscal and economic policies which have depressed the nation's development to a meagre and miserable rate of four per cent per annum or less. Mr Kanoria himself had not scot-pedalled the business community's familiar criticisms of the unproductive features of the government's economic policies and he had also been articulate enough about the genuine grievances of industry and commerce against the government, but what was significant on this particular occasion was that, for all practical purposes, the Prime Minister displayed a mood of demonstrative non-involvement in the matters. As a result there was not only no dialogue, but there was not even a debate. To the extent that there was any comparing of notes at all, it was confined virtually to a barter of compliments and polite formalities.

A rather different note, however, was being struck outside the Vigyan Bhavan where the FICCI was holding this annual general meeting. Featuring the impressive presence of the extremely expansive Mr Piloo Mody, a demonstration of the Swatantra party was carrying placards and shouting slogans denouncing the collusion bet-

ween corrupt businessmen and politicians. This demonstration was only attempting to annotate what the Wanchoo Committee had to say of one of the uses which black money was being extensively put to. On a more positive plane, such of those as may believe that the economic affairs of the nation are too serious to be left to the demagogic politicians or diplomats in the business community had an opportunity the same day of reminding themselves of what the political doctrines of the ruling party or the economic policies of the government are costing the people in terms of lost employment opportunities or national wealth. Mr N.A. Palkhivala, addressing a meeting under the auspices of the Forum of Free Enterprise, at about the same time as the departing President of the FICCI was holding the usual Reception for the delegates to the annual meeting, valiantly endeavoured to dispel the complacency and the euphoria with which the central budget proposals have been received in many quarters including some sections of the business community.

While enthusiastically endorsing the Wanchoo Committee's proposition

Back to Normal

IN THE course of her recent election campaign, Mrs Gandhi assured the people of West Bengal that they would have a bright future if they voted the Congress to power. She emphasised that West Bengal needed a strong and stable government which would follow progressive policies. The people have done their duty by giving Mrs Gandhi's party an overwhelming majority. It is now for New Delhi and the state government to implement speedily and effectively the Prime Minister's assurance to the people.

The problems confronting Mr Siddhartha Shankar Ray's Ministry are indeed more difficult and more numerous than those facing the chief ministers of other states. While most states have been making rapid strides in economic development in the recent years, West Bengal's economy not only did not advance but actually deteriorated. West

that the confiscatory rates of direct taxation were breeding black money, he emphasised the even more valuable point that these rates were also underwriting Indian poverty by denying Indian development the full benefit of Indian initiative or enterprise. Mr Palkhivala, it is true, was saying nothing new and his New Delhi speech was in fact a repetition of the one on the central budget which he had made in Bombay a few days earlier. But the things which Mr Palkhivala is saying need to be said again and again for the simple reason that the economic policies and fiscal attitudes which he castigates or criticises continue to march in a mournful procession towards a frustrating future. So long as the government continues to be unmindful of its obligations to promote economic growth and real social welfare, the nation's interest may perhaps be better served by Mr Piloo Mody demonstrating on the streets or Mr Palkhivala haranguing to the public hopefully than by the carefully contrived proceedings of the annual general meetings of the Federation of Indian Chambers of Commerce and Industry at which Prime Ministers meet business leaders for the purpose of agreeing to disagree.

Bengal's contribution to the net national product at current prices fell from 8.3 per cent in 1960-61 to 7.6 per cent in 1969-70 and, at constant prices, from 8.3 per cent to 7.7 per cent. The increase in the per capita state income at constant prices was quite meagre from Rs 311 in 1961-62 to Rs 326 in 1969-70. While in other states the main problem has been how to speed up industrial growth, in West Bengal the concern has been to prevent factory closures and help industrial units to make better use of their capacity. As a result of prolonged stagnation in the State's economy, the number of unemployed persons has swollen to about four million or even more.

Mr Ray's main task therefore will be how to create jobs on a massive scale in the near future. The solutions are indeed obvious. Reopening of the closed factories, full utilisation of the

installed capacity, expansion of existing industries, creation of new industries and implementation of the major schemes like the second Howrah bridge and the tube railway—all these will substantially contribute to the growth of new jobs. But much will depend on the manner in which the ministry deals with these problems. Central assistance in various forms may be forthcoming readily, perhaps even generously, but the state government should be prepared to utilise it fully. In the past there have been many occasions when substantial central grants to West Bengal lapsed because of the indifference or inability of the state government to use them in time. Mr Ray's ministry should avoid similar situations.

The problem of unemployment however cannot be tackled successfully unless the youth of West Bengal increasingly turn to business and industry. This point was eloquently stressed by Mr Dias, the Governor, when he inaugurated on February 23, a branch in Calcutta of the Entrepreneurial Guidance Bureau. Urging the sons of the soil to shed their inhibitions about trade, commerce, and industry, the Governor said, "The days of the landlords are gone. This is the age of commerce. White-collar jobs cannot continue to grow indefinitely. For the sake of economic regeneration of West Bengal and to solve the problem of the educated unemployed, the brains of West Bengal must turn to industry and commerce. The progress of Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu and Punjab has been due to the emergence of a local entrepreneur class, rooted to the soil, vitally interested in the development of its own state." The Governor suggested that West Bengal should take a lesson from this experience. Mr Ray's ministry should consider in what ways this suggestion can be carried out. The government should emphasise the importance of self-employment and encourage this trend. This will be a better way of tackling unemployment than by pressurising employers to prefer only local people.

Mrs Gandhi said in her election speeches in West Bengal that the government was considering a proposal to declare a moratorium on strikes, closures and lock-outs in mills and factories for two years. If the Prime Minister succeeds in enforcing such a moratorium, it will greatly contribute to more production and prosperity in West Bengal. Few states in India have suffered so much from deliberate disruption of industrial production as West Bengal. The percentage of man-days lost in West Bengal as compared to all India increased from 39.60 in 1967-68 to 58.71 in 1969-70. The number of

man-days lost in India in 1969-70 was over 16 million of which West Bengal's share was nearly 10 million. Durgapur's industrial growth has been hindered mainly because of the acute labour unrest. In 1970-71, the Durgapur steel plant lost 17,63,000 man-hours. In that year there were in the Durgapur steel plant 269 stoppages of work, nine gharaos, 116 demonstrations, one lock-out, 719 slow-downs, 2559 instances of refusal to work, five bandhs, three assaults on supervisory staff and two general strikes. On account of these troubles, the Durgapur steel plant lost production valued at Rs 11.6 crores in 1970-71.

The rout of the Marxists and other leftist parties in the election is interpreted as an indication of the workers' rejection of their agitational and disruptionist tactics. But it remains to be seen to what extent these parties will gracefully accept the poll's verdict and whether they will use whatever influence they still have with labour to sabotage production in various forms. The continued and chronic power crisis in West Bengal is attributed to inter-union rivalry, go-slow tactics and indiscipline on the part of labour employed in the power plants. The state government therefore should deal with the labour problem firmly and, of course, also tactfully.

The period of President's rule in West Bengal during 1971-72 has been notable for many important developments in administration as well as in the state's economy. Mr Dias has been able to impart considerable speed and efficiency to the administrative machinery. The Economic Review for 1970-71 issued by the state government claimed that "West Bengal has one of the cleanest administrations". This was certainly too tall a claim at the time it was made. But there is no doubt that today the administrative machinery is much better

than it ever was. Even so, there is surely urgent need and immense scope to improve it in every direction. President's rule has also made an encouraging beginning in reopening many closed factories, in reviving several sick units, in drawing up an elaborate scheme of incentives for entrepreneurs, in undertaking various schemes for Calcutta's betterment, in rural electrification, and in the development of agriculture. Mr Ray's ministry should be able to make further and faster progress in these and in other directions. Industrial expansion can be speeded up if the government can make the incentives more attractive and encourage the large houses to invest not only in the backward districts but also in other parts of the state. Such a policy will also strongly stimulate the growth of small-scale industries for which there is immense scope.

By emphatically rejecting the Marxists, the people of West Bengal have revealed that they do not believe in Mr Jyoti Basu's allegation that New Delhi is treating this state as a colony. Nevertheless, substantial sections of public opinion seem to feel that in the past the central government has not been quite sympathetic to its difficulties. New Delhi should dispel this kind of impression by stepping up its investment in West Bengal, by arranging the flow of adequate raw materials, by liberalising the issue of industrial licences, and by placing more orders on industries in this state for defence, for railways, and for other public sector units. The Prime Minister should take a special interest in West Bengal. She should ensure that the absence of an effective opposition does not create complacency and that the people's problems are tackled with vigour and speed. The people should be convinced that a strong and stable government will also be a good government, capable of creating conditions to enable them to enjoy a decent standard of living.

EASTERN ECONOMIST BUDGET NUMBER

The next issue of EASTERN ECONOMIST, dated April 7, 1972, will be a Special Number devoted to a discussion on the central budget. As in previous years, the Special Budget Number will present an analysis of the budget proposals and a study of the budget documents in their larger economic context as well as in their specific details. The Special Number will include all the relevant budget literature and statistical tables. It will also carry a section of Special Articles covering fiscal and monetary issues. Priced at Rs 5 per copy (postage extra) copies of this number will be on sale with leading booksellers and at the office of the Eastern Economist Ltd, UCo. Bank Building, Parliament Street, New Delhi-1. It will however be available to regular subscribers without extra payment.

The Budget and Foreign Trade

THE GOVERNMENT of India has given high priority to export promotion and import substitution. It will therefore be worthwhile to consider to what extent the central budget for 1972-73 will help to realise these objectives. Mr Chavan has not only not provided positive incentives to increase exports but some of his proposals may affect even the current rate of growth in exports. The Economic Survey for 1971-72 says that in the first nine months of the current financial year, the total value of exports was higher by only Rs 41 crores or by 3.6 per cent as compared to the corresponding period of the previous year. The survey adds that it is difficult to forecast the performance for the entire year because since August 1971, for each successive month, the exports were consistently lower than in the previous year. Mr Chavan said in his budget speech that while imports other than those of foodgrains had increased rapidly, this could not be said of exports and that, as a result, the trade gap was likely to widen appreciably in the current fiscal year. One would therefore have expected the Finance Minister to have framed his budget so as to give a strong fillip to exports. But Mr Chavan seems to think that our exports would somehow pick up steadily even without any initiative or impetus from the Finance Ministry.

The government of India has often declared in the past that it does not look upon export duties as a source of revenue. But at the same time, government seems reluctant to forgo revenue from this source as far as possible. For 1972-73, the government estimates a net revenue of Rs 86.15 crores from export duties, mainly from those levied on jute goods, deoiled groundnut meal, hides, skins and leather, mica and lumpy iron ore. Jute goods provide the largest revenue, accounting for Rs 37.00 crores against the revised estimate of Rs 22.60 crores for 1971-72. Mr Chavan may argue that since there is no immediate prospect of the revival of competition from Bangla Desh, India's jute industry can well afford to bear the current level of export duties. But he seems to ignore the threat to our jute goods exports arising from the rapid inroad of synthetics and the steady decline in the hessian consumption in the USA and other industrialised countries. On other export items, the continuance of export duties at the current rates seems anomalous.

For example, Indian mica has been facing increasing competition from Brazil and substitutes. At the meeting of the Advisory Council on Trade held in New Delhi in last November, it was pointed out that employment in the mica industry in the states of Bihar, Rajasthan and Andhra Pradesh had declined from about five lakhs to one lakh, that more than 100 mica mines had been closed since 1965 and that production had declined from 28,000 tonnes in 1960 to 16,000 tonnes in 1970. Nevertheless, the government has estimated a revenue of Rs 4.50 crores from the export duty on mica in 1972-73.

The Economic Survey says that our success in export promotion will depend much on our ability to generate larger surpluses at competitive prices. But because of the higher tax burden on the corporate sector imposed by the budget, the uncertainty about the alternative to the development rebate, the removal of the special deduction of five per cent on profits in the case of a priority industries, and the general bias against the large business houses—all these are hardly helpful to the production of an abundance of goods. The performance of engineering goods has been a bright spot in our export trade. But because of the higher steel prices and the cumbersome procedure for the drawback of duties, the export growth of our engineering goods is also likely to be slowed down to some extent.

The budget has allotted Rs 59.10 crores for export promotion and market development schemes in 1972-73 compared to Rs 54.35 crores in the revised estimate for 1971-72 and the original estimate of Rs 49.91 crores. The Finance Ministry has explained that the larger provision for 1972-73 is due to the anticipated increase in cash assistance on account of increased exports, reimbursement of losses to the Minerals and Metals Trading Corporation on account of manganese ore and iron ore, increase in export credit interest subsidy scheme, and more grants for export promotion councils. The budget has also set apart more money for commercial intelligence and foreign trade organisations, amounting to Rs 7.19 crores in 1972-73 compared to Rs 4.74 crores in 1971-72. Part of this increase is on account of the third Asian Trade Fair to be held in New Delhi. The larger allocation of funds under Market Development

Schemes and for export promotion councils is to be welcomed but unless, at the same time, effective measures are taken to step up production and productivity in industry and agriculture, the country's export drive cannot gather momentum in a big way.

For speeding up import substitution also, Mr Chavan's budget provides little incentive. He has made some proposals in regard to import duties to bring an additional revenue of Rs 8.60 crores in a full year. He has emphasised that the need to exercise a general restraint on imports remains as great as ever. But the Finance Minister could have provided some tax incentives to industries which help the country to reduce or eliminate imports.

Our imports have been sharply increasing in the recent months and this upward trend is likely to continue for some years. Imports of cotton rose from Rs 45.1 crores in April-July 1970 to Rs 60.7 crores in the same months of 1971, vegetable oils and fats from Rs 12.1 crores to Rs 18.6 crores, fertilisers and fertiliser materials from Rs 25.3 crores to Rs 32.2 crores, petroleum products from Rs 41.4 crores to Rs 62.5 crores, metals from Rs 77.4 crores to Rs 123.7 crores and machinery and transport equipment from Rs 127.1 crores to Rs 152.0 crores. The Economic Survey rightly points out that a general and indiscriminate reduction of imports would not be in the best interest of the country and that an across-the-board reduction in imports would unnecessarily starve the growing sectors in the economy of essential supplies.

The survey suggests that a reduction in the overall import bill has to be achieved without sacrificing either investment or employment and that this would call for a commodity-by-commodity analysis of the country's import requirements. In the meantime, the government should be able to ensure that the economy is able to achieve a high rate of growth without which neither export promotion nor import substitution can achieve much progress. The Economic Survey admits that "there has been throughout the year deeply felt concern over the pace of industrial growth" and that what is "seriously impeding" is neither procedural difficulties nor policy restraints but the general dearth of savings. But Mr Chavan's proposals offer little incentives for augmenting savings in a big way either by the corporate sector or by individuals; and as a result, it is difficult to see how the country's economy can be expected to achieve a buoyancy in the coming months.

Try the 5-star luxury route to the Orient on KLM's 747B



Service: Royal Class



A view of Ginza: Tokyo

Fly the difference

You'll like the KLM 747B for its added comfort and sophistication. Ten wide doors. Cabin with high ceiling and extra spacious aisles. Seats with more leg space and arm-rest room. Luggage lockers. And that inimitable personalised service that makes all the difference—on ground, off ground.

KLM's Far Eastern route takes you on Mondays and Fridays to Tokyo from Delhi via Bangkok and Manila. Hop off at Bangkok for connections to Singapore, Jakarta, Bali and Sydney. Or pick up any of the twice-weekly flights from Bombay of our pool partners, Garuda Indonesian Airways. On Wednesdays via Colombo and Kuala Lumpur to Jakarta, Bali and Sydney. On Mondays via

Bangkok and Singapore to Jakarta and Bali.

Avail of KLM's attractive 'Fly now, pay later' plan or of the reduced fares for students. For details, get in touch with your Travel Agent or contact the nearest KLM office or KLM's General Sales Agents in Ahmedabad, Goa, Indore and Madras.



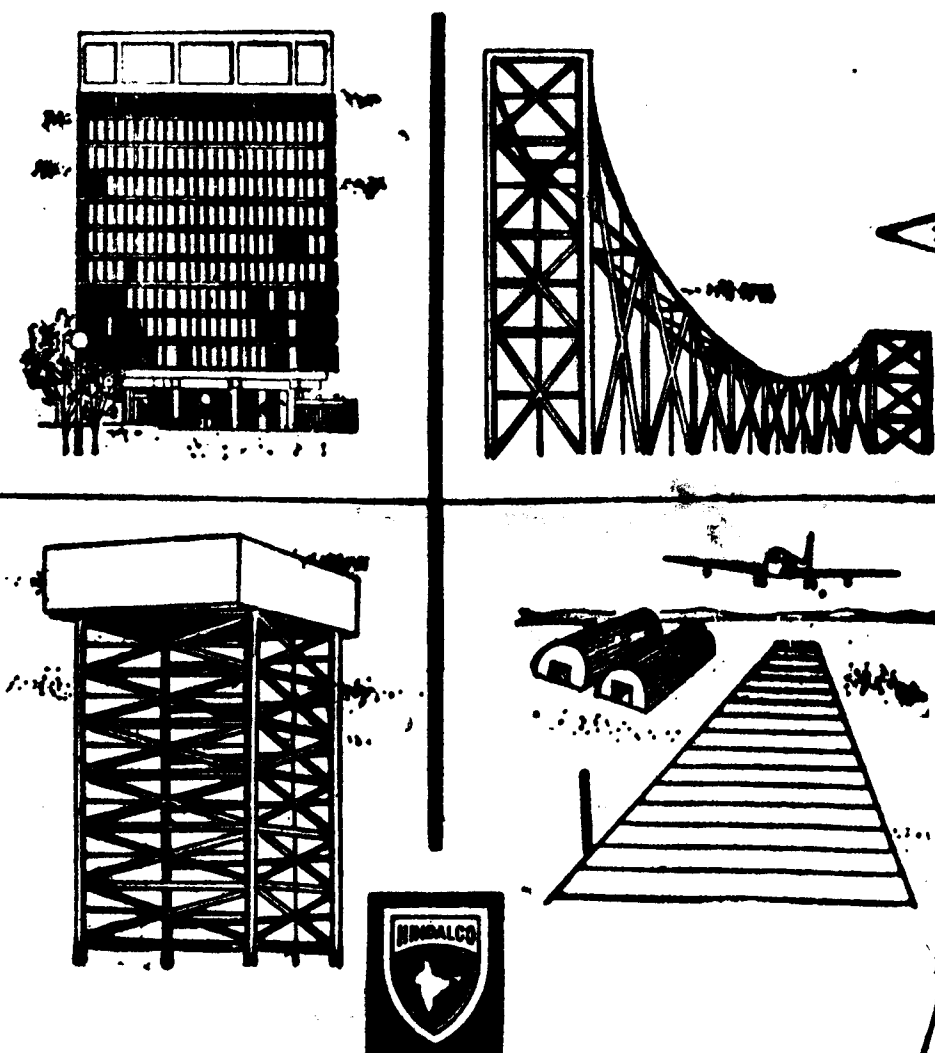
ROYAL DUTCH AIRLINES

ALUMINIUM IN CONSTRUCTION & STRUCTURAL USES

For Building & Construction, HINDALCO offers Semi-fabricated aluminium products (sheets and extruded shapes) in a wide range to suit diverse jobs. High strength-to-weight ratio and low maintenance costs make Aluminium the ideal choice of modern builders and architects. Besides, for making buildings cool in summer and warm in winter, aluminium panels are being increasingly used today in modern sky-scrapers.

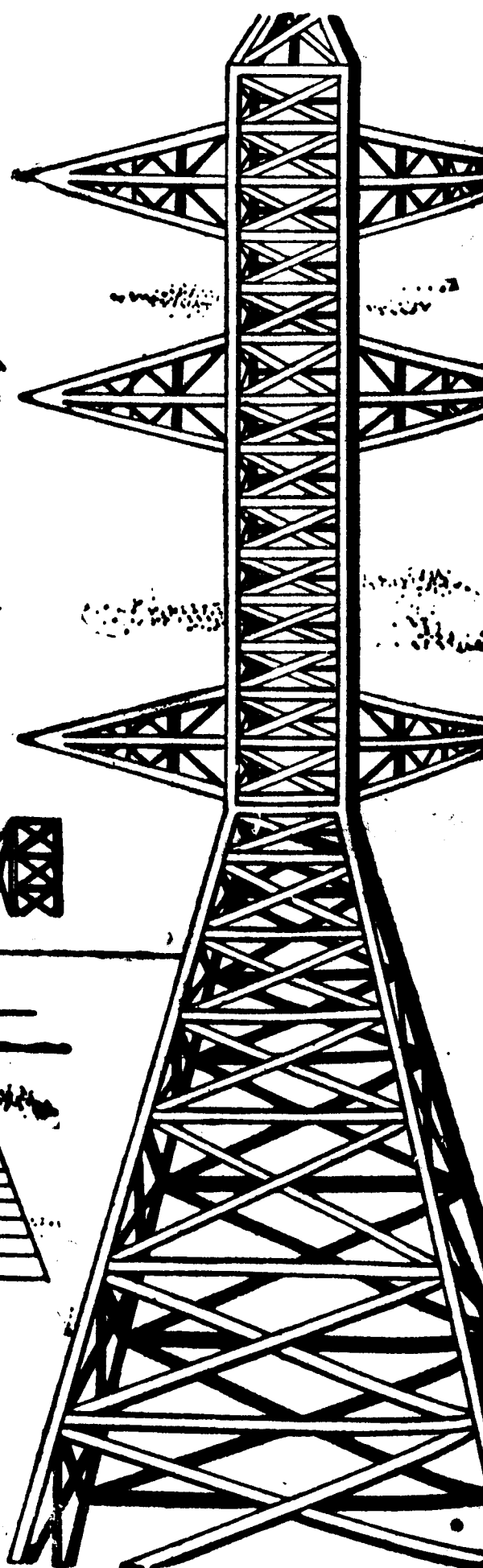
HINDALCO Semi-fabricated products are so versatile that they can be used in making almost anything, from landing mat for Aeroplanes in an emergency defence purpose to drainage culverts in farms for Agricultural purposes.

MODERN BUILDERS SPECIFY HINDALCO ALUMINIUM.



HINDUSTAN ALUMINIUM CORPORATION LTD.

P.O. RENUKOOT ■ DIST. MIRZAPUR ■ U.P.



Development Through Democracy

S. S. KANORIA

SINCE we met last, several changes have occurred in the area of international commerce and finance. The hope of global partnership which was generated after the second World War is yielding to the danger of some rich countries sinking into a kind of 'prosperous provincialism'. We have to reckon with the effect on our trade of Britain's decision to join the European Economic Community, the reluctance of some developed countries to reduce trade barriers against exports of developing countries, the diminishing prospects of external aid for development and the near breakdown of the international monetary system. I trust that the forthcoming United Nations Conference on Trade and Development at Santiago will take up these matters and ensure the right of developing countries to a greater say in the ordering of international monetary, trade and economic relations.

In the gigantic task of providing to our population—which is one-seventh of the human race—a standard of material well-being consistent with human dignity, it now appears that we shall have to rely mainly on our own efforts. The goal of self-reliance has acquired a new and greater urgency than ever before. It is in this context that, unlike in previous years, this year's three-day annual session of the Federation is devoted to a single theme, "Towards Greater Self-Reliance". It is our hope that the discussions on the theme of self-reliance will bear fruit in specific lines of action for every section of society to take the nation towards this goal.

Formidable Challenge

While working out the range and scope of the different aspects of the concept of self-reliance we find that its ramifications extend to almost every area of economic activity and every instrument of economic policy. It is a formidable challenge that we face but I am convinced, not only that the goal is attainable but also that the pursuit of the objective will give a powerful thrust to the tempo of development.

I would like to assure you that businessmen stand ready and willing to play their part. We know that there is much in our society that cries out for change, age-old injustice and wide disparities that can no longer be tolerated. It is for the government—assisted, may I add, by enlightened, socially

The 45th annual session of the Federation of Indian Chambers of Commerce and Industry was held in the Capital on March 25, 26 and 27, 1972. This is the text of Mr S.S. Kanoria's presidential address.

conscious private enterprise—to direct this creative discontent into productive channels instead of allowing it to vent itself in a senseless orgy of destruction. It is true, as Gunnar Myrdal has pointed out, that in underdeveloped countries greater equality is almost a condition for more rapid growth. Let us by all means strive for a narrowing of inequalities of income and wealth so that equality of opportunity may be assured to all. But let us remember that greater equality, except in a context of growth, will be self-defeating for it will only diffuse poverty instead of generating prosperity. Equality and growth are thus inter-related and complementary.

Semantic Confusion

We are in accord with the socioeconomic objectives to which government policies are directed. I suspect that much of the confusion and misunderstanding that tend to cloud government-business relations is basically semantic in nature and can, therefore, be dispelled by breaking the tyranny of words and getting down to the bedrock of reality, of which words are merely symbols. What is needed is the working out of the organisational and policy framework for the attainment of these objectives. I believe that this is a matter on which a continuing and constructive dialogue between government and business can yield fruitful results.

It is in this spirit that we organised a seminar on 'Maximisation of Capacity Utilisation and Productivity' in which representatives of both sectors, public and private, participated to find solutions to their common difficulties in running their plants to full capacity. On another occasion we had fruitful exchange of views with the managements of the Heavy Engineering Corporation and the Mining and Allied Machinery Corporation on how their idle capacity could be utilised for manufacture of equipment which is at present imported and to ensure greater co-ordination in the building of steel plants. I value these exchanges, for most of the problems that affect industrial develop-

ment transcend sectoral boundaries and call for a common approach. A striking illustration of this community of interest is that the State Trading Corporation is now in the membership of the Federation.

In line with this concept of a partnership between government and business directed to the attainment of the socioeconomic goals which the nation has accepted, the Federation has dedicated itself to the idea that private business must be infused with social purpose. A set of principles has been drawn up, setting out the norms of business under the 'Indian Business Believes'. These norms include the recognition that business has responsibilities beyond the caring of profit and extend to specific responsibilities to consumers, workers, shareholders, the government and the local community in which the business is carried on.

Sense of Self-Confidence

We are now in a better position than ever before to face up the challenge of development through democracy. Recent events have generated a new sense of self-confidence in the country. Agricultural production has made a significant advance and self-sufficiency in foodgrains has been achieved. We have fairly good social overhead capital. Our industrial infrastructure is quite substantial. Our resources of skilled labour, technical know-how, managerial ability and entrepreneurship, together with machine-building capacity and design and engineering competence place us among the most advanced of the developing countries. All articles of common use are now indigenously made. Even highly sophisticated products are manufactured, both for domestic use as well as for export. Our economy had the strength and resilience to carry the burden of the refugee influx and of war without the emergence of acute scarcities or undue price rise. The credit for this goes to producers, traders, consumers, workers and the government. All of them exercised commendable restraint and worked in co-operation.

Above all, we have a strong and stable government both at the centre and the states. Further the eastern region and West Bengal in particular, which suffered from political instability and industrial stagnation, can now look forward with confidence to economic regeneration.

In my view, three ingredients are needed to achieve our goal of self-reliance. First, the political will to support effort; second, the required understanding and the willingness to act on the part of the different sections of the people; and third, an efficient

administration which is flexible enough to adjust to the changing situation.

It is unfortunate that, except in times of crisis, the psychological environment in which economic activity is conducted is marked more by negation than affirmation. There are far too many conditioned reflexes. Each functional group carries a negative and unlovely image of the other. Thus most of the time in Parliament and outside, there is criticism against those who are forging ahead rather than against those who go slow. Business circles are far too preoccupied with impediments instead of looking at the opportunities and the development process in its totality. The administration is hesitant to take positive action lest it should be charged with deviating from some accepted norms. The regulatory mechanism moves on the basis of suspicion. Those who are in charge of trade unions are more concerned with agitational than with constructive activities. It seems to me that a radical change in approach, attitudes and effort is necessary on the part of every one of us—the politician, the businessman, the administrator and the wage-earner.

There should be no controversy over the fact that we have to accelerate our rate of growth. Experiment and controversy are healthy to the extent they stimulate thought and action. However, in a diversity, tolerant nation like ours the danger is diffusion and weakening of purposes. We have reached a point where a choice has to be made between the alternative methods that could be adopted. Do we improve our present economic administration and techniques or move to more complete control of the economic system? The rational choice is the first alternative. And, it is supported by our social and political milieu. We have to place, if anything, greater emphasis on development through democracy.

Strategy for Growth

This is not all. We have to devise a new strategy by which rapid economic growth will be combined with the widest diffusion of the benefits of growth while at the same time democratic liberties are safeguarded. For this there are no precedents we can follow. We have to chart our own course.

You, Madam Prime Minister, are already overburdened with heavy responsibilities. Nevertheless I would urge that the vital matter of imparting dynamism to our economy needs your immediate personal attention. You alone can induce that sea-change in attitudes that is so urgently needed. We have to show to the world that a nation which displayed such remarkable solidarity, courage and fortitude in the face of external danger can

achieve the same unity of purpose and dedication in that other war against poverty which we are waging.

The complexity of our problems is such and the urgency for moving faster is so imperative that we cannot afford the luxury of one activity cancelling the other. Small remedies to redress short-falls in activity in particular sectors are not enough. The situation has to be viewed in its entirety. Remedies must be timely as well as comprehensive. Otherwise economic growth will suffer; the improvement in the economic well being of the people and the quality of their life will be needlessly deferred. I would, therefore, strongly urge that once definite and well considered decisions are taken by government, these decisions must hold good for a reasonable period of time. Only then can both the government and the entrepreneur plan production programmes.

The slow-down in the rate of growth of industrial production has caused widespread concern. Last year, the rate of industrial growth dipped to about one third of the target. This has been for a two-fold reason: There has been considerable under-utilisation of installed capacity; and there has not been adequate investment in creating new capacity.

Under-Utilisation of Capacity

By now, factors responsible for under-utilisation of capacity in some industries are well known. They are: insufficient demand, shortage and irregular supply of raw materials, components, spares, etc., inefficient management of some concerns, shortage and irregular supply of power, transport bottlenecks and disturbed industrial relations. This has been the finding of our Seminar on Maximisation of Capacity Utilisation and Productivity. It is also the conclusion of the Planning Commission and the government of India Committee on Unemployment in their Interim Report.

The areas, the degrees and the causes of under-utilisation having been identified, I am sure it will not be difficult to devise remedial measures. The substantial increase in Plan outlay announced by the Finance Minister in his budget speech is a step in the right direction. This should alleviate infrastructural deficiencies and create more effective demand, thereby helping to activate idle capacity. Further your observation that, "History will not forgive us for any loss in production due to strikes or lockouts in the present situation," is very timely as strikes, lockouts and go-slows have been a major factor responsible for inadequate utilisation of capacity built in the country at great sacrifice. Better utilisation of existing capacity will not only increase production of certain items such as steel, but

will also lead to a wholesome chain reaction resulting in higher industrial activity.

Industrial growth requires creation of new capacity. The quantum of production in any given year, however, is often the result of acts of omission and commission of earlier years. Inasmuch as investments have slowed down during the past few years, the diverse impact will be felt after a time lag.

Gestation Period

I am aware that recently there has been a marked increase in the number of letters of intent issued. Unfortunately, in spite of this the normal gestation period of an industrial project, that is the time lag between its conception and the commencement of production, is inordinately extended because of the numerous laws and regulations governing industrial activity and their administration by different government departments which do not always work in co-ordination. There is a case for revision of procedures relating to industrial activity so as to make them more simple and to eliminate the repetitive scrutiny of an industrial project by a number of separate departments at different stages of the necessary clearances. Surely this can be done without impairing in any way the social objectives sought to be achieved.

The Federation attaches the greatest importance to the creation of opportunities for as many entrepreneurs as possible to participate in industrial development. The crucial factor which sets the pace of development is entrepreneurship. At its finest, this is the creative faculty of perceiving opportunities for the profitable use of innovations and the initiative and drive to give organisational shape to such perception. At a lower level, it is the spirit of enterprise that brings followers on the trail blazed by the pioneers. It is our endeavour to kindle the spark of enterprise in the minds and hearts of our youth and among those who have some technical, managerial or trading experience. Wide diffusion and entrepreneurship will transform job seekers into job creators both for themselves and others, harness the productive resources of the country for the generation of income and output and accelerate the pace of industrial growth. It is also the most effective remedy for concentration of economic power.

The corporate sector has to play key role in this drive to rapid industrialisation. Companies are valuable national assets, centres of institutional saving and productive investment as well as of technical skill, managerial expertise and entrepreneurship.

The feeling that size and growth of

enterprises may lead to concentration of economic power ignores the fact that today the levers of power over every sector of the economy, including the financial and credit institutions, are securely in the hands of the government. In these concerns no major policy decision can any longer be taken without the concurrence of some governmental agency. They are thus virtually functioning in a joint sector already. It would be unfortunate if, in such conditions, the nation were to be deprived of the full contribution to growth that such enterprises can make. I hope that if it is thought necessary to extend further the government control over the working of companies, care will be taken to ensure that such control does not impair efficiency of operation or capacity for growth. I would like to clarify that in saying this I am not opposed to the concept of joint sector which is a welcome innovation in the context of the need for economic growth and the social and political environment prevailing in the country.

Adequate Resources

The growth of the corporate sector requires adequate resources, short term as well as long term, own and borrowed. This is so, whether the company is in the public or private sector or whether it is a joint venture.

Running concerns have been finding it difficult to get commensurate bank credit in time. They have in some cases had to use funds earmarked for expansion as working capital. They are unable to plan for the future because availability of finance is some times uncertain. There are also general and selective credit controls by the Reserve Bank of India. Moreover, directives aim at limiting borrowing from the public by way of deposits and unsecured loans. Besides, the market for securities is not active enough to enable a large number of companies to float new issues successfully. The whole financial organisation has to be toned up to meet the requirements of dynamic industrial growth.

Fiscal and monetary policies are interlinked. Both these policies together should help resource generation. Over the years, the tax structure has grown in a haphazard fashion. To some extent, this has been inevitable in view of the multiple objectives of our tax system. Even so, it is time that the taxation system was streamlined after selecting the more urgent priorities relevant to the present decade. The Direct Taxes Advisory Committee has already taken great pains to study the matter in depth, and I hope that the Taxation Amendment Bill proposed to be introduced shortly will seek to rationalise the tax structure to meet the needs of the situation.

Last year the Finance Minister cur-

tailed some valuable fiscal incentives for investment in the corporate sector. Those who were looking forward to a reversal of this trend, so that companies would be enabled to step up the pace of industrial growth, have been disappointed. Even allowing for the exigencies of revenue I think the corporate sector deserves greater consideration.

We shall look forward to the investment incentives which are to take the place of the development rebate. It is to be hoped that besides special incentives serving to attract investment to backward regions, the new incentives will help, as the development rebate does, the modernisation and rehabilitation of industrial equipment and the generation of resources in companies for repayment of loans as well as for expansion and growth. Fiscal policy seeks to concentrate so much on resource mobilisation that it tends to overlook the no less important aspects of resource generation.

The keynote of our development policy has to be rapid increase of production with maximum efficiency and minimum cost, with due regard to creation of employment. The advance of modern industrial technology has made it possible to produce an abundance of high quality goods at low cost so that goods which only the very rich could afford in the past are brought within the reach of the masses. To raise the standard of living of our people, we cannot turn our back on these advances in science.

Most Productive Use

Mass production does more than produce vast amounts of goods at relatively low prices. It enables us to put our resources to the most productive use. Scarce raw materials can also be most efficiently utilised. Further, this sort of production, by its very nature, implies a corresponding wide market with a diffusion of effective demand in productive employment. If this does not happen the goods produced will be unsaleable and the whole process will grind to a halt. Mass consumption is thus a natural corollary of mass production.

I realise that modern technology with all its advantages cannot become an end in itself. As Eugene Schwartz points out in his recent book "Over-skill" technological solutions often create derivative technological problems, for example, in relation to the environment. More than this such solutions to human problems are always incomplete because in his words "values, morality, ethics, good and evil have no place in the working of the technological process". In India, therefore, we have to ensure that when technology is harnessed to the service of man which is essential to raise the standard of liv-

ing, basic human values are not sacrificed.

From the point of view of employment if we consider not only the immediate employment generated but also the secondary, tertiary and further effects of such primary employment, we shall surely find that mass production techniques create many times the employment that is apparent at first. The clearest demonstration of this is the close correlation between employment and industrial development. The industrially backward countries are the ones where, despite deliberate propagation of labour-intensive technology, unemployment is most acute. By the same token, every industrially advanced nation faces, except for temporary periods of recession, grave labour shortage along with high wage rates.

Rural Unemployment

I know that the number of unemployed in our country is so huge that even the fastest possible rate of industrial advance cannot solve the problem quickly enough. We have to create employment in rural areas through agricultural improvement, rural public works, irrigation and other activities that are ancillary to agriculture and through agro-based industries. We should also exploit to the full the employment creating potential of road building and house construction. But in the ultimate analysis, the solution of the unemployment problem lies in a sustained drive to lift the nation to a higher level of industrial development.

In our approach to the unemployment as to other economic issues we have to take account of the fact that India's position is different from that of most other developing countries. In the spectrum of economic development, our position is near the centre. While we are underdeveloped as compared to the advanced countries of the world, we are well ahead of the great majority of developing nations. In foreign aid we are both recipient and donor and as time goes on our role as donor of aid to neighbouring countries is likely to grow.

Similarly as one of the more advanced among the developing countries of the world, we have already made a good beginning, in setting up joint ventures in a number of countries. We are in a position to assist the industrial development of other countries without in any way impeding our own. On the contrary, we derive substantial advantages. I believe that such enterprise deserves government encouragement and support.

It is also to our advantage to get the benefit of foreign investment in India in areas where our progress is subject to constraints arising out of technological

gaps or where the requisite machinery and plant are not available here. Such investment would serve as a catalyst to growth and is thus not only compatible with self-reliance but positively helpful in attaining that stage more quickly. India has gained sufficient maturity, political as well as economic, for us to take a positive approach to foreign private investment on mutually beneficial terms.

One result of our ranking as a comparatively advanced country in the developing world is that we are better placed than most others to benefit from the emergence of a trend that is giving a new orientation to world trade. This is the increasingly intensive search by the advanced countries for sources of supply to meet the growing need to import ancillaries and components which are comparatively labour-intensive in nature. The labour shortage and high wage rates in these countries render this sort of production uneconomic for them. In some cases, the advanced countries have indicated their readiness to collaborate financially or technically or in both ways in the setting up of the necessary productive capacity in India.

India's Gain

There is no doubt that India stands to gain substantially by such arrangements. But let us not rest content with the level of intermediate technology that we have reached. Our aim should be to advance further and equip ourselves with the most modern, sophisticated industrial technology, partly through import of know-how and partly by evolving indigenous technology and adapting foreign technology to Indian requirements and conditions.

This advance in industrial development will have a direct bearing on our exports. It should be a matter of concern that in the decade of the sixties our share in world exports fell from 1.2 per cent in 1960 to 0.7 per cent in 1970. Aggregate world exports during this period rose from \$114 billion to nearly \$580 billion. Hence although India's exports went up in absolute terms we were not able to secure our due share of expansion of world trade.

On no account should we reconcile ourselves to this steady erosion of our position on the trading map of the world. Our level of development and our geographical location should enable us to put up a very much better performance on the export front. When I was abroad I found that the quality of our products and their prices were acceptable to foreign buyers. Apart from tariffs and other restrictions imposed by importing countries, the major constraints for exports arise from shortages of essential raw materials, inadequate capacity in industries with ex-

port potential and difficulty of adhering to delivery schedules. All these obstacles can be successfully surmounted with appropriate policy measures, implemented with imagination and drive.

The crux of development revolves round our capacity to increase the levels of savings and investment. In the past five years savings have not been sufficiently buoyant partly because of the rise in prices and partly because of the inter-sector shifts in national income. With growth in agriculture and a slowdown in the industrial and services sectors larger income accrued to agriculture which traditionally is not prone to saving. It is for government and the corporate sector to make every effort to attract these savings for supporting all round development.

Some months back we organised a seminar on "Spread of Investment Habit" and followed it up with action-programme to be implemented by industry, stock exchanges and financial institutions as well as government for attracting larger savings. The government has shown its awareness of the need to encourage shareholding specially among small investors. Some useful fiscal incentives have been introduced. I would suggest that, in order that they might yield the best results, there should be a reasonable degree of stability in policies affecting the profit earning and dividend paying capacity of companies in which the public are substantially interested. If the public interest requires that some of these concerns should be taken over by the government, care should be taken to ensure that the confidence of investors is not thereby impaired. Even though the recent constitutional amendment has removed the legal obligation to pay full and fair compensation, we have complete confidence that your government will continue to respect legitimate property rights.

I believe that the mobilisation of rural

resources should not be regarded purely in terms of saving. Consumer spending out of rural income can also give a boost to development. The sluggish demand for many industrial consumer goods suggests that much of rural income arising out of higher agricultural production is used neither for consumption of industrial goods nor for productive investment. To that extent the advance in agriculture has yet to trigger the rate of industrial development that it should have. We have still to break the vicious circle of low demand, low production, low income and depressed living standards and get on to a rising spiral of growth and prosperity.

An occasion such as this should not be used only to ventilate our difficulties. I feel that we businessmen should also take stock of our own role in the economy and how best we can fulfil that role. I would like every businessman in India to realise the historic importance of the changes that are going on around us. Our country is now at the crossroads of history. How we discharge our responsibilities now, will largely determine our own future as well as that of the nation. The pace of socio-economic change is increasing; the future is catching up with the present at a rate that can produce the traumatic experience that Alvin Toffler has called 'Future Shock'. Those who are incapable of understanding the significance of the transformation in the psychological environment and of adapting themselves to it are likely to be overtaken and left behind by the forces of change. I am confident that the business community of India will not be insensitive to the rising expectations of our people. There is an irresistible popular demand that the poverty and backwardness of centuries should be eradicated and that the masses should be able to look forward to a reasonable standard of material well being.

The Role of the Revenue Account

SAGITTARIUS

THE MOST remarkable feature of the central budget in recent years is the growth in importance of the Revenue Account and the serious effort that has been made latterly to finance development expenditure as far as possible out of savings from current revenues. The total of the Revenue Budget has swollen from Rs 2,760 crores in 1968-69 to Rs 4,476 crores in 1972-73 or an increase of nearly 63 per cent. The growth in tax and non-tax revenues is pronounced particularly in the last three years when a rise of nearly 40 per cent has been recorded. This is a measure of the massive effort made to

mobilise resources through new levies and the buoyancy of tax receipts mainly on account of customs and excise duties.

In the current year alone new taxes have been imposed to fetch Rs 500 crores in a full year and Rs 275 crores during the short period the different taxes were in force. It had been naturally expected that Mr Chavan would not make a fresh bid to raise further large amounts especially as the new taxes themselves would fetch additionally Rs 225 crores in 1972-73 and there was also the prospect of a

growth in revenues even on the basis of existing taxation with a higher level of economic activity. These hopes, however, have been belied and on the plea that a gap of Rs 375 crores could not be left unbridged fully after the emergence of a deficit of Rs 385 crores in the current year, fresh taxation has been announced of nearly Rs 200 crores.

This effort was totally unnecessary as it is likely that there will be a much smaller deficit when the accounts for 1971-72 are finally closed. Apart from the fact that receipts might have been underestimated, Mr Chavan has admitted that there will again be a shortfall in Plan expenditure over the revised estimates. Also, it is noteworthy that sizable allocations have not been fully utilised and only the debits have been raised in the revenue or capital budgets and the moneys passed on to undertakings in the public sector. For instance, as a result of the heavy subscription to the paid-up capital of Bokaro steel project in the current year, no provision has been made in the next year as available resources are considered adequate. This clearly suggests that the overall deficit has been to a certain extent bloated and even after the final adjustments are made, the residual deficit would still be artificial in character.

When no unmanageable deficit is likely to emerge and the exchequer is in a position to raise the required revenues with a continuance of the special levies, there was no justification for penalising the tax payers through higher direct and indirect taxes. It is true that the bulk of the amount will be mobilised through higher customs and excise duties and it may be argued that only the concessions given to priority industries have been withdrawn and the increase in the surcharge from 2 1/2 to five per cent should not have any great disturbing effect. It is however overlooked that disturbing the cumulative impact of the increase in taxes in recent years become prohibitive and any public limited company is now obliged to pay nearly 58 per cent by way of taxes out of assessable profits. This rate is perhaps the highest for any country in the free world. Also, the further increase in duties on petroleum products, aluminium and steel, will have inflationary effects.

Small Savings Campaign

Even if it was felt that additional resources should be secured for implementing Plan schemes vigorously, Mr Chavan could have easily obtained the desired amount through open market loans and an intensification of the small savings campaign. The states of course have to be helped out with larger assistance from the centre. But the transfer of revenues additionally of Rs 50

crores out of new taxes could be found without difficulty, through loans or specific credits for specific projects on a negotiated basis from term lending institutions or the banking system.

Many may not of course agree with this view as between the states and the centre deficit financing will be of the order of Rs 850 crores in the current year. But the states are in a position to find the resources needed for a higher Plan outlay and besides making adjustments in regard to electricity charges and irrigation rates, where subsidies are involved, there may be an effort to tax farm incomes. Whatever may be the approach adopted by the state governments when their budgets are presented to the newly elected assemblies in the coming weeks, the centre could have easily raised Rs 200 crores more than the budget estimates through open market loans and larger receipts under the small savings campaign. This procedure would have the added advantage of flexibility in the resources budget as the additional amounts could be raised whenever needed and the centre would not have an opportunity for having misapplication of resources or their diversion when the desired progress is not being made on Plan schemes for various reasons. This is what exactly has happened in the first three years of the current Plan period.

Hidden Reserve

In 1972-73 particularly there is an additional provision of Rs 332 crores in the budget estimates for central and centrally sponsored schemes and another Rs 112 crores out of the surpluses of public sector undertakings and credit from outside sources. It is very doubtful whether the centre will be able to increase Plan outlay by nearly Rs 500 crores in the next year when the allocation in 1971-72 could not be fully utilised. In view of the special problems in stepping up Plan outlay, the Finance Minister probably wanted to avoid borrowing or desired to have a large hidden reserve in order to be in a position to meet any situation that may arise following a shortfall in foreign aid. It is unlikely however that there will be any big gap on this account as aid from many directions may be larger than in 1971-72 and the USA too may resume aid in some form later in the year.

It is therefore clear that there is no valid explanation for the new tax effort and justification for a further accentuation of inflationary pressures with a levy of higher customs and excise duties. The ideal course as stated above would have been to raise larger amounts through open market loan. The target for net borrowing in 1972-73 has been fixed at only Rs 214.78 crores against the actual amount of Rs 239.67 crores

raised in the current year. The target was only Rs 167.90 crores when the budget estimates were presented to Parliament in May last year. The actual amount raised was Rs 183 crores before the Defence Bonds were floated in December. Even with the raising of such a large amount the banking system has not been overstrained and borrowings of scheduled commercial banks during the week ended March 10 were over Rs 200 crores lower than the figure for the corresponding period in 1971. It has been possible to reduce borrowings appreciably in spite of an expansion of procurement credit by nearly Rs 180 crores in a twelve month period and subscriptions to state loans and bonds of public bodies to the extent of Rs 250 crores as there was a strident growth in deposits.

Additions to Deposits

It is expected that in 1972-73 the additions to deposits will be as much as Rs 1400 crores and even allowing for a larger expansion of credit for meeting the needs of industry and trade and borrowers in priority sectors, banks alone can subscribe additionally Rs 200 crores. The explanation given by Mr Chavan that the target for net borrowing has been placed lower because of the likelihood of the banking system being called upon to finance additions to buffer stocks to the extent of Rs 95 crores is therefore only an excuse for levying additional taxation.

The borrowing programme for the next year can be completed in one stage in July when conversion terms can be offered for two maturing loans, 4 1/2 per cent 1972 outstanding to the extent of Rs 100.13 crores and 4 per cent 1972, for Rs 154.71 crores. The first loan has to be redeemed on July 15 and the second loan on August 1. Conversion terms can be offered for both these loans at the same time and the gross amount of Rs 450 crores notified with the usual right to accept subscriptions upto 10 per cent in excess of the notified amount. The outstanding amount of the remaining two loans falling due for repayment in October-November to the extent of Rs 45 crores can be easily paid out of cash balances. There can also be sizable reissues after the state loans are out of the way. The ways and means budget for 1972-73 has therefore been drawn up unimaginatively and there is no doubt that in the absence of unforeseen developments there will be no constraint on resources at any stage and the government has a special responsibility to ensure that available funds are properly utilised. Mr Chavan also can make handsome gestures when moving the Finance Bill by mitigating the rigour of some of the new levies.

Promoting Personal Savings

R. V. MURTHY

IF EVEN after making ample allowances to the formidable challenges — need to raise the level of investment in the economy substantially, necessity to assist Bangla Desh in its immediate task of restoring a measure of stability and viability to its economy, need to continue to safeguard the security and integrity of the nation, and the imperative necessity to keep deficit financing within reasonable proportions — and the cherished goals — quickening the mutually reinforcing process of growth, social justice, self-reliance, investment and resource mobilisation — which Mr Y.B. Chavan, union Finance Minister, himself catalogued in his budget speech, as criteria to pass any judgement on his budget proposals, the business community has characterised these as “reflecting lack of imagination, timidity and inaction when bold measures and a new approach are called for”, the judgement cannot in all conscience, be described as harsh. Indeed, the one refrain common to all comments by the commercial community has been that there is no dynamic or imaginative plan in the budget to stimulate personal savings and investment.

Internal Surpluses

That there is urgent need for such a plan is evident from Mr Chavan's own statement viz., that “the level of savings and investment in both the public and the private sectors is inadequate to sustain a satisfactory rate of growth”. Surely the Finance Minister cannot afford to be content with just “some signs of improvement” on this front — e.g. an increase of some Rs 30 crores under small savings. Nor can he be that dead certain, as he seems to be, that the internal surpluses of public sector enterprises will increase by over Rs 40 crores, let alone appreciably. Even at the time of presenting the budget, Mr Chavan was only comparing the Rs 275 crores under this head which he has been aiming at next year with the 1971-72 budget estimate (not actual realisation) of Rs 233 crores. So the fairest comment on Mr Chavan's statement that his budget proposals will give incentives to save and invest must be said to have come from Mr Prabhu V. Mehta, Chairman of the Engineering Export Promotion Council (western region): “a politician's promise”.

Mr Chavan may claim kudos by

pointing to the initial bullish reaction that his proposals have received from stock markets all over the country, but he would be well advised to await reactions from the same quarters after the markets have had time to study the Finance Bill in all its details and assess the full impact of the additional or new tax measures and the so-called rationalisation measures which, more often than not, result in an upward revision of the tax incidence. Further, as Mr V.B. Haribhakti, a well-known Chartered Accountant of Bombay, put it so expressively, “The budget is like a time bomb — what is now given to the public is less foreboding and dangerous than was threatened and will follow” (Ital. ours). It is too early to become jubilant over “no news is good news” and that too only on just one front, the personal taxation front.

Important Proposals

True, the additional tax incidence on the corporate sector also is moderate and marginal, but the two important proposals here, one, taking away the tax deduction relief for priority industries and, two, the addition of a further 2.5 per cent surcharge on corporate tax (even if Mr Chavan chose to do so just to oblige many honourable members of Parliament who had questioned him last year as to why he had fixed only 2.5 per cent when a surcharge of five per cent was levied on many other items, including railway passenger fares) have rightly evoked strong disapproval of the investing public and industry which had reasons to expect some relief, especially after “what amounts to virtually three different budgets”, the total receipts from the measures whereof have been estimated by the Finance Minister himself as being of the order of Rs 500 crores in a full year. May be, Mr Chavan was also asked to exercise deliberate restraint for the time being, if only as a gesture to industrialists and businessmen who so generously helped finance the recent assembly elections.

Moreover, like the proverbial floating iceberg, what has been made known so far is only a fraction of what is in store. It seems prudent, therefore, say seasoned elements in the business circles, to await the separate legislation that the Finance Minister proposes to bring forward very soon to give effect to some more recommendations of the Direct Taxes Enquiry Committee (the

Wanchoo Committee) “which are acceptable to the government and which require a major change in the present tax laws”. Two of these which Mr Chavan mentioned — making a family consisting of husband, wife and minor children as a common focal point for the incidence of indirect taxation and also a more appropriate and equitable basis for purposes of direct taxation, and the restructuring of the Income-tax Act and the Wealth Tax Act to prevent tax avoidance by Hindu undivided families — have already given the jitters to those concerned.

Revenue Raisers

Among the tax proposals already before the Lok Sabha, there are just three proposals that seek to net in nearly Rs 53 crores, that is more than a third of the total estimated realisation from all excise duties. To quote Mr Chavan, these are among “a few major proposals which are intended to raise revenue for the centre in a manner which serves at the same time some of our larger social or economic objectives”. What are these objectives? “To economise on the use of steel in the country by charging for it a price which bears a reasonable relationship with international prices”.

While these are stated to be the reasons for raising the duty on steel and aluminium (basic duty in respect of steel and steel products which has the effect of raising the regulating duty as well, in that the latter constitutes five per cent of the higher basic duty, and regulatory duty in respect of aluminium and its products), the justification in the case of the steep rise in the duty on kerosene is stated to be “to make up for the omission last year in the case of kerosene where our reliance on imports is even greater” (than on other petroleum products) and to serve as a deterrent to the adulteration of kerosene (which attracted hitherto a comparatively low rate of duty) with other products, particularly high speed diesel oil.

Rather than serve the so-called “larger social or economic objectives”, these duties will have the effect of raising the prices of some very essential requirements of the people, particularly the middle classes (house and cooking utensils) and the poorer classes (light and fuel).

Although even after the presentation of the budget the cry still persists that the rural sector has been let off lightly, the fact remains, and must be acknowledged, that a good beginning has been made by Mr Chavan in this direction. One must recognise here the severe limitations within which he has to act. In subjecting fertilizers to a higher rate duty (15 per cent as against 10 per cent

before) and in imposing a new duty on power-driven pumps, the Finance Minister has brought — and rightly so — those prosperous sections in the rural areas who have greater recourse to the use of tractors and diesel pumps and have benefited thereby. But care has to be taken, caution our agricultural economists, lest the total incidence of these duties act as a deterrent to the growing use of fertilisers, notwithstanding the fact that, like steel, fertilisers too have been in short supply.

It is not clear why the man-made fibre industry which was subject to a 100 per cent increase last year, has again been sought to be victimised by the Finance Minister. There would appear to be consumer resistance even to prevailing prices, to judge from the appreciable falling off in the offtake of fibre and fabrics made of polyester or polyester-cum-cotton, as noted by Mr T.K. Sethi, Chairman of the Indian Cotton Mills' Federation. If, therefore, the Chairman of the Silk and Art Silk Mills' Association regards the changes now proposed in the rates of excise duty on man-made fibre and fabrics as “ill-conceived and irrational”, his

opinion cannot be brushed aside lightly as being gratuitous.

Whatever the justification — e.g. the recommendations of the fifth Finance Commission — one cannot resist the conclusion that the Finance Minister has gone out of his way to woo the states by being both extra lenient to their lapses in the matter of overdrafts (the states are not now required to liquidate their existing overdrafts immediately, but are allowed to repay next year only 15 per cent the estimated overdrafts at the end of 1971-72) and over-generous in making over tax proceeds (e.g. by converting regulatory duty of the effective basic duty into an additional excise duty) even before the composition and terms of reference of the Sixth Finance Commission (which is supposed to evolve the financial relations between the centre and the states so as to lay the base for the fifth five-year Plan) have been announced. Political parties other than the party in power are bound to take notice of this and may even insinuate that, inasmuch as more state governments now belong to the ruling party, they perhaps need to be pampered all the more.

Need for More Coal Roads

S. N. CHATTERJEE

FOR some time now, colliery-owners in West Bengal-Bihar belt have been suffering from prolonged shortage of railway wagons to transport coal. Indeed, trade interests feel that such an acute shortage has never occurred in the last 35 years. No wonder, some units are already on the verge of closure or contemplate to cut down production because of poor despatches or huge pithead stocks. For instance, the accumulated stocks were estimated at nine million tonnes by June 1971 involving an amount of over Rs 30 crores.

Again, some coal consuming industries (such as cement, thermal power stations, engineering units, brick-kilns, steel, sugar, textiles, paper etc.) apprehend that they will have to close down their units if they fail to replenish their coal stocks in time due to wagon crisis. In fact, some of them have already curtailed production. Many thermal power stations have suffered due to inadequate coal stocks. Trade interests also feel that the steel industry would have faced the same fate had not there been a shortfall in production in five steel plants. Some chemical and engineering units of West Bengal have met their coal requirements by moving it by trucks and paying three times more than the railway charges.

The Indian Jute Mills Association

feels that the present favourable position of Indian jute dealers over their Bangla Desh counterparts can be maintained provided adequate wagons to carry raw jute to Indian mills are available in time. The tea estates in north Bengal also face the same prospect. The coal shortage has caused a total production loss of 75,000 tonnes in first four months of 1971 by seven cement units in the private sector. Glass industries in West Bengal have to arrange coal supplies at prohibitive transport costs through road with an obvious impact on their price structure. Naturally, the West Bengal Glass Manufacturers Association has stressed upon the authorities for immediate action to ensure movement of its basic raw materials (like silica or coal) on an emergency basis.

After experiencing serious railway transport crisis, trade interests, recalling the suggestions of the Working Group on Coal Production and Transport, have recommended that at least 15 million tonnes of coal could be moved by road from within 150 miles of the coalfield areas in Bengal-Bihar belt. It is worth noting that during serious railway transport crisis in the past, several large and small industries had to draw their full coal requirements by road. Incidentally, the Estimates Com-

mittee (1967-68) had said that “it is not the railways alone who should be called upon to discharge all the public service obligations but the road transport should also be willing to take at least a minimum share of such social and economic obligations.” The Public Accounts Committee also had said that it is “essential to avoid wasteful duplication on investments through better rail-road co-ordination.”

Report Shelved

Paradoxically when good and all-weather roads are the basic imperatives to implement any plan for economic development, the recommendations of the Working Group on Coal Production and Transport, constituted by the Planning Commission to frame a scheme for construction of roads in the coalfield areas of West Bengal-Bihar belt, had been virtually shelved by the authorities concerned. Again, when hauling of coal by trucks had more than trebled in January-April 1971, there were not enough trucks to remove the pithead stocks. Besides, it is not always possible to make good the shortfall in rail transport by substituting haulage by road and waterways as movement in the monsoon is often restricted.

But the hard fact remains that the wheels of transport are symbiotic of any nation's economic prosperity. Any shortage of transport, specially in the case of coal, inevitably results in slowing down the tempo of production of coal-consuming industries, and in unemployment and consequent deterioration in the law and order situation. A fall in the production of coal (for example, a setback of five million tonnes in 1970-71) due to stocks at pithead on account of inadequate transport facilities for coal movement is most undesirable in the critical juncture through which our economy is passing today.

The colliery-owners in the region fail to see any valid reason why when they get Rs 35 (approx.) for a tonne of coal, the consumers in northern, western and eastern India should have to pay upto Rs 200 due to artificial scarcity for wagons. The house wife in these regions cannot see any reason why she should pay three times more than what she paid six months ago for her coking coal requirements. Nor can it be appreciated that a particular thermal power station, with a generating capacity of 62.5 mw, should remain idle owing to coal shortage. If any unit has to suspend its operation for coal shortage, the responsibility lies on the coal-hauliers. In the present crisis of the coal or engineering industry in West Bengal one can notice the silent role of transport at one stage or the

other: the engineering industry being the victim of cut-back of wagon orders and the coal industry a prisoner of shortfall in wagon supplies.

One may mention here that in Canada the railways maintain road transport running parallel with the railways. In West Germany, too, co-ordination is ensured by enforcing very strict licensing control over long distance haulage or compelling the road hauliers to charge rates approximating those of the railway tariff. Again, to quote a US authority: "The tremendous potential of the railroads for carrying traffic have been demonstrated by the Soviet railways. The government operated rail roads by the USSR are technologically alert, maintain high morale amongst their personnel and have maintained the cost reduction since 1960. Between 1960-65, the Soviet rail traffic has increased by 3.5 times." In the USA as well, the need to optimise transportation investment and avoid "wasteful" duplication has been recognised.

Urgent Need

The development of the means of transport in the coal bearing West Bengal Bihar region brooks no further delay. In this context, the Eastern Regional Transport Survey Team on Coal Transport has noted that roads are superior to the railways. But the point remains: do we maintain proper relationship between revenues accrued from road transport and funds allotted for road development? The Keskar Committee Report on Road Transport Taxation has noted: "The conclusion is inescapable that the tax element in the cost of operation has become a definite disincentive to the healthy development of road transport." Yet, another Committee on Road Transport Financing has recorded that the scope for the road transport industry achieving surpluses without official assistance, in the form of relief from taxation, being very limited, the same (viz. road transport industry), like other industries, will have to find internal resources, in the present-day conditions in India, mainly or substantially in the form of a rebate from taxation.

It hardly needs emphasis that in the present economic condition of the country the pressing need is for an additional investment on roads, including coal roads, by reviving the central programme for the construction and improvement of all coalfield roads. It is high time that the nation effectively tackled transport shortages as transport not only represents the economic mobility but also the vigour of a country.

Any transport bottleneck for coal

movements, specially in a period of emergency, often serves as a "brake in production." A survey has revealed that out of 246 industrial units, 47 per cent had to slow down production for periods even up to nine months while 19 per cent had to suspend production in most cases completely for want of coal. In short, transport network—specially coal transport—is the arteries and veins of a modern industrial economy and the main assurance of national security.

The road development programmes for coalfields in West Bengal and Bihar, involving an expenditure of Rs 17 crores, was initiated by the centre some-time ago. But nothing concrete has so far been achieved in this direction. Yet, through road transport in general, the central and state governments are getting more and more revenues (in fact, a surplus of revenue over expenditure) from road hauliers. For instance, since 1957-58, this surplus has increased very fast: from Rs 41 crores in the first Plan to Rs 144.7 crores, Rs 778.6 crore and Rs 2,000 crores (estimated) in the second, third and fourth Plans, respectively. The proposed outlay for road development in the fourth Plan period is only Rs 760 crores (Rs 400 crores in the central sector and Rs 360 crores in the state sector). Interestingly, the Working Group on Roads once recommended Rs 1,150 crores for the purpose.

Again, the overall development and maintenance of district and village roads, state highways and roads main-

tained by the Forest and Irrigation departments are the concern of the respective states. In practice, however, the state highways are maintained by the state PWD and district or rural roads by the zilla parishads and panchayats. Unfortunately these local bodies often suffer from lack of funds and trained personnel without which it is difficult to discharge their functions properly. That is why at least one state government has taken over this task from the local bodies, leaving the resources of these bodies for development and maintenance of roads purely local in character.

The finance, either for road maintenance or development, is provided in the following order: for the national highways by the centre; for the state highways from the general revenues of the states; for district and rural roads by the zilla parishads and panchayats respectively (with supplementary funds from the state governments for such local bodies). Besides, the non-lapsing central road fund is there, about 20 per cent of which is reserved for work of special or all-India importance and the balance allotted to the states for approved works on the basis of motor-spirit consumption.

The present system of transport has made the local coal consumers discontented and trade interests have already expressed concern over the pattern being mainly carrier-oriented and not consumer-oriented. True, the overall distribution of transport for carrying coal vests in principle on the railways. But in many coal-consuming

RECORDS AND STATISTICS

Editor: R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to:

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

areas, as noted earlier, small consumers and producers are virtually starved of their transport requirements. Considering the facts, therefore, that any coal shortage forces an indiscriminate price rise all round or that the crisis in the coal industry inevitably inflicts

greater injury than a straight price rise it is reasonable to hold that for saving both the coal industry and coal-consuming industries suitable alternative transport arrangements by road be made. And the sooner we arrange it the better it is for our national economy.

Forest Resources of India

DR L. C. SHARMA

At the advent of planning in India, 22.48 per cent of the total geographical area was under forests. It dwindled to 21.78 per cent by 1957-58, after seven years of planning. However, a macro-indicator of this nature cannot be regarded as a correct normative index of the actual requirements—it would be more realistic to view the problem in depth by the changes in area under forest at the state level. An idea of the state-wise position can be had from Table I.

Forests in India cover 75,351 thousand hectares which works out to 23.0 per cent of the total geographical area. The National Forest Policy envisages to cover 33 per cent of the geographical area of the country—60 per cent of the mountains and 20 per cent of the plains. It is obvious that the total area under forests is inadequate and even this area is distributed unevenly, covering mostly mountaneous tracts, leaving the plains devoid of tree growth. About one-third area of our existing forests have really good raw material while the remaining two-thirds area either comprises scrub or is burdened with rights of the local people who fell these rather mercilessly. It is thus evident that the main point is not so much the percentage of area covered by forests as what one has done with the existing area.

Important Role

Scientific management of forests plays an important role in the national economy. Dynamic plantation forestry, viz., man-made forests represent about 1.5 per cent of the total area under forests in India. The remaining area falls under natural regeneration. In contrast, the proportion of man-made forests in advanced economies is quite high. Japan for example, has 40 per cent of such forests.

The Land Transformation Programme of the central government envisaged the planting of 30 crores of trees in ten years. This number is much less than 2,000 crores of trees necessary to restore the hydrological nutritional balance of the country. National Vana Mahotsava movement was regarded as

the initial promising start, this movement made very little headway but later on it has failed miserably and has at present the semblance of a ritual.

The forests of India are broadly classified into two categories viz., coniferous forests and broad-leaved forests. Coniferous forests cover 4,600 thousand hectares or 6.1 per cent of the total forest area. These forests extend from Kashmir to Assam, covering the entire Himalayan range. Some of the important coniferous species are deodar (*Cedrus deodara*), chir pine (*Pinus roxburghii*), blue pine (*Pinus wallichiana*), khasi pine (*Pinus khasya* syn., *P. insularis*), spruce (*Picea smythiana* and

TABLE I
GEOGRAPHICAL AREA & THE AREA UNDER FOREST IN THE STATES
1966-67¹

(000 hectares)			
States/Union Territories	Geographical area (as on 1-7-1971)	Forest area 1966-67	Percentage of forest area to geographical area
ALL INDIA	328,048*	75,351	23.0
States			
1. Andhra Pradesh	27,675	6,651	24.0
2. Assam	9,662	3,808	38.2
3. Bihar	17,388	3,085	17.7
4. Gujarat	19,599	1,940	9.9
5. Haryana	4,422	136	3.1
6. Himachal Pradesh	5,567	2,165	38.7
7. Jammu & Kashmir	22,224	2,081	9.4
8. Kerala	3,886	1,041	26.8
9. Madhya Pradesh	44,284	17,299	39.1
10. Meghalaya	2,248	757	33.7
11. Maharashtra	30,776	6,686	21.7
12. Mysore	19,177	3,520	18.4
13. Nagaland	1,653	310	18.8
14. Orissa	15,584	6,816	43.7
15. Punjab	5,036	188	3.7
16. Rajasthan	34,222	3,764	11.0
17. Tamil Nadu	13,007	2,218	17.1
18. Uttar Pradesh	29,441	4,571	15.5
19. West Bengal	8,785	1,183	13.5
Union Territories			
1. Andaman & Nicobar Islands	829	635	76.6
2. Chandigarh	11	—	—
3. Dadra & Nagar Haveli	49	—	—
4. Delhi	149	5	3.4
5. Goa, Daman & Diu	381	103	27.0
6. LMA Islands	3	—	—
7. Manipur	2,236	602	26.9
8. NEFA	8,358	5,154	61.7
9. Pondicherry	48	1—	—
10. Tripura	1,048	633	60.4

*Includes 8,411 thousand hectares, the area under illegal occupation of Pakistan and China.

One hectare is equivalent to 2.471 acres.

Picea spinulosa) and fir (*Abies pindrow* and *Abies spectabilis*).

The broad-leaved forests cover over 70.751 thousand hectares, viz., 93.9 per cent area consisting of 9,700,000 hectares of sal, 9,100,000 hectares of teak and 51,900,000 hectares of other woods. Of these timber trees, teak (*Tectona grandis*), sal (*Shorea robusta*), (*Dalbergia sissoo*), gurjan (*Dipterocarpus* species), rosewood (*Dalbergia latifolia*), Indian laurel (*Terminalia tomentosa*), padauk (*Pterocarpus dalbergioides*), benteak (*Lagerstroemia lanceolata*), surpass others in quality and importance. Teak is found mainly in Kerala, Tamil Nadu, Mysore, Madhya Pradesh and Gujarat. Sal has its abode in Assam, Bihar, Orissa, Tripura, Uttar Pradesh, West Bengal and parts of Madhya Pradesh. Sandalwood trees (*Santalum album*) are found in dry deciduous forests of Andhra Pradesh, Mysore and Tamil Nadu.

Special Features

Forestry in this country has some special features, viz., (i) India has two per cent of the world's forest area to meet the requirements of 15 per cent of world's population, (ii) the per capita land and forest area represents 0.62 and 0.15 hectares only and (iii) the growing stock is about 2,128 million cubic metres¹. The forests have very low annual increment to the stock because of lack of protection from the pressure of ever-increasing human and bovine population. Consequently the productivity of much of the area under forests is not high. Agriculturists in most of the regions near forest areas largely depend on the adjoining forests for their requirements of wood and grass which further obstructs the growth of forests. The most extensive agricultural areas in the Indo-Gangetic plains in the north and the coastal plains in the south have a tendency to become almost treeless. In this context, it may be useful to look into the pattern of land-utilisation in India in Table II.

TABLE II
PATTERN OF LAND UTILISATION²

Category	Area (million ha.)	Percentage to total
(a) Agriculture	156.6	47.9
(b) Forestry	75.3 ⁶	23.1
(c) Potentially productive barren land	46.6	14.2
(d) Not available for agriculture or forestry	48.3	14.8
Total geographical area	326.8	100.0

An evaluation of the economics of forestry has to take into account the alternative uses of land as well as of other factors of production. Land is claimed by agriculture, urban development and some other complementary uses such as forestry and recreation. Some land is particularly valuable for urban and industrial uses. Forestry locks up capital for a long time while agriculture has a relatively rapid turnover. The element of uncertainty in forestry is perhaps the greatest. The production period in forestry is long and hence future trends in costs and prices greatly influence the relative profitability of forestry and agriculture.

The climate and soil still broadly determine the specific composition of the indigenous forests and their growth potential, but these characteristics of forests do not now act as limiting factors to economic forestry as they once used to do. Introduction of new species, irrigation, drainage and fertilization can help transform forests. Even dyeing of living trees produces particular colourings of veneer. Combined with new protection and harvesting methods, all these measures have already altered the forestry possibilities in the world. Given these facts, it can be inferred that economic and technical factors have come to play a rather more predominant role in determining the scope and kind of forestry practices, making physical environments much less important than was the case at one time.

A logical question to ask is why India is an importing country in respect of forestry products? The answer to this question to a great extent lies in the fact that our country is physically situated in the deficit zone of the forestry belt of the world. According to FAO Forestry Division, India is placed

under Border Nations⁷ which have usually from 10 to 25 per cent area under forests, viz., deficit areas in forestry. This has naturally given rise to a substantial deficit in supply of forest products in relation to demand. Secondly, the forester in our country is more or less conservative in his ideas and he is slow in adopting new ideas and consequently progressive policies in the field of forestry. More often than not, he is prone to prepare his working plan for the next 15 or 20 years as to how he should cut and afforest the forest areas, showing scant regard in arranging the supply to meet the demand of the consumers by keeping the banner of sustained yield high in the air. Economic forces have little role to play in his working plan. The investment required in implementing a sustained yield policy is certainly higher than required for following the expanding yield policy on the basis of expected trend. The conventional sustained yield policy can be realised only by gross mis-allocation of the country's resources.

The forester forgets that forestry sector makes an insignificant part of the whole economy of the country, viz., 1.50 per cent⁸ in India. This is because the forests are rather under-stocked. Reserved forests are the main areas which can be counted the best-stocked areas. Protected forests are burdened with rights of the neighbouring people and the unclassified forests, viz., about 10 per cent of the total forested area, are forests in name only. Over and above this, most of our forests have not been properly surveyed. Consequently the forest department does not possess full knowledge of the quantity and quality of their potentialities. Since the Indian forests are under

TABLE III
IMPORTS AND EXPORTS OF FOREST PRODUCTS

Year	Imports		Exports	
	All commodities	Forest products	All commodities	Forest products
1961-62	10,901	270	6,552	154
1962-63	11,315	276	6,781	161
1963-64	12,229	244	7,893	167
1964-65	13,490	252	8,132	163
1965-66	13,940	237	8,056	154
1966-67	20,784	339	11,529	186
1967-68	19,743	323	11,928	200
1968-69	18,616	327	13,563	258
1969-70	15,675	390	14,086	276
Percentage of increase in 1969-70 over 1961-62	43.8	44.4	115.0	79.2

The lowest ever fares to New York—on Pan Am's 747.

Daily from Delhi!



Return tickets that cost less than one-way fares!

Delhi — New York — Delhi Rs. 4125 (\$ 550)

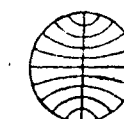
Bombay — New York — Bombay Rs. 4125 (\$ 550)
(via Delhi both ways)

Calcutta — New York — Calcutta Rs. 4875 (\$ 650)
(via Delhi both ways)

Excursion Economy 14/120 days fare.

Call your Pan Am Travel Agent or call us.

• New Delhi: Chandralok, 36, Janpath, Tel: 43571
• Bombay: Taj Mahal Hotel, Tel: 255448, 255454
• Calcutta: 42, Chowringhee Road, Tel: 44-3251
• Madras: 8/9, Thambu Chetty Street, Tel: 29301, 23242
• Kathmandu: Hotel Soaltee-Oberoi, Tel: 11211
• Colombo (Ceylon): Kollupitiya, Tel: 78271



Pan Am.

Pan Am, first with daily 747 service round the world.



'No Bank pays Interest on a Current Account...'



But Bank of Baroda pays Attention!

That something extra... swift, friendly, efficient service. Welcome to the busy businessman.

Also:

● Unlimited withdrawal facilities ● Issuing of a periodical statement of Deposits and Withdrawals. (To simplify your record-keeping.) ● Acting on your Standing Instructions about payments and collection of dues.

Get personal attention!

Open a Bank of Baroda Current Account.



Thou shalt forever
be prosperous with

Bank of Baroda

A network of over 625 branches in India and abroad—in U.K., East Africa, Mauritius, Fiji Islands and Guyana.

Shilpi BOB 5A/72

stocked, their productivity is much lower than the productivity of forests in countries advanced in forestry technology. It is certainly much lower than the international standards.

The annual value of imports and exports of all commodities and domestic production of forest products from 1961-62 to 1969-70.⁹ is given in Table III (page 520).

Table III shows that during the last nine years there has been an increase of 43.8 per cent in imports and 115 per cent in exports of all commodities. During the same period, there has been an increase of 44.4 per cent in imports and 79.2 per cent in exports of forest products. Thus the increase in exports of forest products has been much below the increase in export of all commodities.

Table IV shows the item-wise annual value of imports and exports of major and minor forest products during the period 1965-66 to 1969-70.

An examination of Table IV reveals that India is an exporting country in respect of minor forest products. The minor forest products include (1) natural gums of various types, (2) plants and parts of plants for use in dyeing and tanning, (3) balsams of various types (4) lac and lac products, (5) resins of various types, (6) vegetable material used for planting, etc. (7) plants, seeds, flowers and parts of the plants mainly for use in medicines or perfumeries, (8) important wild animals, such as monkeys, elephants, tigers.

Major Forests Produce

As far as major forest products are concerned, they were (1) wood, lumber and cork, (2) fuelwood and charcoal, (3) wood in the round or roughly squared form, (4) saw logs and veneer logs of coniferous softwood, (5) pulpwood, (6) saw logs and veneer logs of non-coniferous hardwood, viz., benteakwood, laurel wood, rosewood, salwood, sandalwood, teakwood, etc. (7) mine timber (pitprops), (8) poles, piling posts and other wood in the round, (9) wood shaped or simply worked, (10) cork raw and waste, (11) pulp and waste-paper, (12) wood and cork manufactures (excluding furniture) (13) veneers, plywood boards and other wood worked (not exactly specified), (14) plywood sheets, (15) sheets, (15) plywood including wood faced with veneer sheets, (16) improved or reconstituted wood, (17) wood manufactures (not exactly specified), cork manufactures, (19) paper, paper-board and manufactures thereof, (20) paper and paper-board, (21) newsprint paper, (22) printing and writing paper in rolled sheets other than newsprint.

TABLE-IV

ANNUAL VALUES OF IMPORTS AND EXPORTS OF MAJOR & MINOR FOREST PRODUCTS¹⁰

(Thousand rupees)

Particulars	1965-66	1966-67	1967-68	1968-69	1969-70
I. Major Forest Products:					
Wood, lumber & cork					
Imports	18,214	13,878	16,665	14,449	8,838
Exports	19,077	31,644	43,376	44,949	68,979
Net	(-)-863	(-)-17,766	(-)-26,711	(-)-30,500	(-)-60,141
Pulp and waste paper					
Imports	58,804	92,813	103,077	104,290	124,745
Exports	324	27	13	59	5,195
Net	(+)-58.48	(+)-92,786	(+)-103,064	(+)-104,231	(+)-119,550
Wood & cork manufrs. (excluding furniture)					
Imports	5,274	3,860	2,774	2,258	759
Exports	981	2,125	2,689	4,511	9,390
Net	(-)-4,293	(+)-1,735	(+)-85	(-)-2,253	(-)-8,595
Paper, paper board & manufrs. thereof					
Imports	133,801	203,051	176,382	182,631	237,073
Exports	12,033	18,638	28,354	73,817	48,799
Net	(-)-121,768	(+)-184,413	(+)-148,028	(+)-108,814	(+)-188,274
Wood furniture & fixtures (excluding artware)					
Imports	942	1,462	2,575		105
Exports	394	1,379	740	1,483	1,340
Net	(+)-548	(-)-83	(-)-1,835	(-)-1,478	(-)-1,330
Total major forest products					
Imports	217,035	315,064	301,473	303,633	371,461
Exports	32,809	53,813	75,172	124,819	13,703
Net	(+)-184.2*	(+)-261.251	(+)-226.301	(+)-178,814	(+)-237.758
II. Minor Forest Products:					
Plants & parts of plants used in dyeing & tanning whether ground or not.					
Imports	2,314	4,538	2,849	3,826	1,154
Exports	8,242	6,488	10,521	5,055	7,159
Net	(-)-5,928	(-)-1,950	(-)-7,673	(-)-1,229	(-)-6,005
Natural gums, resins, balsams, lac & lac products					
Imports	12,147	14,984	14,392	14,779	14,538
Exports	72,194	76,933	73,936	80,985	90,348
Net	(-)-60,047	(-)-61,949	(-)-59,544	(-)-66,206	(-)-75,810
Vegetable materials for planting etc.					
Imports	56	54	88	11	2
Exports	1,890	606	717	504	388
Net	(-)-1,834	(-)-552	(-)-629	(-)-493	(-)-386
Plants seeds, flowers and parts of plant (mainly for use in medicines or perfumery)					
Imports	5,457	3,898	4,252	4,943	3,181
Exports	36,891	44,312	36,205	43,539	40,730
Net	(-)-31,434	(-)-40,414	(-)-31,953	(-)-38,596	(-)-37,549
Important wild animals (not for food)					
Imports	3				9
Exports	1,901	3,440	3,877	3,440	3,323
Net	(-)-1,898	(-)-3,440	(-)-3,877	(-)-3,440	(-)-3,314
Total minor forest products					
Imports	19,877	23,474	21,580	23,559	18,884
Exports	121,188	131,779	125,255	133,523	141,948
Net	(-)-101,141	(-)-108,305	(-)-103,676	(-)-109,964	(-)-123,064
Total major and minor forest products					
Imports	237,012	338,538	323,05	327,192	390,345
Exports	153,927	185,592	200,428	258,342	275,651
Net	(+)-80,085	(+)-152,946	(+)-122,625	(+)-68,850	(+)-114,694

(23) common packing and wrapping paper, (24) other types of paper, (25) articles made of pulp, paper and paper board, (26) paper bags, cardboard boxes and other cardboard containers of paper and cardboard, (27) envelopes, writing block, letter pads etc., (28) exercise books, registers, albums, diaries and other manufactures of writing paper, (29) articles of pulp, paper and paper board and (30) wood furniture and fixtures (excluding artware).

Countries of Exports and Imports

India usually exports forest materials or products to the Federal Republic of Germany, German Democratic Republic, Japan, the USA, Kuwait, Iraq, France, Italy, the Netherlands, the United Kingdom, Greece, Maldives, Ceylon, Nepal, Aden, Bahrain Island, Thailand, Afghanistan, Burma, Iran, Kenya, Hong Kong, Indonesia, Algeria, Syria, Turkey, Uganda, Poland, Mexico, Brazil, Australia, Saudi Arabia, Belgium and Arab Republic of Egypt and other countries.

We import forest materials or products from the USA, Canada, Denmark, Japan, the United Kingdom, Tunisia, Tangier, Morocco, the USSR, Sweden, Finland, Federal Republic of Germany, German Democratic Republic, Belgium, Malaysia, the Netherlands, Somalia, France, Italy etc.

A major factor responsible for India's low export of forestry products is that her exports consist mostly of products in raw form, viz., wood in the round and log forms. This form of product sells at comparatively cheap prices in world markets, than the finished products. The balance of trade position is aggravated even further as we have to import finished products at higher prices in the world market.

An examination of Table IV reveals that under major forest products, pulp and waste paper and paper, board and manufacture thereof remain mainly exportable for imports and consequently a deficit balance of trade. It may be noted here that there are some exports from India in respect of these items but in case of newsprint paper there is no export from India. For our supply of newsprint we have to bank largely on imports. It will be seen from Table III that the exports of forest products increased by 1.4 per cent from 1961-62 to 1969-70 while exports of forest products rose by 2.2 per cent during the same period. Exports of forest products do maintain this upward trend, these are likely to gain an edge over imports.

The policy of gradually liberalising

timber exports keeping in view the country's requirements has been adopted in recent years. Thus from 1965-66 onwards up to 1,000 cubic tons of ornamental timber from Andamans has been allowed for export annually in relaxation of the complete ban on timber exports from these islands earlier. The export policy was further relaxed during 1966-67. In terms of this policy export of coniferous timber is also permitted with a ceiling of 10,000 cubic tons of deodar and 10,000 cubic tons of chir pine. During 1967-68 the policy was further liberalised increasing the ceiling of annual exports for teak from 2,000 to 10,000 cubic tons. Export ceiling in case of rosewood is 12,500 tonnes. Besides, the restrictions of minimum price, sizes and requirement certificates have been done away with.

So far the Ministry of Food & Agriculture used to advise the Ministry of Commerce about the quantity of timber that can be exported from various places. The Commerce Ministry did not have adequate marketing intelligence about the particular size of timber and the prices which the foreign countries would like to pay for the imports. Until recently the exporters had to collect this essential information from various sources. The Ministry of Commerce has now started collecting information through our missions with an idea to encourage exports of timber for earning foreign exchange. It has also started collecting the information through our missions abroad regarding various types of timber imported by the importing firms and the source of such imports. The export cell of the Ministry now circulates the information collected on above to various states.

The following suggestions deserve to be considered:

(1) Twenty years of planning in the forestry sector have not been able to create the desired effect. India is still far from the standards of the world in

respect of man-made forests. It is necessary to lay greater emphasis on creating man-made forests having fast growing species in them.

(2) Better method of utilisation of tree crops should be adopted because the methods in vogue are somewhat wasteful. Utilisation of the whole tree as such has become possible in the world with better methods of consumption of wood.

(3) Adequate fertilizers and irrigation facilities should be provided for the forests for proper development. The countries which are advanced in

forestry have adopted these practices with advantage.

(4) Foresters in India put great emphasis on the plantation of teak, sal, shisham, rosewood, etc. These species have a long period of rotation, i.e. 70 to 80 years or more. A developing country like India cannot afford to lock her resources in ventures which might become obsolete at the time of their maturity. Most of the resources, including forests, must be used now for proper economic development.

(5) Timber as such has been losing ground as a primary building material and it is increasingly used for panel products throughout the world. The role of forests might in future be limited to their protective and recreational value only.

References

1. Estimates Committee (1968-69), Seventy Sixth Report of the Ministry of Food, Agriculture, Community Development and Co-operation (Department of Agriculture) Forestry, March 1969.
2. *Forest Development and National Economy*: 22nd Vanamahotsava 1971; Ministry of Information and Broadcasting; Government of India, New Delhi.
3. *The National Forest Policy of India*: Ministry of Food and Agriculture, New Delhi.
4. *World Forest Resources 1963*: FAO, Rome.
5. *Forestry in India*: a Brochure 1967 issued by the Inspector-General of Forests, Government of India, New Delhi.
6. *Indian Agriculture in Brief*—Tenth Edition 1970. The Directorate of Economics, Ministry of Food, Agriculture, Community Development and Co-operation, Government of India.
7. William A. Duerr, 1960, *Fundamental of Forestry Economics*.
8. *Estimates of National Income 1969-70*: Central Statistical Organization, Department of Statistics, Cabinet Secretariat, Government of India.
9. *Foreign Trade Forest Products upto 1969-70* Bulletin No. 6 (Revision No. 1) (January, 1971): Central Forestry Commission (Forestry Statistical Cell) Ministry of Food, Agriculture, Community Development and Co-operation, Government of India.
10. *Monthly Statistic of Foreign Trade of India*, Vol. I & II. March issues, Department of Commercial Intelligence and Statistics, Calcutta.

FROM THE PRESS GALLERY

Kerosene, Fertiliser Levies Assailed

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

THE OVERWHELMING majority which the ruling party has in the Lok Sabha at present appears to have reduced even important debates in this House to a mere ritual. The frequent ringing of the quorum bell, particularly during the debate on the railway budget, was a clear indication of this. With the opposition ranks considerably depleted, there obviously rests a big responsibility on the Congress to keep the proceedings in the House going smoothly so that the public money spent on this august chamber is fully utilised. Concerted steps ought to be taken immediately by the ruling party to ensure adequate attendance of its members in the Lower House all through its daily sessions, lest the recent experience of this House should be repeated in the Rajya Sabha as well, where also as a result of the ensuing elections, the Congress is sure to gain comfortable majority.

"A Fiscal Fairy Tale"

The two Houses are currently deliberating upon the next year's central budget, the highlights of which were reported in this column last week. In Lok Sabha, the budget was described by the Jana Sangh leader, Mr A.B. Vajpayee, as an attempt to throw dust in the eyes of the people. Mr H.M. Patel, the Swatantra party's spokesman, termed Mr Chavan's expectations from the budget as "a fiscal fairy tale". Mr Jyotirmoy Bosu (CPM) assailed the budget for not trying to implement the socialistic policies of the government. Mr Indrajit Gupta (CPI) thought the budget was "a great flop". He said much was expected of it, but it turned out to be like the pre-emptive strike by the Pakistan air force — a totally imprecise attack on the real targets. The main target, according to him, should have been the corporate sector.

The Utkal Congress representative, Mr Surendra Mahanty, styled the budget as "a budget of betrayal". Mr Madhu Dandavate (Socialist) opined that the low figure of deficit financing mentioned in the budget was "an optical illusion" obtained by manipulation of accounts. The DMK spokesman, Mr K. Manoharan wanted greater autonomy and financial resources for the states. The Congress members, however, applauded the Finance Minister for dexterously avoiding hardship for most of the

people. The main line of criticism from the Congress-O benches was that if the inflationary tendencies continued in the country and were not effectively controlled all the hopes of economic growth, social justice and self-reliance would be shattered. The levies on kerosene and fertilizers were specially picked up for a scathing attack not only by the opposition members but also by those belonging to the treasury benches.

The budget debates in the two Houses are yet to be completed. The criticism in the Rajya Sabha was more

LEVY ON KEROSENE SCALED DOWN

In deference to the scathing criticism of the sharp increase in the levy on kerosene proposed by him in his budget speech, Mr Y. B. Chavan announced on Saturday a reduction in this levy from Rs 285 to Rs 265 per kilolitre. This amounts to nearly 33 per cent cut in the proposed levy. The loss on account of this reduction is estimated around Rs 12 crores. This will raise the budgetary deficit next year to Rs 254 crores.

Replying to the budget debate in the Lok Sabha, the Finance Minister, however, rejected the demands of members for the withdrawal of his proposals to raise excise duties on fertilizers, power-driven pumps and steel. He said he could not give any further relief to the tax-payer because the government needed money for development.

Mr Chavan also declared that the government was not planning to demonetise the currency to unearth black money. He expressed government's resolve to tax rural incomes, but pleaded that the House should have patience till October next when the Raj Committee is to submit its report. He indicated that by the time next budget is presented, the government would be able to make up its mind on how best to tax agricultural incomes. Mr Chavan vehemently refuted the charge of the CPI and CPM members that he had been soft towards the rich and the corporate sector while framing the budget for the next year.

or less on the same lines as in the Lower House. Intervening in the Lok Sabha debate on behalf of the government, the Minister of State for Finance, Mr K.R. Ganesh, stressed that while assessing the government's efforts to achieve social objectives, the opposition members should not take into consideration the budget alone but also the entire range of measures taken by the government.

The two Houses have adopted the railway budget. While the efforts of the Railway Minister, Mr K. Hanumanthaiya, to improve the working of

the railways were generally welcomed by the members belonging to the treasury benches, several opposition members emphasised that no substantial improvement could be effected in the railway finances unless the three primary causes of deterioration in them were concertedly tackled. The three primary causes were identified as (i) the top heavy administration and widespread corruption in it; (ii) the large pilferage of both the railway property and goods consignments; and (iii) ticketless travel. Some members also felt that there was overstaffing in railways.

Another line of criticism was that the railways were not doing enough to open up the backward areas. It was suggested by several members that instead of converting narrow and metre gauge lines into broad gauge ones, the railways should first devote their attention to spreading their network in the backward areas. Mr H.M. Patel (Sw.) however, desired that the policy of railways should be to help industrial development.

Need for Punctuality

The punctuality drive introduced last year was generally welcomed, but some members pointed out that this was at present only on the main lines; the branch lines continued to be neglected. A few members pleaded that the Railway Minister should withdraw his proposal for upward revision in the season fare tickets. Some others wanted workers' participation in the railway administration. The use of saloons by railway officials also came in for a good deal of criticism.

In his reply to the Lok Sabha debate, Mr Hanumanthaiya agreed that all was not well with the railways, but he promised that the railway administration would be toned up by the time next budget is presented, to such an extent that even the staunchest critics would feel satisfied. He did not yield any ground in regard to his budget proposals. Stoutly defending them, he particularly referred to the small increase envisaged in the season tickets. He observed that this increase was not something which those working in cities could not bear. Mr Hanumanthaiya justified the rationalisation of passenger fares and freight rates on the ground of successively mounting costs. He, however, assured the House that the Railway Board would continue to make every effort to contain costs and improve productivity. The Railway Minister wondered what sort of participation his critics wanted for workers in the management of railways. He pointed out that the

right to strike and the right to management did not go together.

Mr Hanumanthaiya felt that the land along either side of railway track could be utilised by railway gangmen to cultivate sunflower, castor and other suitable crops. He indicated that a scheme in this regard would be implemented soon. Referring to the demand for ending the use of saloons by officers, Mr Hanumanthaiya stated that he was satisfied that saloons were being used for official purposes only. Merely stopping officers from using them, he said, would just result in a dead stock of these carriages.

Replying to the debate in the Upper House, the Railway Minister revealed that he would shortly be convening a conference of the Chief Ministers of Tamil Nadu, Maharashtra and Bihar to devise ways to protect railway property in these states. He agreed with the criticism that the trains on the branch lines were in a bad shape and took a long time to cover short distances. He promised to look into this matter.

Uncharitable Criticism

The two Houses have also deliberated upon President Giri's inaugural address to Parliament. As could be expected, while the Congress members eulogised the Prime Minister for the stability she has brought to the country through her massive victory at the recent state assembly polls, the members belonging to some opposition parties, particularly the CPM, charged the union government for having rigged up elections in West Bengal and some other places. Prof Hiren Mukerjee (CPI), among others, however, was quick in pointing out that this charge was uncharitable. The CPM, he stressed, had suffered because of the violence let loose by it during the past two years in West Bengal. He at the same time cautioned the ruling party not to be complacent after its massive victory in the states.

A good deal of concern was voiced in the two House by the members both belonging to the treasury benches as well as the opposition over the deceleration in the rate of industrial growth, the expansion in the prices spiral and the deteriorating unemployment situation. It was pleaded that serious efforts should be made to tackle all the three problems lest the situation should get out of control.

Some members wanted greater autonomy for states than hitherto. The spokesman of the DMK in the Lok

Sabha, Mr E. R. Krishnan regretted that the centre had taken no action on the Rajamannar Committee report which was submitted about two years ago.

The Indo-Pakistan relations figured prominently in this debate. Two Muslim members of the Rajya Sabha, Mr Hamid Ali Schamnad (Muslim League) and Maulana Azad Madni (Cong.) wanted Pakistan to face the new realities on the sub-continent and abandon the policy of confrontation with India. Instead, they advised Pakistan to reciprocate the offer of friendship by India. The Jana Sangh spokesman in the Upper House, Mr S.S. Bhandari, opined that had the action by the union government in Bangla Desh been taken in time, the massacre of a large number of people there at the hands of the Pakistani forces could have been obviated.

Some members, prominent among them Mr Jaisukh Lal Hathi (Cong) in the Rajya Sabha, appealed to workers and employers to work in partnership and help increase production. Mr Hathi also suggested that the government should reclaim vast tracts of land in the Chambal ravines and turn it into an area of productive employment.

Mr A.D. Mani, an independent member of the Rajya Sabha, wanted a revision of the UN Charter. The UN, he suggested, should have a peace-keeping force which should intervene in situations like the recent genocide in Bangla Desh.

Rigging Charge Refuted

Replying to the debate on President's inaugural address in the Rajya Sabha, the Prime Minister, Mrs Indira Gandhi, stoutly refuted the charge of her government rigging up assembly elections in any state. She also pointed out that the Indian forces had not liberated Bangla Desh. They were involved in the heroic struggle of the people of Bangla Desh for their freedom only when the Pakistani forces struck in our territory. The marching of Indian forces into Bangla Desh earlier than the Pakistani attack on our air force installations and across our frontiers would have done incalculable harm to our country. She styled Mr Bhandari's observations on the issue as "fantastic".

The Prime Minister called for concerted action towards self-reliance. This, she said, was no mere slogan. The union government had drawn up a time-bound programme of scientific measures and would implement it vigorously. Mrs Gandhi also stressed

the need for an all out effort at raising production. She cautioned that "history will not forgive us if we permit any interruption of production on account of strikes and lockouts in the present circumstances when our national self-respect demands that we should free ourselves from any dependence on others". She agreed that some of the "specific programmes" for the jobless, such as the crash programme of rural employment and dry farming and marginal farmers, had not made much headway so far, but pleaded that time was often needed for such schemes to be worked. She hoped that the impact of these programmes would be felt in the next two years. Similar expectations were entertained by the Prime Minister in regard to the employment of engineers and technicians. In the next two years, schemes, she said, would be implemented which would provide employment to nearly 350,000 educated unemployed.

Effective Countervailing Force

About nationalisation of industries, Mrs Gandhi observed that she was not afraid of taking such a step. But she pointed out that "nationalisation has to fit into our overall scheme of priorities with reference to changing conditions of our economy". Nationalisation had to be resorted to "on a careful assessment of the efficacy of other instruments in a given situation. Expansion of the private sector can be an effective countervailing force in checking concentration of economic power".

On the large industrial houses being allowed to expand, she said, "wherever there was a choice between larger houses, on the one hand, and the medium houses or new entrepreneurs on the other, the government had favoured the latter. But sometimes no such medium or new entrepreneur was available and there was no immediate possibility of setting up a public sector unit". In those cases, the government had sometimes allowed large houses to come in. Also, where a state was backward, there was often a feeling that it was discriminated against when other states had benefited by large houses establishing industries there.

In a brief reference to foreign policy, Mrs Gandhi said that, as the President had pointed out, India did not seek leadership or domination and "we cannot tolerate any outside interference in our own affairs. Some nations have not always been friendly and have sought to provoke us but we have excluded none from the circles of our friends.

AN EASTERN ECONOMIST FEATURE

ENGINEERING INDUSTRY TODAY

Potential for Growth

SANJOY SEN

Extracts from the text of the Presidential address to the Indian Engineering Association, at the 61st annual general meeting of the association held in New Delhi on March 29, 1972.

Plan projections. Against the planned average annual growth rate of 7.7 per cent the actual has been about 4 per cent; large-scale manufacturing was to expand at an annual average rate of 9.3 per cent; the actual was only 4.7 per cent. Relative stagnation there is — compared to what the nation needs — and yet the engineering industry's performance has been spectacular. In spite of a recession in the mid-sixties, the index of engineering production rose by 131 per cent between 1960 and 1971; the national increase was only 70 per cent.

The immediate question is — how important is this industry in the national context? The answer lies in official statistics which list the share of the engineering industries in the organised sector — 30 per cent of the number of factories, 35.5 per cent of productive capital, 31 per cent of employment, 34 per cent of the value of output and 31 per cent of the value-added by manufacture. In absolute terms, investment totalled over Rs 2700 crores, producing Rs 2200 crores of output and employing over 15 lakhs of persons. These are somewhat outdated figures and I have no doubt in saying that the position today should reveal an even larger contribution by the industry.

The nation's objectives have been defined clearly and must be familiar to all of us. These encompass — the development of self-reliance through export promotion, import substitution and technological development; the removal of poverty; the reduction of unemployment; etc. Briefly, economic growth with social justice. And there can be no difference of opinion on any of these — nor is there.

Where does the engineering industry stand today? To a large extent the engineering industry is in a straitjacket in that much has been achieved but there are miles to go and promises to keep. And the potential of the industry is not being achieved primarily due to factors and constraints outside its control and purview.

It is recognised and accepted by all that the industrial growth rate in recent years has been much below fourth

1960-61 to 7.6 per cent in 1970-71, the value being Rs 116 crores in the last year.

In highlighting the contribution of the engineering industry I have tried to make out a case for particular attention to be paid to it, as a sector capable of contributing substantially to rapid economic growth and the achievement of national objectives. There are, however, a number of major constraints keeping a tight rein on the industry's progress.

Constraints

1. **Planning** — The nation wedded to a planned, mixed economy, is now passing through the middle stages of the fourth five-year Plan. The success of the planning effort has been limited because the data base is inadequate and, while our Plans have been models for outlining goals and objectives — where we want to go; weaknesses are evident in setting out how to achieve the set goals. In addition, the system of fixing capacity and production targets has the limitation of determining licensing and installation of capacity. In many instances Plan approaches have assumed that change occurs in a generally stable environment. But the fact is that change — sudden, frequent, great — in political and economic conditions — has become a characteristic feature; 1971 is an excellent example. As a result the fourth Plan Mid-Term Appraisal reveals a substantial move away from the fourth Plan figures and targets.

I would like to suggest a somewhat different approach to planning; in addition to annual plans and five-year plans, we need industry-wise development programmes — each linking with the others. In these programmes alternate strategies and projects need to be identified and projects in one sector can be related to other sectors. At least, if such an exercise were to be conducted for the basic industries it would enable us to plan the development programmes of the engineering

More upto date figures are available for other spheres, revealing clearly the industry's key position in the national economy and I believe these bear repetition. Import substitution efforts have been largely successful with the share of engineering imports falling from 32 per cent in 1960-61 to 25 per cent in 1970-71. In 1970-71 engineering imports amounted to Rs 411 crores. On the export front, engineering's share rose from 1.0 per cent in

industries. Reviewing recent Plan performance, and the validity of the fourth Plan, it seems to me that the system of planning possibly suffers from an over-ambitious approach; on the other hand implementation is less than effective.

2. Industrial Policy—Another major constraint is the industrial policy of the government, being the medium of execution of national priorities and plans as far as these concern the manufacturing sector.

In a growing number of industries production increases are inhibited by limitations to capacity. In many cases, it is a consequence of policy, with its bias in favour of small industry or limitations on size imposed by the Monopolies Act. In many others there have been costly delays in processing applications due to the cumbersome procedure. It is also known that licensing has often been unbalanced and lacking logic and consistency — especially between the public and private sector. There are numerous cases of industries which have not developed rapidly because of the preferential licensing of public sector capacity.

The licensing policy has failed to achieve its principal objective — rapid industrial growth — because of diffusion of its emphasis through concentration on several allied objectives — the dispersal of industry, the restriction on large houses, the exclusive development of the small-scale sector in 128 industries and diffusion of entrepreneurship.

We are witness to an unsatisfactory annual growth rate of about 3%; figures reveal that, in 1971, 'COB' licences accounted for over 49% of all licences, the balance being evenly spread over new units, expansion and new articles licences. It may be worth considering whether a distorted picture is presented by regular announcements of the number of licences issued by government. The growth picture would be better presented if 'COB' licences were excluded.

That the industrial policy of the government requires a shift in emphasis is proved by the revised targets set in the "Fourth Plan Mid-Term Appraisal". It is depressing to note that substantial reductions in production targets have been suggested for nearly all sectors of the engineering industry thereby seeming to accept a continuing slow rate of growth.

The list of industry-wise target reductions is exhaustive bearing witness to the shortcomings of the industrial policy of the government in recent years. In order to even achieve the reduced targets I have mentioned, the industrial sector has to grow at an average annual rate of over 10 per cent

between 1971-72 and 1973-74; regrettably, in 1971-72 the growth rate is likely to be no more than three per cent.

In this context, it is essential that the industrial policy of the government is both realistic as well as conducive to growth. I would suggest that the social objective of diffusion of entrepreneurship could best be achieved through development of ancillaries on a wider scale; for the purpose of dispersal of industries special additional incentives should be given. Larger industries must necessarily continue to play the lead role, making possible a chain spread effect, as well as providing the benefits of resources application to R&D, exports, import substitution, etc.

The Government has also given high priority to the operation of industries in the joint sector but, to the best of my knowledge, clear guidelines for working have not been made known. If the joint sector is to constitute an important medium of industrial growth, I suggest that we need a well-blended organisational structure, combining the financial resources of the state sector with the management expertise in private industry.

Now that we have stable governments at the centre and in the states I would expect the carry through of a professional approach to develop the joint sector concept.

3. The Public Sector—A large part of the solution to industrial stagnation lies with government policies and the public sector, which occupies a pre-eminent position in the basic industrial field. In 1970 investment in public sector industrial units totalled Rs 3700 crores, the value of production was Rs 1000 crores, employment exceeded half-a-million persons and export earned Rs 85 crores. And yet the net loss was Rs 22 crores.

A major portion of the additional capacity and production envisaged in the 4th Plan — and much of this has not materialised — was expected to come from the public sector. Indeed, the Planning Commission has stated that "the shortfall in overall progress in many important fields is a reflection of the deficiencies in the public sector, in terms of utilisation of capacity and implementation of new projects". The performance of the public sector is therefore critical for securing a higher rate of industrial growth.

Connected with the public sector is another factor retarding growth—delays in project preparation and implementation. The 4th Plan included 100 new schemes, accounting for Rs 1190 crores of investment, representing 40% of the total public sector outlay. By

the end of the third year, the total cumulative expenditure was only Rs 180 crores, i.e., 15% of the total Plan outlay. Today, over 20 schemes are yet to be initiated.

The several consequences are — shortfalls in production; spillover of projects into the 5th Plan; project cost escalation; idle capacity in matching projects and sectors; bunching of project construction towards the end of the Plan, leading to pressures on financial, management, construction and fabrication resources; larger imports of capital equipment, etc.

This experience seems to point towards a need for establishing a Central Projects Bureau, possibly as a wing of the Planning Commission, to ensure better planning and preparation of industrial projects. This would help to conserve the scarce, highly expert, manpower resources required for such work. The delay which has occurred has been very costly — the public sector's contribution to the 4th Plan has come down from an estimated Rs 785 crores to only Rs 500 crores.

It is clearly appreciated that the public sector will command the industrial sector's fortunes and I trust that its true potential will be achieved as an issue of the highest priority. In this context, it is necessary to seek from government an indication of the areas of industry in which the private sector will be permitted to operate. Sudden takeovers of private sector companies tend to affect the investment climate.

4. Fiscal Policy—In addition to the weaknesses of the planning process, the industrial policy and the performance of the public sector, I have to draw attention to government's fiscal policy which is often not conducive to the growth of the engineering industry.

The recent central budget, while necessarily faced with enormous problems, has been disappointing. There are neither incentives for growth, nor for savings. Instead of widening the list of priority engineering industries, the special deduction allowed to such industries has been discontinued. The engineering industry is also extremely hard hit on account of the massive increase, the second in the last six months, in duties on steel and steel products. The only silver-lining is the increased provision for Plan outlay of Rs 700 crores which could act as a stimulant to industrial production.

I trust that government will give further consideration to the question of incentives to the corporate sector through its fiscal policies — these are largely non-existent at present, under the prevailing excessive rates of taxation. I would suggest that the proposed concessions, to replace development



That's Indian Tube's Service for a "growth" economy.

Indian Tube not only meets vast home demands for diverse types of steel tubes but is also India's leading steel tube exporter, developed countries such as the U.S.A., U.K. and Australia being the principal buyers.

Indian Tube is the only steel tube manufacturer to receive the recent award of a Certificate of Merit from the Ministry of Foreign Trade, Government of India.

for exports during 1968-69. In 1969-70, Indian Tube's F.O.B. earnings were not only the highest amongst tube exporters, but were the highest in the entire commodity group "metal manufacturers".

In 1970-71, Indian Tube's exports, again the highest in the industry, represented 50.16% of India's total tube exports to the U.S.A., 88.34% to Australia and 100% to the U.K.

INDIAN TUBE

The Indian Tube Company Limited,
A Tata-Stewarts and Lloyds Enterprise.

rebate, for backward area development may not, by themselves be adequate. A higher rate of depreciation may also be considered.

5. **R&D**—The generation of savings is specially relevant in the context of import substitution and development of indigenous technology.

It is a fact that Indian industry has developed on imported technology; this is not altogether bad provided the process of adaption and further development is a continuing effort. Clearly, we must be self-reliant and yet have access to the modern technological developments in overseas countries.

Expansion of 'R&D' activity was initially inhibited by the environment of a protected, sellers market available to Indian industry in a planned economy. And history has often shown that crisis—when survival is the principal issue—is the best motivating force. Today, we are in a state of crisis and I have every confidence that the speed of indigenous technological development will rise. Industry, however, needs to have a clear understanding of its long-term position, supported by policies conducive to the creation of surpluses for developmental activity. I exclude research which, primarily, is a function of national laboratories and research institutes.

Regrettably, these research institutes have failed to make a significant impact on the domestic front. Suffering from surplus capacity their problem seems to be marketing, i.e., application of their work in industry.

The search for self-reliance is on in real earnest; the objectives are not in dispute. The situation is, however, very complex and a clear appreciation of all factors is essential in framing a plan for the development of science and technology. One weakness which requires special consideration is the design capability, or lack thereof, within Indian industry. Perhaps future collaboration agreements should place emphasis on development of local design facilities, so as to continuously improve on imported technology and products. Our commitment to the development of indigenous technology and import substitution is total. In addition to other work the IEA organised a Symposium on Self-Sufficiency in Consultancy Services in 1969 and we are following this up by another seminar in May on Engineering and Management of Projects.

6. **Finance**—Emerging from a recession, and facing an inflationary economy the engineering industry request progressively increasing amounts of working capital to finance its operations. A special feature, in a situation of shortages, and the curbing of credit facilities

to the industry, is the resort to larger inventories. This is also the result of bulk, one-time deliveries of raw materials by public agencies.

In a high-pressure situation, where the demands on credit are rising from newly developing sectors, the engineering industry is in great difficulty: the rising burden of direct and indirect taxation, canalised imports, reduction of credit facilities by suppliers, delays in obtaining revisions in credit limits, operation cost increases etc., are some of the features posing complex financial problems.

While appreciating the difficult resources position, I would request relaxation of the security cover and borrowing against book debts, where the facilities of the Bill Market Scheme are not available to take care of full requirements. I would also suggest a review on the working of the Bill Market Scheme, whose facilities should be available in addition to cash credit.

7. **Pricing Policy**—I have referred briefly to official pricing policy, as a disincentive to R&D. It is interesting to note from a Reserve Bank study of 285 engineering companies that the total expenditure by these units, on all factors of production, had increased from Rs 950 crores in 1965-66 to Rs 1120 crores in 1968-69, an increase in costs of nearly Rs 200 crores in three years. In the same period prices of engineering products were maintained at the same level; in fact, because of the recession, prices of many products showed a steep fall. In many other cases price levels were pegged through government decisions or voluntary controls. This is borne out by the index of wholesale prices for industrial raw materials between 1966 and 1969.

About 80% of the expenditure of these units in 1968-69 was accounted for by raw materials (58%), salaries and wages excluding managerial remunerations (15.5%), excise duty (4%) and tax provision (2.4%). Profits after tax amounted to only 1.7%, leaving inadequate resources to finance growth and development. I would, therefore, strongly suggest the need for a realistic approach to the pricing of engineering products—our objective should be to encourage self-generating growth.

It is not my intention to suggest a policy of inflation—perhaps reductions in non-development expenditure would help to avoid a tax-cost-price spiral.

8. **Export Policy**—This is specially relevant to the promotion of the engineering exports in a fiercely competitive world economy. A situation is developing where government may

find it difficult, keeping in view the most difficult resource position, to continue to support exports through substantial incentives. Anticipating a progressive reduction in such support, industry should be in a position to sustain exports from its own resources.

A second constraint in export relates to inadequate shipping facilities and excessive freight rates, which are positive deterrents. We already have a well-developed shipbuilding industry and I would strongly recommend an expansion of shipbuilding capacity so that India's overseas trade can be carried in her own ships. This would solve both problems and enhance our competitive efficiency.

Over the past year the increase in engineering exports has been less than targeted, largely due to factors beyond the control of the industry. Unquestionably, world opportunities for export and setting up of industrial projects are rapidly widening. Subject to ready supply of raw materials there is every reason to expect a continuing rapid rise. And the efforts of the Trade Development Authority, based on principles of selectivity, should bring substantial additional foreign exchange earnings to the country.

9. **Raw Materials**—Subject to the availability of raw material. Steel. This is the crux, the principal constraint today, yesterday and tomorrow. We are all too familiar with the recent and current situation. What is depressing is the reduction in production targets proposed in the '4th Plan Mid-term Appraisal'. The steel figure is down from 10.8 to 8.25 million tonnes for 1973-74. In terms of finished steel, the original production target, for 1973-74, of 8.1 million tonnes has been scaled down to 6.3 million tonnes. On the demand side the National Council for Applied Economic Research have estimated finished steel requirements at 7.61 million tonnes in 1975. Even allowing for the difference of one year in these estimates steel shortages seem likely to continue well beyond 1975. Fairly substantial shortages are also expected in 1973-74 for copper, zinc and aluminium. On the other hand, the Minister of Steel has announced a production target of 7.2 million tonnes of ingot steel for 1972-73. If this materialises the entire shortage could be wiped out, by an increase in steel production of 1.3 million tonnes.

The steel industry is the foundation stone for development and, in India, its importance is measured by the investment it represents—Rs 1250 crores, and employment of over 220,000 persons.

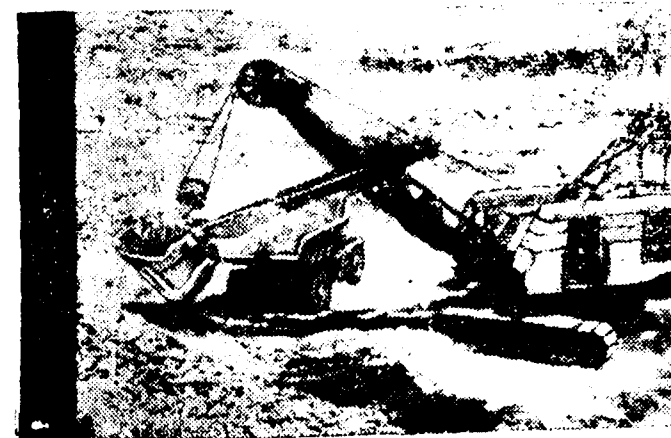
Over 58% of the engineering

THIS IS HOW

E.E.P.C. HELPS EXPORTERS TO BOOST ENGINEERING GOODS EXPORT ALL OVER THE WORLD

- Import replenishment and cash assistance
- Re-imbursement of price difference and Replenishment for Iron and Steel
- Assistance in regard to expeditious disposal of export assistance applications by the Licencing Authorities
- Assistance from Market Development Fund
- Duty drawback
- Assistance in regard to Customs formalities
- Help on shipping, railways, and other transport problems
- Assistance and advice on finance, banking, insurance and joint ventures
- Joint Foreign Publicity scheme for brand publicity abroad
- Dissemination of information on tenders, overseas enquiries, commercial information, market survey reports
- Market survey reports on various product groups relating to different countries. Also reports of trade delegations to various countries

Engineering Export Promotion Council was set up with the specific aim of promoting Indian engineering goods in the foreign markets. Pioneering work done by EEPC, aided by enthusiastic participation by engineering goods manufacturers/exporters, has firmly put India in the markets all over the world. Proof? Export in 1970/71 recorded Rs. 116 crores—9% over the previous year. Thus engineering industry has earned an important position in India's export trade. It is not beyond the abilities of our exporters to reach an export figure of Rs. 500 crores by 1975-76, if not earlier. It is quite likely that Engineering goods can be at the top of the list of commodities exported from India by 1973-74. To achieve this position, a great responsibility will lie on the Council as well as our exporters to adopt a bold export promotion programme, which means that every manufacturer of Engineering goods should spare no effort to sell his products to the world markets. And the Council is always there to help the exporters—big and small.



ENGINEERING EXPORT PROMOTION COUNCIL

World Trade Centre
14/1B, Ezra Street, Calcutta-1

Regional Offices:
BOMBAY-34: Commerce Centre, (2nd Floor), Tardeo Road
Phone: 373411-12 Telex: EEPC-2793 Gram: Oceanborne
MADRAS-6: Sire Mansion (3rd Floor), 123, Mount Road
Phone: 87501 Telex: MS-293 Gram: Oceanborne
NEW DELHI-3: D 55, Defence Colony Phone: 62-5442
Telex: Enxprom-ND-7198 Gram: Enexprom

Foreign Offices at:
Beirut (Lebanon) • Chicago (U.S.A.) • London (U.K.)
Duesseldorf (West Germany) • Nairobi (Kenya) • Singapore

industry's expenditure is represented by raw materials and, this shows how important steel is to engineering. The steel-engineering equation is crucial: more steel means more steel capacity, more engineering production, more exports, more employment and more of all that matters in the context of our social and economic objectives. Steel has not only the capacity to energise the engineering industry, but also a very large part of the national economy. It can play a truly lead role.

Finally, this Association pledges its support to government and the Ministry of Steel, in the many efforts under-way to meet the crisis.

10. Other Constraints--There are other constraints. Power supply availability transport bottlenecks and simultaneously surplus wagon building capacity, low productivity and industrial unrest, availability of finance and manpower. All these constitute irritants and roadblocks to production and growth. I would particularly draw attention to the need for harnessing and planning the educational system to the needs of India's modern economy. Efficient manpower planning is necessary and vital if the engineering industry is not to fail in meeting the limitless challenges ahead.

The Immediate Future

We stand today, at the end of 1971-72, a nation united and strong, led by a stable government. Hopes for economic revival have not matured last year but there are several favourable factors for 1972-73 -- the comfortable foodgrains position, a rising demand curve for manufactured goods, improved operation of the steel mills, speedy capital goods clearances, recent relaxations in industrial licensing policy, greater stability in the Eastern Region, etc. The unfavourable factors include US Aid suspension, revaluation of the rupee in terms of the US dollar and entry of the UK into the European Common Market.

A major task for the second half of the 4th Plan is the revival of industrial growth, where stagnation is having widespread ramifications. If industrial production expands as envisaged in the Plan, the outlook for financial resources, import substitution, exports, supply of basic consumption needs, completion of projects on schedule, price stability and expansion of employment opportunities will be considerably better than is the case today. At the national level these will have a significant impact on building a self-reliant economy, free of dependence on excessive imports and foreign aid.

In the long-term the opportunities for expansion of the engineering industry appear limitless. Looking ahead towards 1980 I venture to project an

increase in employment to 30 lakhs, in exports to Rs 1000 crores (as was first mentioned in our seminar in August 1970), the value of output and investment to Rs 4000 crores; I expect an average annual growth rate of 7.5% to be practicable and a 100% in-

The Problems and Opportunities

REAR ADMIRAL B. A. SAMSON

THE PAST year has been a momentous year in our recent history. It has been a year of trouble and tribulation, of sacrifice and honour, of war and peace. But despite our many difficulties, our sacrifices have not been in vain. Out of a war, a nation has been born. We welcome our new neighbour, the sovereign state of Bangla Desh.

I would like to congratulate our Prime Minister, the Defence Minister, the Cabinet and the Defence Services for the brilliant conception and execution of the short military campaign in December, which was thrust on us by external aggression.

While welcoming the new state of Bangla Desh, it has also been incumbent on us to help it to its feet, after the ravages of 9 months of military repression; and to help resettle the many millions of uprooted people.

However, it is not only Bangla Desh that has to be self-reliant. The fourteen-day war has taught us more than ever before the need for greater self-reliance. We were able to fight a war with confidence because we were self-sufficient in food; but in the aftermath of the war, with the withdrawal of the aid, which financed some of our imports of equipment, we have to be self-sufficient in technology, too. And India can do it! Indian technologists are setting up giant projects in Ceylon, Singapore, East Africa, the Middle East and Latin America; and in doing so hold out the promise to make India self-reliant in some of the diverse technological skills we need to modernise.

The war was in a way a good thing. It has strengthened the sense of unity in the country. It has prodded us on to new thought and visions of economic development. It has helped review our policies for industrial growth. It has created the atmosphere, the urgency and the opportunity

"which taken at the flood leads on to fortune; omitted, all the voyage of their life is bound in shallows and in miseries".

The new image of efficiency created last December has led to a wave of new confidence both at home and abroad. And the unity that has been forged will now be available for a determined

assault on poverty and economic dependence, which has been a feature of our economy for the last 25 years. In this assault, we in Industry should be committed to fight the many problems, which grip the country in its clutches.

Self-reliance, obviously, does not mean economic isolation from the outside world, for in the words of John Donne "no man is an island". In fact, the past year's events have emphasised how interdependent are the economies of even the developed countries. But self-reliance does mean our ability to withstand withdrawal of external aid for prolonged periods, our ability to build up our technology and resources with our own ingenuity and skill and our ability to earn through exports the imports we require, so that this ancient land of ours may in the fullest sense enter into "that heaven of freedom", which Tagore prayed "My father, let my country awake".

However, a self-reliant economy presupposes a high-rate of domestic saving and investment. In India such savings have always been totally inadequate. What is more disconcerting is the sharp fall in savings in recent years. The total domestic savings have fallen from 11% of National Income in 1965-66 to an estimated 8% in 1970-71. The reason for the high rate in the mid '60s was the rapid growth of industrial production in the first half of the past decade, which generated reasonably large internal resources and created the right psychology for investment evidenced by the support received for capital issues of public companies.

In 1970-71 industrial growth dropped to 3.5% and slumped further to an anaemic 2% in the first half of 1971-72 after recording annual increases of 6.4% and 7.1% during 1968 and 1969. The reasons for these shortcomings have been analysed in the mid-terms appraisal of the fourth Plan. It has ascribed the arrest in the growth rate to shortages of steel, cotton, power in Northern India, some non-ferrous metals and other raw materials; the inadequate capacity in a variety of basic industries; the slow growth of investments and labour unrest and transport bottlenecks.

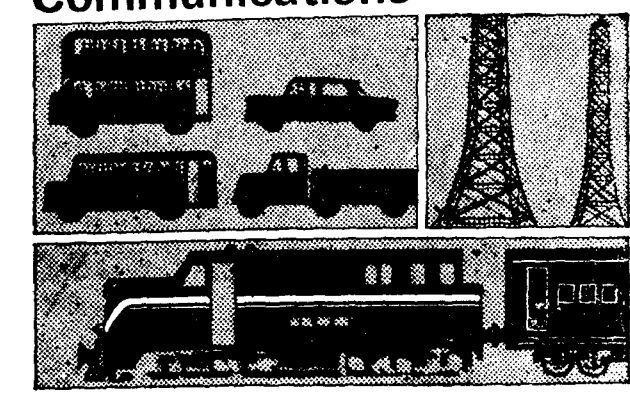
While there has been no marked up-

ABMEL's role in the nation's economy

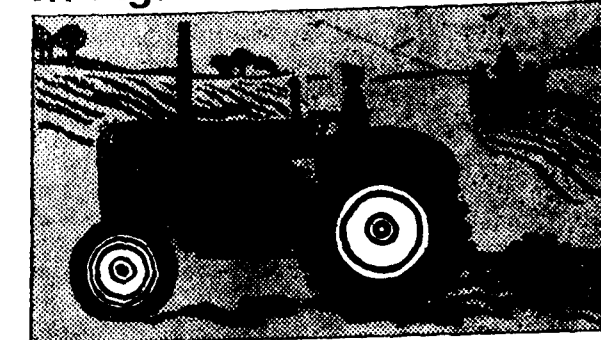
In Defence



In Transport and Communications



In Agriculture



In Industry



And above all, in EXPORTS



ABMEL are the undisputed leaders in battery exports. The proof is in the consistent repeat orders from more and more countries all over the world. Twenty-four countries now insist on the unbeatable quality of batteries and components from ABMEL—and the list is multiplying.

ABMEL makers of **Exide**

ASSOCIATED BATTERY MAKERS (EASTERN) LIMITED

trend in private industrial investment, there are indications of a modest revival. An appreciable step-up of investment, however, appears to have taken place in the small-scale sector of industry.

The fourth five-year Plan envisaged total investment in industry of Rs 5,300 crores, Rs 3,050 crores of which was to be in the public sector mainly for steel, non-ferrous metals, fertilisers, petro-chemicals, petroleum products and iron ore. From the mid-term appraisal, however, it appears that there are large shortfalls in the investments in iron and steel and non-ferrous metals, which are vital to the growth of the engineering industry. It is, therefore, essential that the tempo of investment picks up.

We generally believe the capital-

output ratio to be a fixed parameter, but study of economic development of advanced countries shows that improvements in science and technology, in management and labour relations lower the capital-output ratio and accelerate economic growth.

It is true that the saving rate is the limiting factor to economic growth. But is it right to assume that the saving rate is not volatile? Is it not possible through changes in institutions and in the habits and psychology of the people to bring about sudden spurts in the saving rate. Given a spirit of enterprise, finance is usually a camp follower. And given the will, we could for instance direct a larger portion of the annual increase in our agricultural income for investment purposes.

IEA—A National Association

THE INDIAN Engineering Association (IEA) is a national association representing the engineering industry in India. IEA has its headquarters in Calcutta with regional offices in Bombay, Calcutta, Madras and New Delhi and its strength and influence reflect the support it receives from the organised sector of the engineering industry — support which has made it a premier industrial association and a national point of reference for government, the planners, financial institutions, trade unions and industry.

IEA objectives are:

- (1) To provide for the engineering industry in India the means of formulating, making known and influencing general policy and to act as a national point of reference.
- (2) To enhance the contribution of the engineering industry to the growth and development of the national economy and to encourage members to be progressive.
- (3) To encourage efficiency of the engineering industry.
- (4) To foster good relations with government, suppliers to and consumers of the engineering industry.
- (5) To encourage healthy industrial relations.
- (6) To assist the engineering industry to meet its social obligations.
- (7) To protect and promote the interests of members

IEA Membership

IEA started with 12 engineering companies and it now stands with a membership of over 525 spread throughout the country. IEA members:

- * employ over 6.2 lakhs of persons;

- * represent investment of over Rs 2320 crores;

- * manufacture and handle more than 2,000 groups of items;

- * contribute to more than 60% of the total engineering exports from India.

IEA Structure and Organisation

At present the IEA structure consists of an Executive Council, Regional Committees, Divisional Committees and a number of Sub-Committees. Whereas the Executive Council deals with all-India matters, Regional Committees are concerned with regional problems and the Divisional Committees provide services to different sectors of the engineering industry such as boilers and pressure vessels, cranes and hoists, foundry, mining equipment, ship-building and repairing, railway wagons and components, sugar machinery, structural fabrication, welding, etc. The All-India and Regional Sub-Committees cover such subjects as raw materials, industrial relations, contract technology, small industry, export, statistics, public relations, etc.

With the growth and expansion of the engineering industry, IEA services have multiplied and diversified. Some important features of IEA services are:

Regional Services

General problems affecting the engineering industry have their own regional aspects, be it in the field of industrial relations, raw materials or finance. Regional offices of the Association at Bombay, Calcutta, Delhi and Madras are there to take care of these regional problems.

***Specialist Divisions:** The twenty-three divisions covering diverse and

specialised trades and industries serve the common interests and problems of the different sectors of the industry.

***Export Promotion:** The Association which is now recognised by government as an "approved organisation" for export, provides through its Export Services Department, personalised services to members, disseminates useful information and publishes reports on a variety of subjects covering export promotion.

***Statistical Research:** The Statistics Department collects and analyses data of interest to members and for use in special studies, publishes statistical information on a monthly basis and issues a comprehensive Handbook of Statistics.

***Internal Trade:** The Association deals with matters arising out of purchase and sale of materials, problems which impede the development and promotion of internal trade.

***Raw Materials:** The Raw Materials Sub-Committee deals with the entire subject of supply, distribution and production of essential raw materials. The Association has done extensive studies on iron and steel, and is still continuing its dialogue with the government departments concerned and the steel industry.

***Research and Development:** The Association is keen to establish close contacts between research institutions and industry and its activities are directed towards assisting industry by advising it of the research carried out by national laboratories; information regarding new products, development of new designs, method improvement, etc. through publication and circulars.

***Import Substitution:** Association members are encouraged to develop indigenous substitutes for imported equipment. Lists of imported items are compiled and circulated to members.

***Technical Training:** Apart from organising seminars on training and training courses, surveys on technical training are also conducted and results published.

Scope of Membership

Any company employed in whole or in part in automobile, civil, mechanical structural, metallurgical, electronic, electrical, chemical, agricultural, marine or other forms of engineering activities or employed in the design, production, distribution, maintenance or repair of engineering goods, or providing engineering consultancy services, is eligible for membership of the IEA. Any association having engineering or allied interests may join IEA as an affiliate member.

WINDOW ON THE WORLD

Western Europe's Problem Regions

JOSSLEYN HENNESSY

LONDON:

POLICY-MAKERS' DILEMMA

POLITICIANS, planners, socialists, and economists have all contributed to the vast literature about Europe's problem regions. Today, there are regional planning organisations, university faculties of regional studies, and government departments specifically formed to attack the problems of the regions. Large sums are being spent to aid the regions. But despite all this energy, talent and finance, the problems following from regional imbalance are increasing in scale and intensity.

Understandably governments tend to resign themselves in the face of what seems insoluble. To date, the general assumption seems to have been that *ad hoc* palliatives are adequate to deal with regional backwardness. And, indeed, this assumption may have been correct within the frame of reference applied up to the present. However, in the new context of a Community of Ten, "regional inadequacy" has to be viewed in a new perspective.

The regional problems that hitherto have been relatively localised within generally prospering countries could soon, amidst an economically unified Community of Ten, be "local" not in relation merely to parts of individual countries, but in relation to the enlarged Community as a whole. In the bigger perspective, entire countries could be "problem regions" — one can visualise the whole of Norway falling into this category, and it requires no great effort to see the same fate overtaking e.g. Italy.

Need for Coherent Policy

The need therefore is to end *ad hoc*ery in dealing with regional imbalance and to develop coherent regional policies at international level. With the truncation of EFTA on the departure of the UK, Denmark and Norway, it falls to the new European Economic Community to be the prime mover in taking regional policy into this new phase.

This report seeks to identify the extent of regional problems in western Europe, to pinpoint some of the factors

at work, to examine the responses of governments and businessmen, and to assess the emergent supranational policy.

The symptoms associated with regional problems vary, but when compared with the relevant national average, have the following in common: (1) Unemployment and under-employment markedly higher. (2) Average income lower. (3) Lower proportion of the population classified as economically-active. (4) Poorer communications. (5) Inadequate services (private and public). (6) Higher rate of net emigration.

Most of these symptoms are inter-related, the intensification of any one tends to exacerbate others — e.g., higher unemployment lowers incomes and accelerates emigration, thereby impoverishing the region further and reducing the capacity to improve the infrastructure.

Over-Development a Headache

However, just as regional under-development, with its under-utilisation of human and material resources, is as a major problem of the times, so, too, is the "overdevelopment" of many central areas, in which there is growing awareness that these congested regions have become machines for generating inflation and, in their own way, are just as inefficient as means of mobilising economic resources, as the backward areas. Increasing emphasis on the "quality of life", differentiating this clearly from "level of material consumption", is also pointing up the fast rate of degradation of the environment characteristically associated with areas of excessively rapid economic and population growth.

Virtually every possible combination of the above symptoms (plus several others) exists in western Europe. The problem regions range from peripheral agricultural areas of both low population (e.g. central France, Sardinia, parts of inland Portugal and the seven northern provinces of Sweden) and relatively high population (e.g., southern Italy and Sicily), through semi-industrialised regions (e.g. the eastern border areas of West Germany) to urban areas dependent on declining industries (e.g. north-east England, eastern Belgium and parts of the Ruhr). Regions, where optimum concentra-

tion of activity has been exceeded include the Paris area, Randstad Holland, much of the Ruhrgebiet, and south-east England.

II

THREE BASIC TYPES

Backward Rural Areas

Where heavy reliance on primary activities (farming, fishing and forestry) is accompanied by low population density, the region almost inevitably falls into the problem category. In western Europe the seven northern provinces of Sweden are extreme examples of this type; they cover 70 per cent of the area but only 22 per cent of the inhabitants. At a rather higher population density the regions of France due south from Basse Normandie to Aquitaine and round to Languedoc in the south east (plus Corsica) together cover 42 per cent of the area of the Six but only 21.5 per cent of the total population.

The basic problem is declining employment, in part resulting ironically from increased productivity in agriculture. It is distressing that the decline in the jobs in farming continues. In the Six, it is estimated that around 600,000 farm workers under the age of 55 are likely to leave the land over the next five years — at least half from the regions discussed here.

Since such concentrations of population as exist in what are after all sparsely populated regions are almost invariably too small and isolated to possess a sufficiently large labour reserve or adequate services to attract new industries, alternative employment is rarely available to workers leaving the land.

Emigration of the young and able tends to be substantial. Thus, impoverishment tends to be self-perpetuating and accelerating.

Declining Industries

The regions that depend heavily on types of industry that are in long-term decline cover relatively small areas, but contain large and frequently dense populations. Here again, the primary problem is the decline in jobs in the traditional industries and the shortage of vacancies in more dynamic sectors.

The area affected by this problem in the UK, for example, is large, covering wide areas of west-central Scotland centred on Glasgow, the north-east of England, west Cumberland, southern Wales and Northern Ireland. In the EEC, the problem is also considerable, but geographically relatively confined.

An outstanding example of the re-

gional problems caused by declining industries is that of textiles in the EEC, in which 70 to 80 per cent of the textile industry is concentrated in areas where as many as 30 per cent of the local economically-active population is employed in it. The fall in the industry's sales, partly following the expansion in imports, has reduced jobs on average around 40,000 per year — a substantial figure in relation to current employment in the sector of three million.

In regions in this broad category, both a large labour pool and relatively good infrastructure are already present and adaptable to modern industry. The question is: How to bring new industry into them?

Intense Development

Just as some areas are becoming derelict from loss of employment and population, so others are suffering from over-development, which often creates new problems.

These regions with varied modern growth industries, low employment often exceeded by the number of unfilled job vacancies, heavy immigration and high personal incomes, have in some cases fallen victim to their own success. Infrastructure of the ever-higher standard demanded becomes progressively more costly for each additional increment beyond a certain point; heavy congestion impedes transport and creates shortage of housing; prices of labour, goods and services soar. Indeed, in some central regions continuing economic expansion is visibly affecting the quality of life. Governments have been slow to recognise the seriousness of the repercussions of over-development. However, the EEC now treats, e.g., the increase in the share of total Community employment in the congested Paris region from 5.16 per cent in 1950, to 5.44 per cent in 1960 and to 5.83 per cent in 1968 as being just as serious as the loss of 600,000 jobs per year in Community agriculture or 40,000 jobs per year in textiles.

Factors of Improvement

The factors making for regional impoverishment include the decline in employment in agriculture, forestry and fishing and, in the secondary sector, in heavy engineering, shipbuilding and textiles. Certainly, in defining the areas where the above, singly or in combination, are the main employers of labour, one has also defined most (but not all) of the problem regions of declining activity.

There are two other factors whose national and, increasingly, international impact, has a direct bearing

on the spread of regional imbalance. Most important has been the strong trend towards concentration of industry into fewer — and, of course, larger — units. Many governments have encouraged this structural change for the sake of rationalisation and improved competitiveness. Second, capital investment per worker has been rising steadily and high capital intensity characterises most modern growth industries.

The data of industrial concentration in both EEC and EFTA show that the share of small firms in total employment is falling rapidly, while that of large enterprises is growing. One measure of the growth and spread of the large firm at the expense of smaller-scale businesses is provided by official concern in most countries of western Europe to develop and apply anti-trust legislation. In the EEC, curbs on excessive concentration of industry are being applied at a supranational level and a recent precedent-setting anti-trust decision is likely to mean that mergers will in future come under closer scrutiny.

Fewer Firms, Bigger Plants

Firms and plants have become fewer and bigger. In EFTA, the proportion of the total labour force working in plants employing more than 1,000 workers has been increasing at about five per cent points every ten years, except in Denmark.

The quest for competitiveness in world markets has been driving firms to secure every possible economy of scale. Though industry has experienced the most-publicised changes in this area, there has also been massive concentration in farming.

Productivity gains have also been one of the main aims of businessmen under competitive pressures. To increase output per man-hour, the ratio of investment in machinery and equipment — sophisticated and costly — has been steadily pushed up. In the UK, for example, the ratio of capital to workers, at constant prices, doubled between 1951 and 1963. In Sweden, the ratio of capital to output in industry is rising ever faster: 4.8 per cent per year in the 1950s, 5.3 per cent in the first half of the 1960s and over 7.0 per cent per year in the later 1960s. Much the same situation exists in the EEC. And, ineluctably, greater capital intensity goes hand in hand with economies of scale rarely achievable outside the central areas.

The implications of both concentration and increasing capital intensity for the problem regions are all too plain.

Fewer and bigger firms and plants almost invariably mean faster running down of operations at peripheral sites in which alternative employment is rarely available.

As primary farming, extractive activities and secondary industries become proportionately less important as sources of jobs throughout Europe, the services sector will become a progressively bigger employer — the biggest employer virtually everywhere by 1980. But here again the problem regions are at a disadvantage. They are going to lose most jobs as primary activities contract, their obsolescent industries run down, and concentration and increasing capital intensity take their toll, and they will also provide a relatively unencouraging environment for the development of business services. In some, but by no means all, of the problem regions there is great scope for expanding employment in tourism, but this is complicated because tourism is seasonal.

At the other end of the scale are the problems arising from the congested central areas. There are some signs that these may be going to be dealt by governments because of the harmful effects they tend to produce at national rather than just regional level. A recent EEC study shows that the inherent imbalance in the areas of excessive concentration is one of the main factors of inflation. The current preoccupation of governments with inflation means that the Commission's views are likely to be studied seriously.

Congested Areas Generate Inflation

The EEC Commission argues that in periods of strong demand the dynamic industries in the central areas that are best placed to attract available supplies of labour, capital, raw materials and services, bid-up prices and wages because they can afford to. None of this need be inflationary in terms of these industries' own selling prices in so far as productivity growth keeps pace. However, other industries and services (often in the impoverished regions), which have not the same scope for raising productivity, have to match most of the price and wage increases set by the growth sectors in the central areas — in the process they have to put up their prices, thus generating inflation.

Parallel with all this, says the EEC Commission, is the generation of a sharply increased requirement in the central areas for extended social infrastructure (e.g. schools, hospitals, houses, etc.). However in these areas the marginal cost of additional infrastructure usually exceeds its marginal

social yield. In addition, the high costs mean that additional private sector profits in the congested regions entail a disproportionately increased public deficit. Further, in so far as infrastructure is financed out of non-regionalised national exchequers, the poorer areas are helping to pay for central area dis-economies.

III

THE CENTRAL PROBLEM

It may be that the most significant aspect of EEC's findings will ultimately prove to be that they may persuade governments that they can no longer continue to regard the regions as subjects for long-term policies, well down the list of priorities for immediate action: regional imbalance, now revealed publicly as a main generator of inflation, has broken through to politicians as an obstacle to anti-inflationary policy measures — currently a main headache throughout Europe. We may therefore hope that the prospects for a major reappraisal of regional policies at national and supranational level are thus probably better now than ever.

The response of governments to the regional problem is varied. The preliminary objective is always to encourage industrial mobility usually by incentives but not so all by controls to discourage location in central areas. The incentives can include investment grants, loans at concessional rates of interest, rebates of interest, accelerated depreciation allowances, tax advantages and special transport rates. In addition, nationalised industries are frequently required to locate a proportion of their activities in problem regions.

And Are Unco-ordinated

The national regional policies applied in the Six are still unco-ordinated, and sometimes even mutually contradictory; only recently has the Community tried to curb them from being mutually competitive. "Integration" and "co-ordination" have on several occasions been agreed at Community level to be desirable objectives, but there has been relatively little progress so far — even in contiguous frontier areas there has been little integrated cross-border development despite long-standing tariff-free trade and free movement of workers and even capital.

National regional policies reflect not only differences in the nature of national problems, but also in the resources available as well as the quantity and quality of existing administrative

machinery. Basically, however, policies employ for their implementation a relatively limited and defined set of specific measures — invariably some combination of those listed above — for clearly designated regions. The details of national policies towards problem regions are set out in some detail for the EEC in "Regional Development in the EEC: Problems and Policies", and for EFTA in "Regional Policy in EFTA: Industrial Mobility", a report of an EFTA Economic Development Committee working party, September 1971.

Sources and acknowledgements: The foregoing summaries, by special arrangement, an exclusive fourteen page report in the latest issue of *European Trends*, published quarterly to subscribers only, by the *Economist Intelligence Unit*, but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

A second article will next week conclude this report in depth on western Europe's Problem Regions.

GOLDEN TOBACCO COMPANY LIMITED

Registered Office:

Tobacco House, Vile Parle, Bombay-56

**PUBLIC ISSUE OF 15,00,000 EQUITY SHARES
OF RS. 10 EACH FOR CASH AT PAR**

It is hereby notified that the above Issue of Equity Shares which was offered to the Public by the Prospectus dated 17th January 1972, having been over-subscribed by about six times, the following basis of allotment of the shares against the accepted valid applications has been decided upon by the Company in consultation with the Stock Exchange, Bombay. The Directors express their thanks to all those who applied for the shares.

No. of shares applied for	No. of shares to be allotted as fully-paid up Against Each Application
50	25
100	25
150 to 500	50
550 to 1000	100
1050 to 2000	150
2050 to 4000	200
5000 to 7500	300
8200 to 10500	400
20000	600
50000	1000
150000	2175
400000	4100

The Share Certificates and Refund Orders will be mailed to respective applicants very shortly.

for GOLDEN TOBACCO COMPANY LIMITED
(PRATAP NARSEE)
Managing Director

Bombay, 20th March 1972

Trade Winds

GIFT OF AUSTRALIAN WHEAT

AUSTRALIA'S gift to India of 40,000 metric tonnes of wheat for the year 1971-72 was formalised recently by an exchange of letters between the Australian High Commissioner, Mr Patrick Shaw, and Dr I.G. Patel, Secretary, Department of Economic Affairs, Ministry of Finance. The wheat has been provided on a grant basis requiring no reimbursement. The full quantity of wheat has already been received. The two governments have agreed that the rupee value of the wheat will be used in one or more of India's development projects.

FRENCH ASSISTANCE

Two financial protocols have been signed in Paris under which France will give India during the next financial year assistance totalling 150 million French francs (Rs. 20.25 crores) and a special credit of 35 million francs (Rs. 4.7 crores) for an atomic energy project.

In previous years, negotiations for bilateral credit took place after the Aid India Consortium meeting. But the process has been reversed this year and the credit agreed upon will be reported to the Consortium when it meets later this year. France is the only country to indicate its credit for next year prior to the Consortium meeting.

The protocols were signed during the visit to Paris of Mr M.G. Kaul, Additional Secretary, Department of Economic Affairs, Ministry of Finance. Of the 150 million francs of assistance to be provided during the next financial year, 90 million francs (Rs. 12.15 crores) will be project aid and 60 million francs (Rs. 8.1 crores) non-project aid. During the current financial year, which is coming to a close, French assistance totalled 150 million francs, of which 80 million francs (Rs. 10.8 crores) was project aid and 70 million francs (Rs. 9.45 crores) non-project assistance. In addition, France gave 27.7 million francs (Rs. 3.74 crores) as debt relief. For the new financial year, the question of debt relief will be considered at the Consortium meeting after the World Bank report on the subject has been received. The terms of French assistance continue to be the same except that the grace period for the repayment of loans has been raised by six months. Fifty per cent of the French assistance comes from the French treasury with carries

3 per cent interest; repayment is spread over 25 years including a grace period now raised to six years instead of the previous 5 1/2 years. The other 50 per cent is given through bank credit: in this case the repayment period is 10 years and the interest is based on the export credit rate which is at present 8.15 per cent. The special French credit of 35 million francs (Rs. 4.7 crores) is to meet part of the requirements of an atomic energy project. Forty five per cent of this credit will come from the French treasury and 55 per cent from bank loans.

F.I.C.C.I. OFFICE BEARERS, 1972-73

Mr Madanmohan Mangaldas was unanimously elected President of the FICCI for 1972-73. A 17-member standing advisory committee consisting of the following was also constituted: Messrs Madanmohan Mangaldas, Char t Ram, S.S. Kanoria, Shriyans Prasad Jain, Bharat Ram, S.L. Kirloskar, L. N. Birla, D. C. Kothari, V. Gandhi, K. K. Birla, Harishankar Singhania, M. V. Arunachalam, C. Mahindra, H. P. Nanda, J. H. Doshi, A. K. Jain and K. N. Modi.

RUBBER BONDED METAL PARTS

While reviewing the prospects of exports for the items of automobile ancillaries manufactured in the country from the points of view of quality and quantity of indigenous production, comparative advantage in exports and export prospects, it has been noted that there is severe shortage of capacity in rubber bonded metal parts for vehicles, for which there is substantial demand in the export markets. Considering the domestic shortage and export promise for this item, it has been decided by the government that applications should be invited from interested entrepreneurs for setting up capacity for the manufacture of this item. Accordingly, parties interested in the establishment of new units for the manufacture of rubber bonded metal parts for vehicles, are invited to submit applications for industrial licence in the prescribed form with complete particulars to the union Ministry of Industrial Development, Udyog Bhavan, New Delhi-11. The application should include detailed information about the annual production capacity, investment, manufacturing programme, etc. The last date of submission of the application for licence under the Industries (Development &

Regulation) Act, 1951, is June 30, 1972. Applications received after this date will not be entertained.

EMERGENCY RISKS INSURANCE

Rates of premia under the Emergency Risks (Goods) Insurance Scheme 1971 and the Emergency Risks (Undertakings) Insurance Scheme 1971, for the quarter April-June, 1972, have been notified by the government of India as 'nil' for the policies in force on March 31, 1972. These policies shall be continued without any fresh application for their renewal. Renewal endorsement will be issued by the government agent in each case for the said quarter. Premium will be payable in all other cases where goods or properties become insurable for the first time on or after April 1, 1972, as also cases where there is any increase in the value of the goods or properties already insured under the policy in force on March 31, 1972. The premia will be at the rate of six paise and ten paise for every hundred rupees or any part thereof of the sum insured under the 'Goods' and 'Undertakings' schemes, respectively.

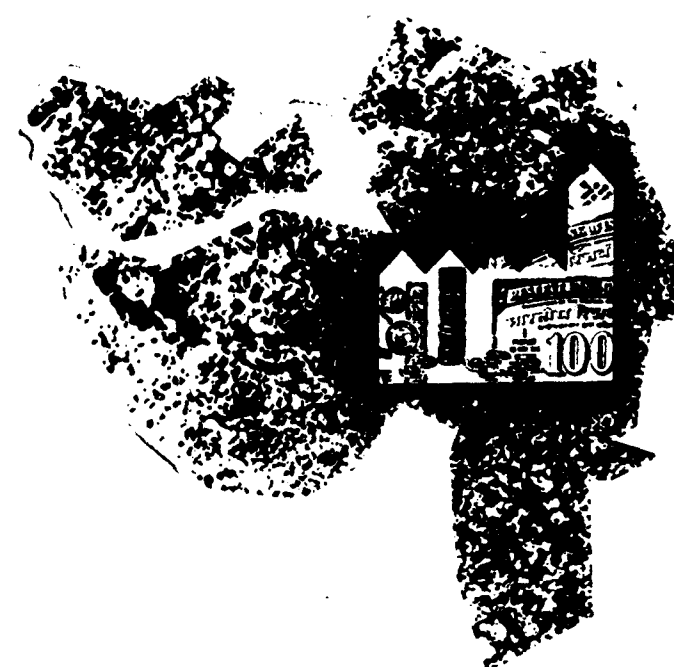
YUNUS IN NAIROBI

The Special Secretary, Ministry of Foreign Trade, Mr Mohammed Yunus, left Nairobi for Lagos on March 22 after a two-day visit to Nairobi. The purpose of Mr Yunus's visit was threefold—bilateral trade discussions, evolution of a common strategy among developing countries for the third UNCTAD at Santiago next month and to persuade Kenya to participate in the "Asia 1972" at New Delhi in November 1972. Mr Yunus stated that there was a great scope in increasing volume of Indo-East African trade. He identified shipping, banking, insurance, joint ventures, exchange of technical know-how and technical personnel and raw materials trade as subjects on which a common strategy among developing countries would have to be worked out for Santiago UNCTAD meeting.

NEW BUSINESS BY L.I.C.

The total new business of the Life Insurance Corporation of India in February 1972 amounted to Rs. 114.11 crores, involving 143,713 policies. This included foreign business worth Rs. 112 lakhs. During the month, the western zone of the corporation completed the highest amount of new business (Rs. 37.35 crores) followed by the southern zone (Rs. 28.77 crores) and the eastern zone (Rs. 18.10 crores). The northern and central zones did business amounting to Rs. 16.07 crores and Rs. 12.70 crores respectively. The total business completed by the corporation, includ-

Full refund of 3 years' sales tax!



means
"free" investment
for your industry
in Gujarat—courtesy
GIIC and GSFC



Sounds too good? Yes, And it's true! Gujarat Industrial Investment Corporation and Gujarat State Financial Corporation provide loans to all industries equivalent to the last 3 years' sales tax paid by them—absolutely free of interest! And repayable in 15 years in 10 annual instalments commencing only from the 6th year. Calculate the savings in interest and the whole amount works out FREE!

A marvellous invitation to all industries paying sales tax in Gujarat or elsewhere and wanting to set up new units in the State. And who have paid, for the last 3 years, a minimum of Rs. 2 lakhs sales tax per year. But what of new units who have not paid any sales tax at all? They can convert sales tax paid every quarter into loans in the following quarter for a period of 5 years!

Alternatively, you can always avail of the existing scheme—tax exemption on purchase of machinery, raw materials, etc. These benefits are open to units all over Gujarat except in areas within 24 kilometres from the municipal limits of Ahmedabad and Baroda and within 10 kilometres from the municipal limits of Surat, Rajkot, Jamnagar and Bhavnagar.

Quick! Send for full details today!

Please send me a booklet on "How to convert your sales tax into interest-free loan"

Name _____

Address _____

Nature of industry proposed/existing _____

I have seen your advertisement in _____

(Name of publication)

Dated _____

Gujarat Industrial Investment Corporation
Nataraj Chambers, Ashram Road, Ahmedabad 9
Gujarat State Financial Corporation
'Jaldarshan', Ashram Road, Ahmedabad 9



The wheels that gear industrial growth in Gujarat

not what you earn
today but what you
save for tomorrow
is what matters

We offer every facility to save and to open
Current, Savings, Fixed and Recurring Deposits.



HEAD OFFICE: CALCUTTA



UCO-2/72

ing foreign business, during the first eleven months of the current financial year (1971-72) amounted to Rs 1201.82 crores compared with Rs 935.53 crores during the corresponding period of 1970-71.

INDIANS IN FOREIGN COMPANIES

The progress of Indianisation of superior posts in foreign owned and foreign controlled companies has registered further progress at all levels. The proportion of Indians in the total employment in these categories of companies has also risen. This is revealed by the employment returns as on January 1, 1971, submitted by these companies to the Ministry of Industrial Development in response to a public notice issued in May, 1971. An analysis of these figures shows that during the period 1961 to 1971 the total number of Indian employees drawing emoluments of more than Rs 2000 a month increased nearly fourfold—from 2322 to 9209. The number of non-Indian nationals fell to one-third from 3,373 to 1,074. Accordingly the percentage shares of Indians in the aggregate employment with foreign firms moved from 86.6 as on January 1, 1970 to 89.6 as on January 1, 1971. In 1961 the percentage was 40.8.

PUBLIC SECTOR PERSONNEL

A recent study made by the Bureau of Public Enterprises, as part of the study on managerial moral and environment in public enterprises, has revealed that the flight of technical personnel, as a general phenomenon, was somewhat pronounced in case of some enterprises, who have not yet become fully operational and fairly low in case of some others who have fully established themselves. Intensive case studies were undertaken in respect of a cross-section of executives in HEC, MAMC, HEIL and BHEL, during which nearly a hundred executives were interviewed individually. The comparative position in technical cadres of the Indian Railways, the Posts & Telegraphs Department, the Indian Ordnance Factories and Central Water and Power Commission was studied.

STATE BUDGETS

Bihar: The Bihar government's budget for 1972-73 presented in the State Assembly recently showed a deficit of Rs 33.86 crores. Revenue and capital receipts were estimated at Rs 311.10 crores and Rs 191.74 crores respectively as against revenue and capital expenditure of Rs 316.38 crores and Rs 220.32 crores respectively. The water rates would be increased and Rs 12 crores would be raised through market loans. The following are some important items of expenditure in the Budget: Irrigation

and Power: Rs 49.59 crores, agriculture Rs 16.23 crores, social welfare Rs 17.47 crores, transport and communications Rs 8.86 crores, co-operation and community development Rs 3.55 crores and mines and industries Rs 4.12 crores.

Assam: Assam's Chief Minister recently presented in the State Assembly an estimated expenditure of Rs 66.54 crores for the first quarter of the fiscal year 1972-73. Of the total Rs 33.47 crores is vote on account and Rs 33.07 crores is charged account. Presenting the "on account" budget, the Chief Minister who also holds the Finance portfolio, expected that, together with a minus opening balance of Rs 15.80 crores as on April 1, 1971, the current year would close with an overall deficit of Rs 44.81 crores.

Gujarat: Gujarat's interim budget estimates for 1972-73 revealed a revenue surplus of Rs 29.31 crores. Taking into account the transactions in capital section and other matters, the state will have an overall surplus of Rs 20.03 crores. The revenue receipts for 1972-73 were estimated at Rs 262.62 crores and expenditure at Rs 233.24 crores, showing a revenue surplus of Rs 29.31 crores. The overall surplus of Rs 20.02 crores is likely to go up to Rs 20.61 crores on the basis of state's share in central taxes. The budget provides for a capital expenditure of Rs 40.67 crores, the important provisions being Rs 28.56 crores for irrigation works, Rs 412.57 lakhs for roads and buildings and Rs 386.45 lakhs for capital outlay on industrial and economic development.

Punjab: No new tax burden, no relief and an uncovered overall deficit of Rs 14.69 crores — which will go up further — are the main features of the budget estimates for 1972-73 presented to the Punjab Assembly recently. The gross expenditure for the next year, beginning April 1, has been placed at Rs 407.31 crores and total receipts at Rs 392.62 crores. The revenue receipts are expected to be Rs 198.37 crores and revenue expenditure estimated at Rs 176.20 crores. A part of this surplus has been eaten up by the "opening balance," which was minus Rs 4.37 crores. Compared with the current year (1971-72), the estimated revenue receipts for 1972-73 show an increase of Rs 22.29 crores and the expenditure estimates are higher by Rs 12.56 crores. The capital expenditure has been raised from Rs 15.15 crores to Rs 19.40 crores — an increase of Rs 4.25 crores.

Andhra: The Andhra Pradesh interim budget revealed a Rs 12.94 crores revenue surplus for 1972-73 (vote on account for four months). An overall deficit of Rs 38.57 crores

has been anticipated. The anticipated opening overdraft of Rs 79.76 crores at the beginning of the year was expected to close with a minus cash balance of Rs 118.33 crores. The interim budget estimates revenue receipts, at the existing level of taxation including Plan grants from the centre, at Rs 344.70 crores and provides for a total revenue expenditure of Rs 331.76 crores — Rs 294.39 crores on non-plan expenditure and Rs 37.37 crores on state Plan and centrally sponsored schemes. The budget provides for a capital expenditure of Rs 53.68 crores.

OVERDRAFT TO STATES

The implementation of the scheme to recover, during the coming financial year, from the state governments part of the overdrafts they had drawn during the last few years would bring in Rs 67 crores and help reduce the estimated budget deficit from Rs 242 crores to Rs 175 crores. This was stated in the Lok Sabha recently by Mr Mohan Dharia, Minister of State for Planning. Mr Dharia also said that the state governments would also not be allowed to draw overdrafts beyond what they have now.

MONOPOLIES ACT AMENDMENT

Union Minister for Company Affairs, Mr K.V. Raghunatha Reddy told Rajya Sabha recently that the government was working out details to amend the Monopolies and Restrictive Trade Practices Act. He said that the working of the Act was under constant review of the government. Some difficulties and anomalies had no doubt come to its notice and steps were being taken to streamline the procedure and suitable amendments to the Act were also under consideration.

NAMES IN THE NEWS

The appointment of Mr Jadhvir Parmar as Director of International Finance Corporation's Department of Investments—Asia, was announced by Mr Robert S. McNamara, President of the World Bank and its affiliate, the International Finance Corporation (IFC). Mr Parmar succeeds Mr Ronald K. Jones.

CORRIGENDUM

In the Balance Sheet and Profit & Loss Account for the year 1971 of the State Bank of Patiala, published in this journal's issue dated March 17, 1972, the figure for item No.2—Balances with other Banks—on page 433, should read Rs. 2,06,84,239.59 instead of Rs. 2,06,84,289.59 and the figure for item No. vii—Particulars of Advances—on page 434, should read Rs. 16,73,668.95 instead of Rs. 16,73,608.95.

Company Affairs

HINDUSTAN MOTORS

THE UNION government would sanction necessary foreign exchange to Hindustan Motors, Calcutta, manufacturers of Ambassador cars, to replace dies and thereby improve the quality of the cars, Mr Moinul Haque Choudhury, Minister of Industrial Development, told the Lok Sabha recently. The Minister said the firm had asked for foreign exchange to replace the dies as well as permission to change the model of the car.

GWALIOR RAYON

Gwalior Rayon and Birla Consultants have won a contract for putting up a 20-tonne viscose staple fibre plant for South India Viscose at Coimbatore. The value of the contract is placed at around Rs 4.85 crores. South India Viscose has a 10-tonne staple fibre plant and the machinery for this was supplied by Snia Viscosa of Italy, the company's foreign collaborator. The company secured an industrial licence for increasing the capacity of this plant by 20 tonnes a day. Gwalior Rayon has secured the contract for putting up this additional capacity. It is the major producer of staple fibre and will fabricate the requisite plant and equipment at its works at Nagda. The transportation of equipment from Nagda to Coimbatore, the start up of the plant, and the training of the personnel will be taken care of by Birla Consultants. The plant is to be commissioned by the end of 1973.

UNION CARBIDE

Union Carbide India Limited has stepped up the dividend by 2.5 per cent to 17.5 per cent for the year ended December 25, 1971. With an ambitious expansion programme for modernisation and upgrading of the battery and flash light manufacturing facility, the company is in a position to make most of its battery manufacturing accessories locally. This is a significant advance in the company's programme of import substitution. The directors have stated that though the demand for batteries has considerably improved, it has not been possible to meet fully due to the restricted licensed capacity. The company's proposal for expansion of shrimp fishing is awaiting government's approval. It has also applied for a licence for the manufacture of agricultural pesticides. Sales during the year increased to Rs 57.57 crores from

Rs 48.03 crores while pre-tax profit increased to Rs 7.88 crores against Rs 6.22 crores after providing Rs 2.75 crores for depreciation and meeting other charges. Taxation absorbed Rs 3.90 crores while development rebate reserve got Rs 66 lakhs, leaving Rs 3.42 crores against Rs 3.25 crores for appropriation. Of this general reserve got Rs 2.25 crores and sinking fund reserve Rs 16 lakhs besides other adjustment.

ATUL PRODUCTS

The directors of Atul Products Ltd have proposed to step up the dividend from 14 per cent to 15 per cent for 1971. The total income has gone up from Rs 14.77 crores to Rs 15.43 crores, gross profit was around Rs 236.73 lakhs. The profit has been arrived at after taking into account donations totalling Rs 1.71 lakhs and managerial remuneration amounting to Rs 4.52 lakhs. The provision for depreciation is a little lower at Rs 1.03 crores and the statutory development rebate reserve claimed only Rs 7 lakhs. The provision for taxation has gone up substantially from Rs 28.50 lakhs to Rs 50.50 lakhs. The net profit was Rs 76.46 lakhs. The allocation to debenture redemption reserve was Rs 10 lakhs.

REMINGTON RAND

Remington Rand of India Ltd, who have hitherto restricted themselves to the production of standard-size typewriters, will soon be coming into the market with portable typewriters, with keyboards in 13 languages. The por-

table typewriters are to be priced around Rs 650 to Rs 750. The company has received a letter of intent for a capacity of 15,000 pieces. A separate factory at Faridabad costing Rs 50 lakhs is being established for this purpose. The project is expected to go on stream in about 18 months. The company will raise about Rs 16 to 17 lakhs from the Indian public and the balance will be contributed from the existing resources. However, one of the conditions for the issue of the letter of intent is a reduction in the total equity participation of the parent company, Sperry Rand Corporation, USA, from 65 per cent to 51 per cent, which the company proposes to do within the next three years. Remington Rand has also other plans for expansion in the field of sophisticated office equipment. It plans to introduce, for the first time in India, an electro-mechanical filing system called 'Lektriver'. This project calls for a total investment of about Rs 30 to 40 lakhs and subject to the government's approval, it can go into production in about two years.

HINDUSTAN SANITARYWARE

Hindustan Sanitaryware and Industries Limited is celebrating its tenth birth anniversary this year with the setting up of a research centre at Bahadurgarh. The centre will not only take up the problems of other industries, but will also render assistance to smaller units in its vicinity. Mr H. L. Somany, Chairman of the company, speaking on the occasion of the inauguration of the research centre recently stated that in ten years the company had built up a good reputation for its products both at home and overseas. The ceramic industry had a great export potential which could be tapped by setting up large units. With a larger volume of cargo offered, the freight rates which were at present high and hindered the growth

of sanitaryware exports would come down in due course of time. The company's exports in the current year were expected to increase by 50 per cent over those of 1970-71. If the government could give more incentive to the industry, exports of sanitarywares could increase immensely. The company has a modern plant at Bahadurgarh with an annual capacity of 5,400 tonnes. Production has improved from 88 tonnes in 1962-63 to 3,539 tonnes in 1970-71. The turnover has increased from Rs 4.48 lakhs to Rs 151.42 lakhs and is likely to reach Rs 190 lakhs in the current year. The company has plans to manufacture quality brass fittings in collaboration with a Swiss concern. This new project may be located in Ghaziabad.

CHEMICALS AND FIBRES

The Chemicals and Fibres of India (CAFI) has decided to gear up its future research work to the development of new types of fibres and fibre variants apart from investigating their use in areas so far not attempted in this country. Mr D.G. Owen, Chairman of CAFI, stated recently that these investigations would help increase the use of polyester fibre by the textile industry and also bring the fabrics within the reach of an increasing number of people. He disclosed that the foreign shareholding of the company had gone down from 60 per cent to 55 per cent when it was allowed to expand its annual capacity from 4,000 tonnes to 6,100 tonnes by the union government. An analysis of the cost structure of a fabric would prove that blending cotton with

polyester does not increase the price of a fabric substantially.

DUNLOP

Dunlop India Limited has secured an export order of over Rs 2.20 crores for supplying truck and earthmover tyres and tubes to the Democratic People's Republic of Korea. This is the biggest export order ever received by any tyre company in India. The tyres and tubes to be exported to Korea will be manufactured in the Dunlop factories at Sahaganj, West Bengal and Ambattur, Tamil Nadu. Dunlop India now exports to 71 countries in all the five continents. In 1971 the company set up a new record amongst Indian tyre companies by crossing the Rs 3.34-crore mark in exports.

A.R.C.

Agricultural Refinance Corporation proposes to issue 5.75 per cent bonds 1984 for Rs 7.50 crores at par. The subscription list opened on March 27 and was to close on March 29 or earlier as soon as it appeared that the total subscriptions amounted approximately to Rs 7.50 crores. The corporation reserved the right to retain subscriptions received up to 10 per cent in excess of the notified amount. The bonds issued were in denominations of Rs 100, Rs 1,000, Rs 5,000, Rs 10,000, Rs 25,000 and Rs one lakh. They will be trustee and approved securities. The proceeds will be utilised for augmenting the corporation's resources. It has in the past issued bonds twice in 1970 in the form of 5.75 per cent 1982 bonds for Rs 10 crores and the second series in No-

vember 1970 in the form of 5.75 per cent 1982 bonds for Rs 7.75 crores. Established in July 1963, the corporation has a paid up capital of Rs 10 crores. It has been providing financial assistance to land development banks, state co-operative banks and scheduled commercial banks.

UNION BANK LTD

The Bombay High Court has sanctioned the merger of the Union Bank of India Ltd, with Mahindra and Mahindra Ltd. The amalgamation of these two companies has also been approved by the Department of Company Affairs, union Ministry of Industrial Development. The merger scheme becomes operative from May 1, 1971, subject to the consent of the Controller of Capital Issues. Under this scheme, the ordinary shares of Mahindra and Mahindra Ltd, to be issued to the shareholders of the Union Bank of India Ltd, will rank pari passu with the existing shares of the company and the dividend for 1970-71 will be paid pro rata from that date. The convertible bonds to be issued will also rank for interest from May 1, 1971.

CORRECTION

On page 357, Col. 3 of *Eastern Economist* dated March 3, 1972, under the subheading 'Food Processing' Against Anil Starch Products Ltd, Please read glucose Isomerase 3,000 kilolitres instead of 8,000 kilolitres. The correction has been issued by the Ministry of Industrial Development.

Eastern Economist 25 Years Ago

APRIL 4, 1947

A brief press communique issued last week has fixed the 28th of April 1947 as the date for the next meeting of the Constituent Assembly. This gives about three weeks to Lord Louis Mountbatten to work a miracle, if he can in order to bring the League into the Assembly. In the meantime, the Indian States threaten to pursue unilateral policies, or at least to prolong the dreary negotiations with the States Negotiating Committee of the Constituent Assembly, as long as they reasonably can. That leading ministers from Indian States have so long been swearing by Aitchison's Treaties, Engagements and Sanads is no surprise. But how far will legal contentions be valid? In any case, what exactly is the Consti-

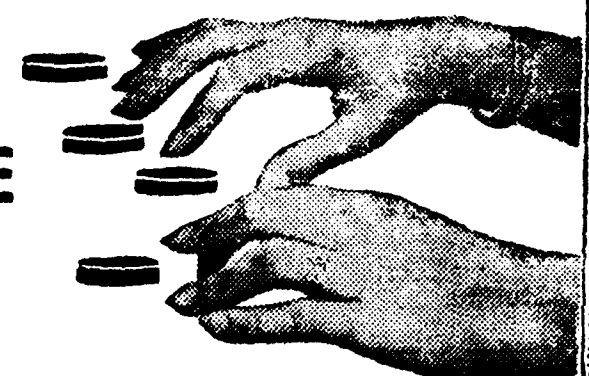
tutional law on this point? The Dewan of Travancore has boldly asserted the "brotherhood" of Travancore with the Indian National Congress and the Government of India, and has assumed that on the 1st of June 1948, Travancore will become an independent kingdom, reverting to its status in 1795. This is a dangerous conclusion to draw from the reference to the lapse of paramountcy in the State Paper. Other eminent constitutional lawyers have argued the contrary case, namely, that the succeeding Government of India should inherit among its duties and obligations, the right of paramountcy so far exercised by the Crown Representative.

KORES

(INDIA) LIMITED

Stencils - Carbon Papers - Typewriter Ribbons - Duplicating Inks - Teletypewriter Rolls

FOR OFFICE ACCESSORIES



Kores (India) Limited, Post Box No. 6538, Plot No. 10, Off Haines Road, Worli, Bombay 18, W.B.

COMPANY MEETINGS

KAMANI ENGINEERING CORPORATION LIMITED

Statement of Shri P. R. Kamani, Chairman, Kamani Engineering Corporation Limited, on the occasion of the Twentysixth Annual General Meeting of the Shareholders of the Company at Bombay on 30th March 1972.

GENTLEMEN:

I have great pleasure in welcoming you all to the Twentysixth Annual General Meeting of your Company.

As a nation, we have been through difficult times. But these have also been times of achievement. We have seen a new assertion of our identity in the community of nations. We have seen seventy-five million people on the other side of our border liberate themselves through one of the grimmest struggles in recent history. It has been a kind of liberation for ourselves, too; for by joining forces with them, we have freed ourselves from persistent and depressing self-doubt and diffidence. Our experience in the recent months has proved, even to the most sceptical among us, that high-mindedness in international dealings does not involve any loss of capacity for action; it has proved, too, that the basic thrust of our policies, national and international, has been in the right direction and that we can achieve our aims without awkward and traumatic reversals of policy. As a people, we are proud and happy for the idealism and toughness of spirit our leadership has displayed; we are happy, too, to see the forces of democracy strengthened on this sub-continent and to have been of help in the process.

State of the Economy

It is a measure of our inherent strength that we have been able to gather the snaws of war without any visible strains on our economy. The war with our external adversary has ended; but the enemy within — poverty and unemployment — is still unyielding.

Increase in agricultural production during 1971-72 would, on the basis of available information, be hardly 2 to 3 per cent against the target of around 5 per cent. The foodgrains output in

absolute terms, however, will scale a new peak at 112 million tonnes. This and the stocks we have built up during the preceding years of good monsoon should, hopefully, enable us to absorb the shock of the shortfall in the rate of growth.

Far more disappointing is our performance in the industrial sector. As against the target of about 9 per cent increase, the increase actually achieved may be only of the order of 3 to 4 per cent. As a result, after two years of good performance, our national income will increase in the third year of the current Five Year Plan only by about 3 per cent — a growth rate of about half of the target.

Exports

We have been the beneficiaries of a number of factors, wholly unconnected with our own prior planning, in the field of foreign trade in recent years; the closure of the Suez Canal, the general boom in international trade the world over, considerable idle capacity in our industries during and immediately after the recession. Our exports have expanded of late but our share in the general boom in World Trade has been disturbingly smaller than that of most other countries. Add to this the possibility, as the interministerial dialogues now in progress on the subject suggest, that we may have been the victims of serious statistical delusions in the past year.

It would be appropriate, I hope, in this context to mention yet another extraneous factor whose impact on our export trade has not been as wholesome: I refer to the extremely fluid situation in which the major currencies of the world found themselves recently and the subsequent realignment of parities. These developments were entirely and obviously beyond the foresight or control of individual exporters but have affected their revenues. They are the result of deliberate actions by govern-

ments and it is, to my mind, only just and fair that the individual exporters are compensated in some appropriate form.

I earnestly hope that this matter would receive the serious attention of the authorities concerned.

The stoppage of the US aid has added a new relevance and urgency to our export efforts. What we have lost by way of loans or doles, we now have to earn through trade.

Achievements in the export trade have fallen short of the targets but in this field, the targets themselves now need to be raised.

Power

The Mid-term Appraisal of the Fourth Five Year Plan recently published by the Planning Commission indicates that in 1969-70, against the target of 1.63 million kw, the actual addition to the installed power capacity was only 1.22 million kw. For the year 1970-71, the corresponding figures are 1.32 and 0.97 million kw respectively. Thus, during the first two years, the actual addition to power capacity was a little more than two-thirds of the target.

There has been a steady fall in the targets themselves, year after year — from 1.63 million kw in 1969-70 to 1.32 million kw in 1970-71 and 1.18 million kw in 1971-72.

There has also been a deceleration in the growth of electricity generation. According to official statistics, generation of electricity showed an increase of 14.3 per cent in 1969-70. In 1970-71 the rate was lower at 9.2 per cent. Judging by available data for the first six months of 1971-72, the rate of increase in this year will further fall to about 7 per cent.

Serious shortages of power have developed in various parts of the country and lack of adequate inter-regional po-

March 31, 1972

wer transmission lines has compounded the difficulties.

We earnestly hope that allocation of resources in future will be based on more realistic input-output relationships among the various sectors and that inter-sectoral balances will be better maintained.

Steel

The steel supply position had already deteriorated considerably at the commencement of the year. Some of the positive steps taken by Government redeemed the situation, if only in a limited way. Banning of the export of prime steel and importation of steel in order to meet export obligation have been steps in the right direction. There have also been some meaningful attempts to step up indigenous production. Nevertheless, in the context of the need to lower the level of imports and the time-lag between efforts and results in the matter of raising domestic output, anxiety in the steel sector continues.

Company's Operations

We have increased our turnover from about Rs. 14 crores in 1970 to about Rs. 15 crores in 1971 and have maintained production at the previous year's level, despite the setbacks we suffered in the first quarter of the year due to shortage of steel. Our profits for the year are around Rs. 42.24 lakhs against Rs. 25.64 lakhs in the previous year.

Our Export Efforts

Our exports during the year 1970-71 have been around Rs. 6.17 crores and we had orders on hand worth nearly Rs. 24 crores as on 30th September, 1971. During the year we completed a turnkey job, received in 1968, in Sudan, valued around Rs. 6 crores and won sizeable orders worth about Rs. 15.5 crores from countries in Middle East and South East Asia.

Business in India

I referred to the Power Development Programmes in India in some detail earlier.

The IDA has granted a substantial loan for transmission line projects in India. In addition, the Union Government has detailed plans for interlinking various power systems in order to cope with shortages of power in several regions. A number of transmission lines are awaiting finalisation under the Five Year Plan. We expect that there will be appreciable improvement in the Indian order position in the period ahead in regard to

EASTERN ECONOMIST

both supply of towers and construction.

Diversification and Expansion

I had mentioned in my statement to you last year certain specialised items we have developed for rural electrification. I am glad to say that we have already executed orders for these items worth about Rs. 40 lakhs. Our efforts at further diversifying our production are progressing apace.

Our Rolling Mill Project is progressing satisfactorily. We expect to do trial production in April this year. This plant, when it goes on stream, will significantly enhance our production capabilities.

Management Systems

Management of an organisation of our size and complexity, needs a high degree of sophistication. As an integral part of our efforts to modernise our managerial systems and techniques, we have, over the years, computerised a number of our operations covering such areas as Designing, Planning and Control, and Financial Accounts. Recently, in order to widen the area of application, we took a decision to have our own in-house computer. Acquisition of this facility would help us greatly in maintaining our technological parity with our competitors in other parts of the world.

Expansion of Capital

In order to sustain the increasing scale of our operations, especially in the export field, we decided at a special meeting of the shareholders held in January 1972 to widen our capital base. The legal formalities in this regard are now under way.

Outlook for the Future

There has been improvement in both production and turnover during the first five months of the current year compared to the corresponding period of the year under review and we hope to better the results in the period ahead.

Role of Government

The support we received from agencies, like the Ministry of Foreign Trade, the Office of the Iron and Steel Controller, the Steel Priority Committee, the Engineering Export Promotion Council, the ECGC, the banks and the financial institutions, has been indispensable to our success and we are grateful to them.

Personnel

It gives me great satisfaction to state that our relations with our staff and labour have been most cordial. Their

understanding and supportive efforts are the basis of all our planning.

Our Friends in India and Abroad

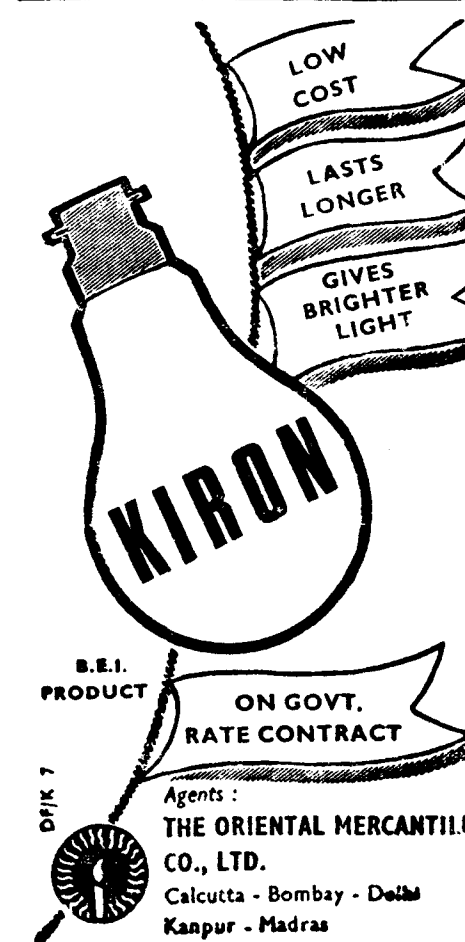
As in the past year, a number of dignitaries, foreign and Indian, visited our works and we are grateful to them.

Conclusion

Your company is sensitive, to an exceptional degree, to the environment in which it operates. An essential part of that environment today is the prevailing climate of confidence and optimism. It is perhaps natural that in times of crisis we, as a people, should show a strength and cohesion that are seldom apparent in normal times. The challenges of conflict and survival have a way of dramatising their own urgency and of drawing us out, the challenges of peace and progress, however, tend to dissolve into the dreary details of day-to-day living. Yet our capacity to recognise them and face them alone can be the true foundation for our confidence or our optimism.

I express my sincere gratitude to the workers, members of the staff, officers and my colleagues on the Board for all their endeavours in the performance of our common tasks.

N.B. This does not purport to be the proceedings of the Annual General Meeting.



STATE BANK CHAIRMAN'S SPEECH

AGRICULTURAL DEVELOPMENT BRANCHES BEING OPENED

R. K. TALWAR ON NEED TO REMOVE HURDLES

Shri R. K. Talwar, Chairman, State Bank of India, has announced the Bank's programme of opening 150 Agricultural Development Branches all over the country to provide finance in accordance with the assessed needs of selected areas.

He emphasised the need to demarcate areas for development among different financial institutions so as to avoid overlapping of efforts as also the risk of over-exploitation of the ground-water potential. He also appealed to the State Governments to remove legal disabilities of commercial banks in the financing of agriculture.

In his speech at the Seventeenth Annual General Meeting of the shareholders, held in Calcutta, on Friday, the 24th March 1972, Shri Talwar said:



Shri R. K. Talwar

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to the seventeenth annual general meeting of the State Bank of India, particularly because this is the first opportunity I have had — or any chairman of the Bank has had of—meeting the shareholders in Calcutta. As you are aware, the first 14 annual meetings were all held in Bombay. In 1970 we broke that monopoly and convened the meeting in Ahmedabad. It is the intention of your Board of Directors that in future years these meetings should be held in different cities as often as practicable, taking into account the likely attendance of the shareholders.

On an occasion like this, when we have gathered to review our business operations during 1971, one feels impelled to refer to the significant events that culminated, as it were, in a regeneration of what is basic in our national character. We have witnessed a victory for Truth and Justice under the inspired leadership of our Prime Minister, Shrimati Indira Gandhi. The unseen hand of the Supreme guides the destiny of our nation, and, while we pay homage to those who fought and laid down their lives in the cause, we do so in the sincere hope that we shall make ourselves worthy of a much more glorious future that awaits us.

Working Results

The Annual report including the balance sheet as on the 31st December 1971 and the profit and loss account for 1971 is already in your hands. I am happy to state that, as was hoped for by us last year, our working has shown better results. The profit figures for 1970

and 1971 are, however, not comparable; this is due to the fact that the bonus paid to staff, instead of being treated as an appropriation from balance of profits as in previous years, has been shown as a charge thereon. This is as it should be, because bonus is no longer an ex gratia payment and is, in point of fact, an item of expenditure on staff, like any other.

Fall in Credit Demand

As brought out in the annual report, the deposit growth of the Bank during 1971 was higher than in the previous year while its pace of credit expansion slackened. By and large this would appear to have been true of the entire banking system. During the year the Bank improved its liquidity, as indeed it had been called upon to do during the earlier months of stringent money conditions, and the credit/deposit ratio came down. In the latter part of the year, the Bank did not suffer from any lack of resources in dealing with credit demand from the various sectors of the economy.

Small Scale Industries

Our loans to small scale industries went up during the year by Rs. 25 crores. The pace of growth was lower than in the previous year; this could be attributed to the impact on small scale industry of the decline in the growth of industrial production. There is evidence to show that the credit needs of small scale industrial units were, by and large, being met.

Employment-Oriented Lending

Our most important scheme for generating self-employment relate to the financing of technician entrepreneurs. The number of such

entrepreneurs securing assistance from our organisation kept rising in 1971 at the rate of roughly one for every working day. At the end of the year, we had 807 entrepreneurs on our books with credit limits aggregating Rs. 10 crores. We know a lot more still remains to be done, and are making conscious efforts to make ourselves more useful and effective in helping young men seeking to set up their own establishments.

We have, in addition, selected 60 pilot centres throughout the country with a view to gaining first hand experience in self-employment-oriented lending for individual artisans, craftsmen, etc. We propose to so organise ourselves at these pilot centres that anyone — particularly the educated unemployed — approaching the Bank with a proposition that gives evidence of a sincere desire and effort to venture on gainful and profitable self-employment, will receive sympathetic and objective response. Creation of fresh and/or gainful employment opportunities requires a high degree of almost total planning and complete co-ordination amongst various governmental and financial agencies in any given region. Our work in the pilot centres will, we expect, receive the support needed from State authorities and help to throw up the likely impediments in productive lending and in the designing of suitable promotional measures for progressive extension of our activities in this direction to many more centres.

Financing of Agriculture

I made the point last year that commercial banks should adopt the policy of area approach in financing agriculture. As for the State Bank Group, I indicated our intention to select

March 31, 1972

about 150 Intensive Centres throughout the country. We have already identified 67 of these, mainly in areas covered by the Government programmes for small farmers and other weaker sections of the rural population. Forty-six of these Centres have been cleared with the concerned State Governments; such consultations with the State Governments are essential for the sake of ensuring co-ordination with other agencies connected with agricultural development. Each of these centres is expected ultimately to cover anything upto 100 villages.

At each Intensive Centre we propose to open an Agricultural Development Branch, supported by technical and other field staff. We already have the Reserve Bank's approval for the opening of 33 Agricultural Development Branches, and 20 such branches have been opened. Outside the Intensive Centres Scheme, our programme of Village Adoption is also gaining momentum, about 2,400 villages having so far been adopted.

As each Intensive Centre is identified, the surrounding area is surveyed by our technical staff and special schemes are prepared to provide agricultural finance in accordance with the assessed needs of the cluster(s) of villages taken up for attention in the first phase. Further clusters of villages would be similarly covered in later stages. Schemes will be tailor-made to cover the special requirements of individual groups of villages: the objective will be to find out how best the Bank's credit should be invested to create surplus income for the farmers, out of which they would not only be able to repay the bank loans but also improve their living standards, and the economy of the region.

The magnitude of finance required for this purpose all over the country will be stupendous. The term loan requirements for agricultural development schemes around each Agricultural Development Branch may be well over Rs. 2 crores even on a very conservative basis. If we were to take the total requirements at one centre at even Rs. 1 crore, the total term loan requirements at the proposed 150 centres will aggregate about Rs. 150 crores, and this in addition to crop loans and finance for allied agricultural and non-agricultural activities. In view of the long-term nature of these investments we shall naturally lean heavily on the Agricultural Refinance Corporation. The importance of this lies not only in financial support that will enable us to maintain our liquidity, but, even more so, in the benefit we shall consequentially derive by subjecting our schemes to a second look at the hands of technical experts of the Agricultural Refinance Corporation. We have already submitted to the Corporation schemes involving a total outlay of well over Rs. 50 crores and approvals of these have started flowing in.

One major problem which is bedevilling our programme for opening Agricultural Development Branches relates to coordination with the co-operative banks and demarcation of the respective areas. Co-operatives are spread all

EASTERN ECONOMIST

539

over the country, although they have not been successful everywhere. Even in States which are well developed in this field there are gaps and inadequacies which the commercial banks can help to fill. Where co-operatives have done substantial lending, or have programmes to do so, it will be inadvisable for commercial banks to come into the picture. Elsewhere, to avoid overlapping of efforts and the risk of over-exploitation of the groundwater potential, it is necessary to identify villages, in clusters, which could form the area of operations of different institutions. Our experience, repeated over a number of places, is that although we expend much effort in identifying the areas of operations of our Agricultural Development Branches, either the State Government's clearance is not promptly forthcoming, or, if that hurdle is crossed, the co-operative land development bank is not agreeable to area demarcation. It seems to me that a high-level body at the State level — one for each State — should be formed without delay and charged with the responsibility for the much needed co-ordination in this respect and for resolution of wasteful conflicts. I venture to suggest that the Reserve Bank of India, as the apex body for agricultural credit operations throughout the country, might perhaps take the initiative in instituting these arrangements as soon as possible.

Yet another problem in this field relates to the legal disabilities of the commercial banks. The important ones arise from (i) legal obstacles in the way of the farmers raising loans against mortgage of land; (ii) heavy stamp duty and registration fees on the creation of mortgages; (iii) cumbersome and time-consuming processes involved in the creation of mortgages; and (iv) the statutory prior charge which co-operatives enjoy over the farmers' land. The Expert Group appointed by the Reserve Bank, of which I had the privilege of being the Chairman, went into this matter in great detail and has made several recommendations with a view to removing the various legal disabilities of commercial banks in the financing of agriculture. This Group took pains to suggest a Model Bill which, if enacted, would save the State Governments the labour involved in searching all the relevant current legislation and finding out what all amendments would be called for. Both the Reserve Bank of India and the Government of India have supported the recommendations of the Expert Group, and have urged the State Governments to take steps to adopt the Model Bill. I would appeal to the State Governments to give evidence of their keenness for commercial banking support to agriculturists by expediting the necessary amending legislation. Surely it is they who are concerned more than anyone else.

Expansion of Branch Network

On the expansion of our branch network, also, our record has been good. In 1970 the commercial banks opened as many as 2,137 offices, followed by another 1805 in 1971. In this two-year period, the State Bank also increased the network of its offices by 814, or

by almost half as many as were in existence at the end of 1969. The Bank and also its Subsidiaries are now drawing up plans for expansion in the three-year period 1972 to 1974, for which the Reserve Bank of India has compiled a perspective plan envisaging the opening of 5,000 new offices by all commercial banks. This means opening 139 new offices a month as against the average of 149 a month from June 1969 to October 1971. The perspective plan emphasises the need for priority to the relatively under-developed or under-banked States like Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Uttar Pradesh and West Bengal.

There are no two opinions on the need for expansion of banking facilities at as fast a rate as possible. However, I venture to suggest that our enthusiasm in this respect has to be tempered by awareness of the realities. The pace of expansion of branches in the last two years has imposed an almost unbearable strain on trained man-power resources, and we are already faced with the reality of the lack of adequately trained personnel for jobs requiring competence of a high order. While on this subject I would like to reiterate that though we are doing all we can to expand our recruitment and training programmes and facilities, in the ultimate analysis there is no substitute for experience on the job. Preliminary training prepares staff to discharge their duties competently, but the deployment of public funds, management of men and an intelligent interpretation of developing policy do require self-confidence and maturity of judgement of an order which can only be developed over a period of actual working under guidance. Branch managers and other field staff carry heavy responsibilities and cannot be turned out in the training colleges alone.

What I wish to emphasise is that our branch expansion has been spectacular enough so far. Plans for further expansion must be well co-ordinated, so that the resultant strains are organisationally bearable, having regard to trained manpower resources in particular. We have initiated a dialogue with the authorities to this end.

Foreign Offices

You will be happy to hear that in pursuance of our efforts to maximise our foreign exchange earnings, we have upgraded our Representative Office in New York to the full status of a branch and also opened a new Representative Office in Beirut. In December I had the pleasure of inaugurating these two new offices which hold promise of new opportunities of widening and diversifying our activities in the sphere of foreign exchange business which continues to constitute a salient feature of our operations.

Reorganisation

One of the important developments which took place in the Bank last year was the reorganisation of two Circles (viz. Ahmedabad and Bombay Circles, excluding Bhopal Region) broadly on the pattern which

emerged out of the study we had undertaken of our organisational structure and administrative practices. The new design was principally based on the concept of market segmentation, whereby our activities have been sought to be oriented towards meeting the different needs of different classes of customers. Such an approach, we felt, would help us in better identifying the characteristic needs of different customer-groups and providing appropriate services to meet these needs by introducing, where necessary, new schemes and facilities.

An integral part of the reorganisation scheme is the budgetary control system through which the business, incomes, costs and profits of each unit of the Bank are planned on an annual basis. The actual performance of each unit is evaluated periodically to ascertain the variation with the budgeted levels, and appropriate remedial measures initiated in time to bring the performance in line with the planned growth-levels. The system as introduced enables the Bank to plan its business growth with due regard to its available resources and the changing environment, and provides for the active participation of the operating officials in determining, along with their controlling authorities, their own unit budgets. The budgetary control system thus serves not only as a useful mechanism for linking the unit objectives with corporate objectives but also gives sense of direction and purpose to each operating unit.

Although budgeting is not a new concept in the industrial world, its application in commercial banking is quite recent even in foreign banks. This is so because of the difficulties involved in quantifying meaningfully many of the items of banking business; these difficulties are less in the case of manufacturing concerns, where physical units of production are clearly identifiable and measurable. Because of this it was difficult for us to visualise how far the budgeting process could be made really effective. I am happy to state that our experience in two Circles has convincingly demonstrated that very encouraging response can be evoked. We feel assured that our budgetary control system holds good promise.

The experience of the working of the reorganised structure in the two Circles has helped us in refining the new design as well as systems and procedures to suit operational requirements. Based on this experience we have undertaken studies to further streamline our methods of working and the scheme of delegation of authority. We are confident that the results of these studies will assist us in improving the administrative and operational efficiency of the Bank. We plan to extend the new scheme to all the remaining Circles, including the proposed new Circles centred at Bhopal and Patna, on the new pattern with effect from the 1st July this year.

Staff Relations

In the field of staff relations, attempts were made and continue to be made to further strengthen the institutional mechanism of bipartite negotiations for resolving issues. This institutional mechanism can work only so

long as there is a climate of mutual trust and a common appreciation of the issues involved. If this basic climate is provided, it would be possible to generate a problem-solving attitude, and we have experience to show that the solutions thus reached have a more lasting value. We had a programme at our Staff College in which representatives from the management and the trade unions were involved and we believe that this did, in some measure, help in throwing up evidence of common awareness for bringing about the desired climate. Sympathetic understanding among conflicting groups is an arduous process and we know we are nowhere near a perfect accord. What is heartening, however, is the positive response that we have received from our unions; this gives us confidence to intensify our joint efforts at reaching common ground in regard to basic relationships that we would like to establish.

Apart from the improvement in the mechanism of bipartite talks with the Staff Federations, we feel that the management's philosophy vis-a-vis the individual employees and their morale needs attention. We believe that our employees, as individuals capable of sustained effort in attaining the institution's objectives, are our prime resource. We have commenced a serious review of our personnel and administrative practices — recruitment, placement and promotion policies, communication channels and co-ordinating mechanisms. Our objective is to create conditions that would facilitate the full development and employment of individual talents, enabling the growth of individuals to sustain the long-term growth of this institution in the national interest.

One aspect which needs to be looked at in

this context is the change in the nature of the banking tasks themselves. The concept of banking as it is now emerging, as an instrument of economic change to maximise social good, is different from what prevailed in the past. The day-to-day handling of work at the base line cannot remain static in the face of this changed concept of banking. Apart from structural changes in the organisation, there is need to review the work-structure from the cashier and clerical level up to the level of senior management. We believe that the present generation of dynamic and qualified youngsters in banking is anxious to get out of the groove of repetitive monotonous work involved in the purely accounting side of bank transactions and is looking for opportunities that lend scope for creativity and effort in keeping with individual capabilities. We in the State Bank have had ample proof of this urge in the results shown by our staff in the fields of deposit mobilisation and agricultural business. Arising from this recognition of employees' needs, I feel it is time we gave thought to re-designing the jobs at the baseline to provide more responsible and meaningful tasks to clerical and cashier staff. This change needs to be worked through the active participation of employees of all cadres and the respective Staff Federations and I voice the hope that we shall before long make constructive progress in this regard.

Local Boards

Before I close, I wish to welcome Shri Vijay M. Merchant to the Bombay Local Board and also thank Shri Mathuradas Haridas and Shri Rana Raja Yogendra Chandra, who ceased to be on the Local Boards at Bombay and New Delhi respectively during the course of the year, for their able guidance and direction.

Eastern Economist Annual Number 1972

The theme of this Annual Number is "The Challenge of Our Opportunities". An attempt has been made to analyse the political and economic aspects as well as the domestic and external implications of the crisis and the challenge which the nation must meet and master today.

The Annual Number includes informative sections on individual industries, the aim here being to pinpoint current problems against the background of past performance and in relation to future needs and prospects.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy.

On sale with leading booksellers or direct from :

**The Manager,
The Eastern Economist Ltd.,
UCO Bank Building,
Parliament Street,
New Delhi-1.**

ARUNA SUGARS LIMITED

Registered Office :

"Dhun Building", 175/1, Mount Road, Madras-2

Statement of the Chairman, Sri K. Palani, circulated to the Shareholders

Gentlemen,

I welcome you all to this Eleventh Annual General Meeting of your Company.

At the outset, I have to refer with deep regret, to the sad and sudden demise of our Chairman, Sri C. S. Loganathan. As one of the Founder-Directors and Chairman, Sri Loganathan took keen interest in the affairs of the Company and rendered valuable advice and guidance. His tenacity, perseverance and wisdom have left an indelible impression on all the activities of the Company. It is hoped that we cherish for ever his association with your Company.

I have also to refer, with deep sorrow, to the sudden death of Sri P. Suryanarayana, one of the Directors of your Company. Sri Suryanarayana associated himself with the Company for well over eight years.

The Board of Directors of your Company has already recorded its deep appreciation of their services and expressed the overwhelming sense of grief to the members of the bereaved families.

As a mark of respect to the departed souls, may I request you all to stand up and observe silence for a minute?

The Statement of Accounts for the year 1970-71 and the report of the Directors have been in your hands for quite some time. With your permission, I shall take them as read.

Before proceeding to discuss the Company's affairs, I would like to offer a few observations on the socio-economic situation prevailing in the country. We are, indeed, very fortunate in living at a time when the history of our country has been written in letters of gold. The entire nation is grateful to our beloved Prime Minister, Smt. Indira Gandhi for providing to the country, leadership which was very unique with unparalleled courage and wisdom. We are very happy and proud of our armed forces who have fought so valiantly and who have proved also to be the best in the world. I have no doubt that

the call of our distinguished Prime Minister, at the time of national crisis, to all sections of the people will evoke spontaneous response.

The achievements of today will, I am sure, encourage us to solve the problems of tomorrow. The economic growth of our country has to be accelerated, and our energies and resources have to be pooled together so that poverty and unemployment are removed within a reasonable time. We must also strive to keep the country in the main stream of self-generating growth and development and raise the standard of living of the masses.

Your Company has already been doing its bit in this regard. As reported in the Directors' Report, the erection of the machinery and equipment for expansion, excepting the Turbo-Alternator, has been completed. This is also expected to be erected during March, 1972 when the Factory would be able to increase its crushing capacity to 2,000 tonnes of cane per day. The Company has taken several steps to develop the factory area, so that amenities like better roads, communications, etc., are made available to the rural population. The area is fast developing and three Banks have opened their branches offering banking facilities to the rural population. I am, indeed, very happy to express that the standard of living of the masses, predominantly agriculturists, has been increased to appreciable limits commensurate with the growth of your Company.

As reported in your Directors' Report, the Board is considering to increase the crushing capacity to 3,000 tonnes of cane per day at a cost of about Rs one crore. The details would be made known to you in due course, when the expansion proposal is finally decided. This would provide further opportunities to the ryots in that area for utilising the land available for better and increased cane cultivation. When the capacity is increased, it may be possible to crush about 4 lakh tonnes of cane against 2.8 lakh tonnes during the current season. It is needless to point out that this would not only increase sugar production, but also im-

prove the standard of living of the people in that area.

In view of the emergency and also to arrest the trend in shooting up of sugar prices, even though there was no statutory control on the sale and price of sugar, the sugar factories in our country have agreed to a scheme of voluntary control suggested by the Government of India, whereby 60 per cent of the monthly releases would be handed over to the nominees of the Government at a price of Rs 150 per quintal ex-factory exclusive of excise duty. The balance of 40 per cent of the releases alone would be available for sale in the open market. The prices realised are better.

Review of Operations

The working results of the Company for the year 1970-71 were satisfactory, compared with those of the last year. Working for 209 days, the Factory crushed 2,47,636 tonnes of cane and produced 2,31,288 quintals of sugar with a recovery of 9.27 per cent, as compared to 2,55,543 tonnes of cane crushed and 2,14,474 quintals of sugar produced with a recovery of 8.24 per cent during the previous year. You would be happy to note that though the cane crushed was lower by 3.3 per cent, the sugar produced went up by 7.8 per cent due to better quality of cane available for crushing, consequent on the various developments made in the cane area and efficient working of the Factory.

Your Company is grateful to the Managing Director for his gesture in accepting only Rs 72,000 as against Rs 81,600 payable to him towards remuneration and perquisites under the agreement.

The Profit and Loss Account disclosed a net profit of Rs 28,04,076 after providing Rs 17,43,955 towards depreciation as against the net loss of Rs 7,41,883 during the last year. A sum of Rs 8 lakhs was transferred to the Development Rebate Reserve and Rs 20 lakhs to the General Reserve. The General Reserve stands at Rs 25 lakhs as on the 30th September, 1971, out of which payment towards dividend

amounting to Rs 12,05,636 if approved by the shareholders, will be made therefrom.

Excise Duty

The Government has announced a rebate of Excise duty at Rs 17 per quintal of sugar produced during October and November, 1971 as is in excess of 80 per cent of the sugar produced during the corresponding months in 1970. For the sugar produced during the period from 1st December 1971 to 30th September 1972, a rebate of Rs 16 per quintal will be allowed on such quantity as is in excess of 80 per cent of the sugar produced during the corresponding period, that is, from 1st December 1970 to 30th September, 1971. This is an incentive for producing more sugar during the current year in view of the anticipated low production of only about 33 to 34 lakh tonnes compared to 37.4 lakh tonnes and 42.4 lakh tonnes during 1970-71 and 1969-70 respectively.

Crushing for the season 1971-72 has commenced from the 15th December, 1971 and about 2.80 lakh tonnes of cane is estimated to be crushed. Your Company is expected to be benefited considerably on account of concessions in Excise duty.

Sugarcane Price

The Government announced a minimum sugarcane price of Rs 73/70 per tonne for 1971-72 season. However, in view of the excise duty rebates announced and in view of the sugar fetching a better price, the Government of India insisted that factories pay higher prices than the minimum fixed. The Tamil Nadu Government has directed all factories in the State to pay not less than Rs 80 per tonne. We have, therefore, agreed to pay Rs 80 per tonne.

Future Expansion

The consumption of sugar in the country has picked up considerably within the last few years. Two years back, the consumption was about 36 lakh tonnes per annum and it is anticipated that the consumption now in the country would be about 42 lakh tonnes per annum; it may be possible to export about 3 lakh tonnes since last year the exports were about 4 lakh tonnes. The production capacity available in the country is about 45 lakh tonnes and the peak production amounted to 42.6 lakh tonnes in 1969-70. With the establishment of new factories which have been licensed and which would be located mostly in Maharashtra, a few in Mysore and a

few in other States the installed capacity may reach about 48 lakh tonnes. However, it will be difficult to achieve this capacity, since there are several factors which will contribute for lower production as in the case of last year when it amounted to only 37.4 lakh tonnes; in the current year, it is expected to be only 33 lakh tonnes. Therefore in order to achieve the target of 48 lakh tonnes and to have surplus carry over of stocks in the country, it is necessary for the factories which expect adequate supply of sugarcane to plan for increasing their production and obtaining better recovery of sugar. Fortunately, our area is one of the areas suitable for developing quality cane and for having a supply of about 5 lakh tonnes

of sugarcane per annum.

Diversification

Your Company has become the holding company of Arvind Distillery (P) Ltd., a company incorporated for manufacturing arrack. The project is estimated to cost about Rs 30 lakhs. Your Company has invested Rs 5 lakhs in the capital of that Company and as per the present programme, the Arvind Distillery (P) Ltd, would go into production by the end of March 1972 (in about a month's time from now).

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

SUBSCRIPTION ORDER FORM

MANAGER
THE EASTERN ECONOMIST LTD.,
New Delhi.

Please register my/our name for a copy of Eastern Economist Weekly/Records and Statistics Quarterly for a period of one year/six months from—

A sum of Rs _____ is _____ being sent by M.O.
_____ sent herewith

Address (block letters) _____

Signature _____

RATES OF SUBSCRIPTION

	Inland	Foreign
EASTERN ECONOMIST (Published every Friday)		
Annual Subscription	Rs. 85.00	£ 7.00 \$ 17.00
Half-Yearly Subscription	Rs. 45.00	£ 3.50 \$ 9.00
RECORDS & STATISTICS (Quarterly)		
Annual Subscription	Rs. 16.00	£ 1.50 \$ 3.50
Single Copy	Rs. 4.00	£ 0.40 \$ 1.00

Note: Subscription may commence, for the sake of convenience, from the first of any calendar month.

The back issues of previous years available; rates on enquiry.
It is requested that payment for the required period be sent along with instructions.

Foreign air mail rates on application.

RECORDS AND STATISTICS

Treaty of Friendship

A TREATY of friendship, co-operation and peace between India and Bangla Desh was signed in Dacca on March 19, 1972 by the Prime Ministers of India and Bangla Desh.

Following is the text of the treaty:—

Inspired by common ideals of peace, secularism, democracy, socialism and nationalism,

Having struggled together for the realisation of these ideals and cemented ties of friendship through blood and sacrifices which led to the triumphant emergence of a free, sovereign and independent Bangla Desh,

Determined to maintain fraternal and good-neighbourly relations and transform their border into a border of eternal peace and friendship,

Adhering firmly to the basic tenets of non-alignment, peaceful co-existence, mutual co-operation, non-interference in internal affairs and respect for territorial integrity and sovereignty,

Determined to safeguard peace, stability and security and to promote progress of their respective countries through all possible avenues of mutual co-operation,

Determined further to expand and strengthen the existing relations of friendship between them, convinced that the further development of friendship and co-operation meets the national interests of both states as well as the interests of lasting peace in Asia and the world,

Resolved to contribute to strengthening world peace and security and to make efforts to bring about a relaxation of international tension and the final elimination of vestiges of colonialism, racialism and imperialism,

Convinced that in the present-day world international problems can be solved only through co-operation and not through conflict or confrontation,

Reaffirming their determination to follow the aims and principles of the United Nations Charter, the Republic of India, on the one hand, and the People's Republic of Bangla Desh, on

the other, have decided to conclude the present treaty.

Article 1: The high contracting parties, inspired by the ideals for which their respective peoples struggled and made sacrifices together, solemnly declare that there shall be lasting peace and friendship between their two countries and their peoples, each side shall respect the independence, sovereignty and territorial integrity of the other and refrain from interfering in the internal affairs of the other side.

The high contracting parties shall further develop and strengthen the relations of friendship, good-neighbourliness and all-round co-operation existing between them, on the basis of the above-mentioned principles as well as the principles of equity and mutual benefit.

Article 2: Being guided by their devotion to the principles of equality of all peoples and states, irrespective of race or creed, the high contracting parties condemn colonialism and racialism in all forms and manifestations and are determined to strive for their final and complete elimination.

The high contracting parties shall co-operate with other states in achieving these aims and support the just aspirations of peoples in their struggle against colonialism and racial discrimination and for their national liberation.

Article 3: The high contracting parties reaffirm their faith in the policy of non-alignment and peaceful co-existence as important factors for easing tension in the world, maintaining international peace and security, and strengthening national sovereignty and independence.

Article 4: The high contracting parties shall maintain regular contacts with each other on major international problems affecting the interests of both states, through meetings and exchanges of views at all levels.

Article 5: The high contracting parties shall continue to strengthen and widen their mutually advantageous and all-round co-operation in the economic, scientific and technical fields. The two countries shall develop mutual co-operation in the fields of trade, trans-

port and communications between them on the basis of the principles of equality, mutual benefit and the most-favoured nation principle.

Article 6: The high contracting parties further agree to make joint studies and take joint action in the fields of flood control, river basin development and the development of hydro-electric power and irrigation.

Article 7: The high contracting parties shall promote relations in the fields of art, literature, education, culture, sports and health.

Article 8: In accordance with the ties of friendship existing between the two countries each of the high contracting parties solemnly declares that it shall not enter into or participate in any military alliance directed against the other party.

Each of the high contracting parties shall refrain from any aggression against the other party and shall not allow the use of its territory for committing any act that may cause military damage to or constitute a threat to the security of the other high contracting party.

Article 9: Each of the high contracting parties shall refrain from giving any assistance to any third party taking part in an armed conflict against the other party. In case either party is attacked or threatened with attack, the high contracting parties shall immediately enter into mutual consultations in order to take appropriate effective measures to eliminate the threat and thus ensure the peace and security of their countries.

Article 10: Each of the high contracting parties solemnly declares that it shall not undertake any commitment, secret or open, toward one or more states which may be incompatible with the present treaty.

Article 11: The present treaty is signed for a term of twenty-five years and shall be subject to renewal by mutual agreement of the high contracting parties.

The treaty shall come into force with immediate effect from the date of its signature.

Article 12: Any differences in interpreting any article or articles of the present treaty that may arise between the high contracting parties shall be settled on a bilateral basis by peaceful means in a spirit of mutual respect and understanding.

Direct Taxes Enquiry Report

THE GOVERNMENT of India appointed the Direct Taxes Enquiry Committee under the chairmanship of Mr Justice K.N. Wanchoo, retired Chief Justice of the Supreme Court of India, by a resolution dated March 2, 1970. The committee was asked to (a) recommend concrete and effective measures for unearthing black money and prevent its proliferation through further evasion, for checking avoidance of tax through legal devices, including the formation of trusts and for reducing the tax arrears; (b) examine various exemptions allowed by the tax laws with a view to their modification, curtailment and withdrawal; and (c) indicate the manner in which tax assessment and administration may be improved for giving effect to all its recommendations.

The report of the committee was released to the press recently. A summary of the findings of the committee is given below:

Black money is like a cancerous growth in the country's economy which, if not checked in time, is sure to lead to its ruination. Research work on tax evasion in this country is extremely limited; also, attempts to estimate and study tax evasion suffer from some basic infirmities owing to the insufficiency or non-availability of reliable data. Unless a detailed break-down of the total assessed income generated in each year is available, it is difficult to make a scientific study of the trend of tax evasion.

Dimensions of Evasion

Some data for 1961-62 could be obtained and analysed from Directorate of Inspection (Research Statistics and Publication). The conclusion of this study is that the income which escaped tax for 1961-62 would be of the order of Rs 811 crores. Applying the ratio of evaded income to the assessable non-salary income of 1961-62, to the assessable non-salary income of 1965-66, the evaded income for 1965-66 works out to Rs 1,216 crores.

These estimates have, however, to be qualified for certain reasons. Even after taking all these imitations into account and after making rough adjustments on the basis of information available, the estimated income on which tax has been evaded would probably be Rs 700 crores and Rs 1,000 crores for the years 1961-62 and 1965-

66 respectively. Projecting this estimate further to 1968-69 on the basis of percentage of increase in the national income from 1961-62 to 1968-69 (during which period the national income increased nearly by 100 per cent), the income on which tax was evaded for 1968-69 can be estimated at a figure of Rs 1,400 crores.

The extent of income-tax evaded during 1968-69 would be of the order of Rs 470 crores, being one-third of Rs 1,400 crores. The money value of deals involving black money may, therefore, be not less than Rs 7,000 crores for 1968-69. This is, however, only a guesstimate based on certain assumptions about which substantial difference of opinion exists for want of adequate data.

The tax-evaded income is not all lying hoarded which can be seized by the authorities; much of it has been either converted into assets or spent away in consumption or else is in circulation in undisclosed business dealings.

Causes of Tax Evasion, Creation of Black Money and its Proliferation:

(a) High rates of taxation under the direct tax laws.

(b) Economy of shortages and consequent controls and licences.

(c) Donations to political parties.

(d) Corrupt business practices.

(e) Ceilings on and disallowances of, business expenses.

(f) High rates of sales-tax and other levies.

(g) Ineffective enforcement of tax laws.

(h) Deterioration in moral standards.

Prevalence of high tax rates is the first and foremost reason for tax evasion, because this is what makes the evasion so profitable and attractive in spite of the attendant risks. The rate schedule recommended for adoption is given in table alongside.

Minimisation of Controls and Licences

A committee of experts should be appointed to enquire into the utility

of all existing controls, licensing and permit systems, and suggest elimination of such of these as are no longer considered necessary. This committee may also suggest changes in law and procedures so as to ensure that the controls which are absolutely essential for the health of the economy are administered more effectively and with the least harassment to the public.

Regulation of Donations to Political Parties

There is need to keep political institutions free of corruption. Removal of the ban on donations by companies to political parties is, therefore, not favoured. Nevertheless, it is an accepted fact of life that in a democratic set-up political parties have to spend considerable sums of money, and that large sums are required for elections. As in West Germany and Japan, in our country also, the government should finance political parties.

Allowance of Certain Business Expenses

Entertainment expenditure which is incurred primarily for the furtherance of the tax payer's business and is directly related to its active conduct should be allowed to be deducted upto the ceilings prescribed under section 37 (2A) of the Income-tax Act, 1961.

Intelligence and Investigation

To cope with the increasing refinement and sophistication of the techniques of tax evasion, there is a need for complete re-orientation in the Department's approach to its methods of intelligence and investigation. The machinery for intelligence and investigation at the command of the Department should also be thoroughly over-

RECOMMENDED RATE SCHEDULE

Income slab	Rate of tax
0—5,000	Nil
5,001—10,000	10%
10,001—15,000	500+15%
15,001—20,000	1,250+20%
20,001—25,000	2,250+25%
25,001—30,000	3,500+35%
30,001—40,000	5,250+45%
40,001—50,000	9,750+50%
50,001—60,000	14,750+55%
60,001—70,000	20,250+60%
Over—70,000	26,250+65%

Surcharge in respect of incomes over Rs 15,000.

hailed and streamlined to tackle adequately the menace of tax evasion.

Taxation of Agricultural Income

Agricultural income, which is at present outside the central tax net, offers plenty of scope for camouflaging black money.

There is urgent need for agricultural income being subjected to a uniform tax more or less on par with the tax on other incomes so as to eliminate the scope for evasion of direct taxes imposed by the union government. Agriculture should also contribute to the national exchequer in much the same way as other sectors are doing. It is also necessary on grounds of equity and distributive justice.

Substitution of Sales Tax by Excise Duty

The best way to get over the problem posed by the existing sales-tax systems would be to replace sales-tax levy on various commodities, as far as possible, by additional duty of excise, but in the selection of commodities, care should be taken to minimise the cascading effect on prices. As sales-tax will still continue to be levied on some commodities, there should be greater co-ordination between the Income tax authorities and the Sales-tax authorities in the matter of exchange of information, collection of intelligence about evasion of these taxes and also in taking preventive measures for checking tax evasion.

Compulsory Maintenance of Accounts

A statutory provision may be made requiring maintenance of accounts by persons in profession, and by businessmen where the income from business is in excess of Rs 25,000 or turnover or gross receipts are in excess of Rs 2.5 lakhs in any one of the immediately three preceding years. In the case of a new business, the provision will apply if the income or turnover is likely to exceed these limits.

Permanent Account Number

The absence of a uniform system of indexing all taxpayers in the country on a permanent basis has to some extent been responsible for the difficulties experienced by a department in tackling tax evasion. It has prevented proper linking of information expeditiously to the assessee to whom it relates and has also resulted in the record and the accounts of the taxpayers not being properly maintained. There is no gainsaying the fact that both the tax-payers and the Department will stand to benefit by the intro-

duction of a system of permanent account numbers.

Power of Survey

A new provision may be introduced as an adjunct to section 133A of the Income-tax Act 1961 to enable the Income-tax Officer to visit any premises of an assessee for the purposes of counting cash, verifying stocks, and inspecting such accounts or documents, as he may require and which may be available there. He may also obtain any additional information and record statement of any person who is found at the premises. In respect of matters which would be relevant for making a proper assessment.

Co-ordination between Banks and the Income-tax Department

The legal provisions under which the system of permanent account numbers is introduced should also include that taxpayers should quote their permanent account numbers in applications for bank drafts, mail transfers, telegraphic transfers, etc., if the amount involved in such transactions exceeds five thousand rupees.

Reintroduction of Expenditure Tax

Introduction of an expenditure statement as a part of the form of return of income should be quite effective in checking evasion through consumption expenditure, without disturbing the existing tax structure.

'Pugree' Payments

The present legislative control on rent which operates in respect of both residential and non-residential premises may be amended so as to restrict its operation to residential premises only.

Tightening Provisions of the Stamp Act

It will go a long way to help deter investment of black money in immovable property if adequate machinery is provided under the Stamp Act for valuation of properties which are the subject of transfer.

Foreign Exchange Violations

An official study team appointed by the government of India has estimated in its report recently submitted that the extent of leakage of foreign exchange is about Rs 240 crores yearly. Since foreign exchange violations are possible only through clandestine dealings, these necessarily result in evasion of income-tax and other allied taxes. It is understood that the government is examining the report of this study team

and is proposing to initiate necessary remedial measures in this regard, including certain amendments to the Foreign Exchange Regulation Act. It is expected that the appropriate authorities would deal with this matter effectively.

Tax Evasion in Film Industry

The law should be suitably amended to provide that where under an irrevocable annuity policy, though taken by the producer in his name but assigned in favour of the artiste, the remuneration is paid to the artiste in the form of an annuity spread over a number of years, the artiste should be taxed only on the amount of annuity received during the year. The present value of annuities due in future should be exempt from Wealth-tax. The producer would be entitled to claim the entire amount paid to the Life Insurance Corporation towards taking out such a policy as a deduction in the year of payment.

Payment by Crossed Cheque or Crossed Bank Draft

An endeavour should be made to evolve a new instrument in the form of a Bank Bill of Exchange which is readily transferable but also contains an obligation for it to be encashed through a bank account. A suitable pay order draft of different denominations may be designed and introduced for this purpose. In brief this instrument should contain the following three essentials:

(i) That it is an equivalent of pay order or draft, without the name of the payee at the time of issue;

(ii) that the name of the payee is entered on the instrument by the payer at the time of payment; and

(iii) that the instrument is marked 'account payee only' by the issuing bank so that it cannot be encashed except through a bank account of the payee. After the introduction of the new instrument as suggested above, the exceptions provided in rule 6DD of the Income-tax Rules may be suitably curtailed.

In an acquisitive society, it is more common for a taxpayer to regard taxation as a burden and to seek all possible means to escape it. The distinction between 'evasion' and avoidance is largely dependent on the difference in methods of escape resorted to. Some are instances of merely availing, strictly in accordance with law, the tax exemptions or tax privileges offered by the Government. Others are manoeuvres involving an element of deceit, misrepresentation of facts, falsification of

accounts, including downright fraud. The first represents what is truly tax planning, the latter tax evasion. However between these two extremes there lies a vast domain for selecting a variety of methods which, though technically satisfying the requirements of law, in fact circumvent it with a view to eliminate or reduce tax burden. It is these methods which constitute 'tax avoidance'.

Capital Gains

Capital gains should not be treated on a par with other income. Such gains may be partly attributable to inflationary pressures and in any case, represents income which has accrued over a period of time.

Re-introduction of relief in any form in respect of earned income is not favoured.

A deduction of Rs 5,000 may be allowed under Chapter VI A of the Income-tax Act, in addition to the basic exemption, to a registered medical practitioner who practises in rural areas and does not have a clinic in any urban area.

For encouraging industrialisation of backward areas, a concession in the form of accelerated depreciation—equal to one and one-half times the amount of depreciation which would otherwise have been allowable—may be given to taxpayers who establish new industrial units in notified areas, in respect of their fixed assets.

Tax rebate ranging from five per cent to 10 per cent of the tax payable may be allowed to an assessee in respect of income derived from a labour-oriented industrial unit newly set up after a specified date. The rebate should be available for a period of 5 years beginning from the year in which the operations commence.

A Reconstruction and Stabilisation Reserve Fund may be established to which all companies may contribute up to a maximum of 10 per cent of their gross total income. The contributions will be allowed to be deducted in arriving at the total income of the companies for tax purposes. To be eligible for deduction the deposits may be made at any time during the account year or within six months of the close of the account year. The government will pay interest of six per cent per annum on these deposits and the amount of interest will be subject to tax. Unlike the National Development Fund for the non-corporate sector, no overdraft facilities will be allowed on the security of these deposits. The companies will be free to withdraw at any time up to 50 per cent of the deposits for current repairs buildings or plant a machi-

nery, and for research, but the amount withdrawn shall be deemed to be income of the year in which it is withdrawn. The remaining 50 per cent of the deposits will remain blocked for a period of five years during which no withdrawals will be permitted. After five years, the amount may be withdrawn with the approval of the government for expansion and development purposes only, including employee's housing. The amount of withdrawal will not be subjected to tax as income but will be deducted from the cost of assets for purposes of depreciation. The deposits in the Fund will not, however, be exempt from the capital levy.

An incentive by way of a tax rebate may be allowed to companies, engaged in the manufacture or production of specified goods, to reward additional productivity, i.e., increased utilisation of installed capacity and increased production. The rebate may be in the form of a deduction ranging from five to ten per cent increase in output. For this purpose, suitable norms may be evolved by competent authorities for each industry/unit and these may be announced well in advance.

Exclusion of Bonus Capital

In the case of small companies with paid up capital not exceeding Rs five lakhs, distributed profits up to eight per cent of the paid up capital or Rs 25,000, whichever is less, may be totally exempted from tax by allowing the same to be deducted in computing the total income. In the case of companies with paid-up capital exceeding Rs five lakhs, distributed profits upto eight per cent of the paid up capital should be taxed at the rate of 30 per cent. To prevent avoidance of tax by companies enlarging their capital base by issue of bonus shares, the bonus share capital should be excluded for this purpose.

Section 104 of the Income-tax Act relating to compulsory distribution of dividends may be omitted.

All domestic companies, whether public or private, widely-held or closely held, and industrial or non-industrial, should be taxed at a uniform rate of 55 per cent.

The existing distinction in the matter of rate of tax applicable to widely held companies with income not exceeding Rs 50,000 and others may be done away with, and both taxed at the rate of 55 per cent.

Surtax on companies should be abolished.

A tax on capital of companies may

be introduced. Such a tax may be imposed with reference to the valuation date as defined in the Wealth-tax Act, 1957. The capital for this purpose may be defined as 'owned' and 'borrowed' capital of companies and such a tax may be fixed at a general flat rate of 1 per cent; a differential treatment in the form of either a basic exemption of and lower tax rate may be prescribed for small companies. Even public sector companies should be brought within the purview of such a tax, though it might only mean transfer of the amount from one pocket to another of the government.

"Owned Capital"

The term 'owned capital' may be defined for this purpose as paid-up capital of the company and reserves, other than reserves for specific contingent liabilities. The term, borrowed capital, should be defined as an amount calculated at eight times the net interest paid by the company towards borrowings during the year.

New industrial companies may be exempted from the capital levy for a period of five years from the date of their incorporation.

A Hindu undivided family should be taxed at a special rate if any of its members has independent income above the maximum not liable to tax. Such Hindu undivided families should be taxed at the following rates:

Income Rs	Rate %
5,001—10,000	15
10,001—15,000	25
15,001—20,000	35
20,001—30,000	45
30,001—50,000	55
Over—50,000	65

In addition 15 per cent surcharge should also be leviable where the income exceeds Rs 15,000.

Clubbing Income of Husband, Wife and Minor Children

Family consisting of husband, wife and minor children being treated as a unit of assessment is not favoured.

Treatment of Perquisites

The government should re-examine all the existing rules pertaining to valuation of perquisite in order to update them with reference to the current market trends.

Taxation of Discontinued Business

A provision on the lines of section 175 (4) of the Income-tax Act 1961,

should be added to cover also income from business received after its discontinuance.

Charitable and Religious Trusts

Every person in receipt of income derived either from property held under trust or other legal obligation for charitable or religious purposes or from voluntary contributions received on behalf of such trust or institution should be required to furnish a return of income if the total income, ignoring the exemption under section 11 and 12 of the Income-tax Act, 1961, exceeds the maximum amount not chargeable to Income-tax.

Tax arrears have been a chronic problem with the Department and have of late assumed serious proportions. The magnitude of the problem of arrears in our country seems to have no parallel elsewhere.

Causes of Arrears

The main causes of tax arrears are as follows:

(a) Treating as arrears amounts not due for collections, demands relating to protective assessments as also disputed demand.

(b) Unrealistic and over-pitched assessments.

(c) Administrative delays, late assessments, finalising important revenue cases towards the close of the financial year, completing assessments for several years together, delays in disposal of appeals, etc.

(d) Administrative deficiency—frequent changes in jurisdiction unscientific and cumbersome accounting and collection procedures, shortage of personnel and lack of proper training and even the minimum equipment in collection and recovery wings, inadequate powers and inadequate exercise of powers and lack of co-ordination among assessing, collection and recovery officers.

(e) Factors beyond the control of the Department, companies going into liquidation, assessee leaving the country or becoming untraceable and assessee alienating assets. Heavy penalties and interests increase the arrears.

(f) Slow progress of write off of irrecoverable arrears and scaling down of partially irrecoverable arrears.

Remedial Measures

The causes, though many and varied, are all linked to inadequacies of ad-

Save with grace

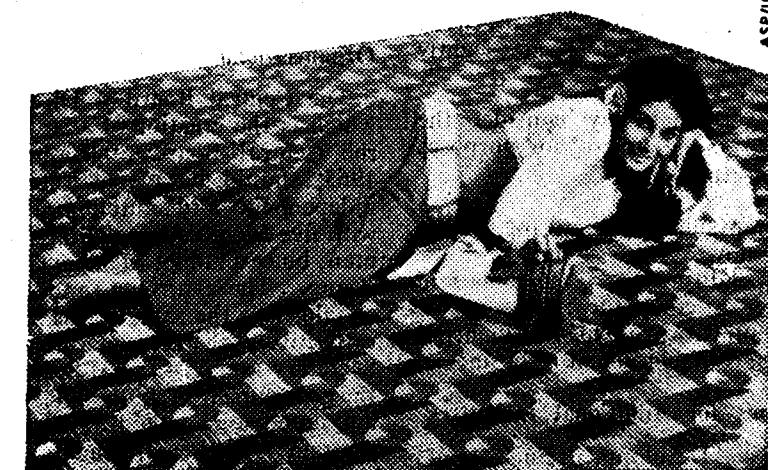
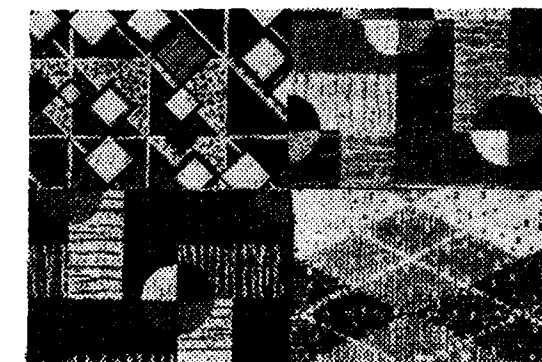
Linoleum floor-coverings are an economic investment. Linoleum endows your home with a graceful decor. By retaining its striking elegance for years, it saves you so much in repair and renovation costs.... you'll need a whole elephant to serve as a piggy-bank!

Stain-proof, easy to clean and polish, Linoleum comes in a wide range of colours and designs. Choose yours.

LINOLEUM

The versatile floor-covering ■ For better living

India Linoleums Ltd.,
P.O. Birlapur, 24 Parganas, West Bengal.



ASP/IL-5

ministration and inadequacies of law and procedure. The measures taken in the past have been palliatives for individual symptoms rather than a cure for the malady itself.

Where the assessee does not honour the undertaking given at the time of grant of instalments, the Department should take a stiff attitude in the matter of realisation of arrears.

The powers conferred on the officers under the Second and Third Schedules to the Income-tax Act, 1961 should be exercised with vigour and firmness. In particular, the powers of distraint should be exercised on a much wider scale than at present. All Income-tax Officers entrusted with collection duties may be authorised to effect distraint and sale of movable properties and Inspectors working under them may be authorised to execute distress warrants issued by them.

In a wider sense, all deductions, whether they are allowed in the process of computation of the gross total income or wealth, or in determining the taxable income or wealth, and all types of rebates, reliefs, abatement of tax, or tax credit, are only different modes of providing exemption from tax.

Review of Existing Exemptions, Deductions etc.

Agricultural income should be aggregated with the other income liable to Income-tax and taxed in the manner indicated in the chapter on Black Money and Tax Evasion.

Casual and non-recurring receipts should be taxed in the manner and to the extent recommended in the chapter on Tax Avoidance.

It is not feasible to extend the present tax concessions available to foreign technicians to those who work as professionals or on job work basis.

Development rebate has outlived its utility and has been rightly withdrawn.

The government may consider the following, among others, for purposes of amortisation:—

- Lump sum payments for technical know-how;
- Expenditure on 'amalgamation' or merger of companies;
- Administrative expenses incurred before the commencement of business.

Suggestions for Additional Incentives

A National Development Fund should be established to which all taxpayers, other than companies, may contribute

on a voluntary basis. It may be made clear that the Fund will be earmarked for utilisation by government on development projects only. The contribution to the Fund in any financial year should be subject to a ceiling of 10 per cent of the gross total income of the taxpayer or Rs 20,000 whichever is less. A percentage of the contribution should be allowed as a deduction in computing the total income in the same way as under section 80C of the Income tax Act, 1961 in respect of contributions to a provident fund or payments towards life insurance premia viz., 100 per cent of the first Rs 1,000 of the qualifying amount, 50 per cent of the next Rs 4,000 and 40 per cent of the balance. However, this deduction should be in addition to that admissible at present under section 80C of the Act. The contributions to the Fund will be blocked for a period of seven years. The amount on repayment after seven years will not be liable to tax. The rate of interest may be not less than 4 1/2 per cent, but the interest may be subject to Income-tax. As an added incentive, the investment in the Fund may be exempted from wealth-tax also.

Credit facilities may be allowed to taxpayers by the nationalised banks against the collateral security of their deposits in the National Development Fund within the framework of the credit policy as laid down by the Reserve Bank of India from time to time.

Reintroduction of relief in any form in respect of earned income is not favoured.

Shortcomings in tax administration can frustrate even the best of tax policies. The recommendations on tax administration will have to receive precedence if the measures suggested in the other Chapters are to yield the desired results.

The ills that beset the tax administration are many and it is hardly surprising that both tax evasion and tax arrears have assumed menacing proportions.

Organisational Set-up

The Central Board of Direct Taxes, which is the creation of a statute, viz., the Central Board of Revenue Act, 1963, should be reconstituted as an independent and autonomous Board with five Members, including its Chair, man, but excluding Member (Finance) if any. The chairman and members should have the same status and draw, respectively, the same emoluments as a Secretary and Additional Secretaries to the government of India and should be appointed as a rule from among the personnel of the Income-tax service.

The government should scrupulously respect its autonomy and inde-

pendence and should refrain from giving any directions in individual cases, though it could issue directions of a general nature. The board will submit to the Parliament an annual report on the management and performance of the Department.

The Central Board of Direct Taxes should not be a part of the Ministry of Finance. As it happens, the Secretariat officers function in an environment where they are susceptible to political influences. It is of the highest importance that in matters of taxation, the Rule of law prevails strictly and impartially and there should be no outside influence. The direct tax laws administration should be insulated from political pressures and the government should publicly declare that by constituting an independent board, they intend to respect its autonomy both in law and practice.

There is no case for abolishing the Directorates of Inspection altogether.

Personnel policy is an integral part of any administrative system. There have been certain glaring anomalies and obvious inconsistencies in the policy hitherto followed by the Department in the matter of recruitment, promotions, job classifications, etc.

With a view to ensuring that persons of high calibre may be recruited to the Service the candidates who take the combined competitive examination and opt for the Income-tax Service should also be required to take two additional papers as for the Indian Administrative Service and Indian Foreign Service. For the Income-tax Service, preference should be given to candidates with law and accountancy qualifications.

Procedures and Methods of Work

The efficiency of an administration depends to a large extent on the efficacy of its procedures and methods. The set-up in which the Income-tax Officer functions on the basis of fixed jurisdiction is unsuited to the present day requirements. The Inspecting Assistant Commissioner's Range should be constituted as the basic jurisdictional unit. The Range may consist of a specified territory or have specified class of cases or even individual cases assigned to it. The Inspecting Assistant Commissioner and all the Income-tax Officers in his Range will have concurrent jurisdiction over all the cases in the Range. The distribution of cases as also the functions among the Income-tax Officers in the Range should be within the administrative competence of the Inspecting Assistant Commissioner. The Range will also be a managerial and administrative unit, with the Inspecting Assistant Commissioner planning, controlling and co-ordinating all functions therein.

The Shape...

...of things to come. Traditionally, mango leaves on a 'KALASH': Today's omen for the good festive days: Century's range of smart seductive prints. Delectable to wear. Just right to make a cherished presentation. Choose from the newest: Anuradha, Vinodini, Two x Two Monica, Lakes Beauty. Also from Century, a full range of Cotcell-O and Cosy-Cot Shirts, Paramasukh Dhotis, Cambrics, Poplins, Voiles, Dorias, Bleached Long Cloth and fabrics for all the family.



THE CENTURY
SPG. & MFG. CO. LTD.,
WORLI, BOMBAY-25 DD.

CENTURY
SAREES

Century — For 100% cotton textiles



Adroit/CM 196

Where there is Colour there is a Dye



ATUL®

Makes all the Dyes to meet the needs for each Industry.

■ TEXTILE ■ PAPER ■ JUTE
■ SILK ■ ART SILK ■ ETC.



REGD. TRADE MARK

The Atul Products Limited

P.O. Atul, Via Bulsar, Gujarat State.

Phone: Bulsar 462 Gram: TULA, Atul.

